Preface and Acknowledgments

It is our great pleasure to welcome you to the city of Chicago and the 2009 American Marketing Association Summer Educators’ Conference. The theme of the conference is “The Role of Marketing in Defining the Organization’s ‘Sustainability’ Goals.” Sustainability clearly has come to the forefront in the world today, but what does it mean to us in our everyday lives both personally and professionally? In general terms, it is defined as the ability to maintain balance of a certain process or state in any system so that future generations do not suffer because of the excesses of past generations. We are experiencing this threat to future generations through the impact of unsustainable consumption.

“Global warming is not a someday problem, it is now. We are already breaking records with the intensity of our storms, the number of forest fires, the periods of drought. By 2050 famine could force more than 250 million from their homes. . . . The polar ice caps are now melting faster than science had ever predicted. . . . This is not the future I want for our daughters. It is not the future any of us wants for our children. And if we act now and act boldly, it doesn’t have to be.” (Barack Obama, Portsmouth New Hampshire, 10/08/07)

We in the American Marketing Association have decided to ACT NOW by dedicating this conference to achieving sustainability from the perspective of what marketing can do to encourage such behavior. The cynic could ask, “How can you, as a group of marketers, address ‘sustainability’ in a meaningful way? You are not scientists, you know little about the conservation of energy, food, or water.” There are those who believe that marketing and sustainability simply cannot be reconciled given that the historical focus of marketing has been to encourage the consumption of goods and services. There are others who argue that marketing can contribute to the development of sustainable consumption. Sustainability can be addressed by what we know: the management of human consumption—clearly, the impact on the environment can be reduced not only by consuming less but also by making the full cycle of production, use, and disposal of goods and services more sustainable. This is within the focus of what marketing is all about, and at this conference there are many papers and special sessions that have been organized to address these issues.

More and more we are seeing the emergence of undergraduate and graduate programs designed around the theme of sustainability in business schools. This is an effort to better prepare both our undergraduate and MBA students for careers in the business forum that is moving toward the institutionalization of sustainable business practices. In the end, the purpose of this conference is to raise the debate among marketers as to the relationship between marketing and sustainability. So in keeping with the tradition established in 2007 and our field’s movement toward sustainability, this year’s conference features five sessions under the Career and Professional Development track that address how to deal with the significant demands of an academic career, in a sense to make those new to the profession more aware of a curriculum that includes the demands of sustainability.

Putting together a conference of this size was not an easy task and involved more than a year of planning and hard work. We thank the people who submitted papers to the conference and especially those who developed special sessions on this year’s theme. We also acknowledge the hundreds of people who reviewed the papers and essentially shaped the program to what it is today. Getting accepted to the conference was not an easy task this year as the acceptance rate was approximately 35% because of the significant number of submissions and limited availability of space. Thus, the quality of the work presented should be at an all-time high! We thank the discussants and session chairs for accepting these roles as well as the SIGs, which assumed an active role in developing quality sessions. Finally, we acknowledge Paul Connell and his Blue Ribbon panel (Wendy Boland, Risto Moisio, Sayantani Mukherjee, Mary Wolfinbarger, and Robert Cascio) who selected the Best Conference Paper.

Again, we can attribute the quality of the conference to the track chairs whose behind-the-scenes efforts to encourage submissions, select top quality reviewers, and manage sessions are legendary. We thank them for their tireless efforts. By track these people are as follows:

Consumer Psychology and Behavior
Joseph Nunes, University of Southern California
Kristen Diehl, University of Southern California

Branding and Marketing Communication
Eric Yorkston, Texas Christian University
Deanne Brocato, Iowa State University
Sales and Sales Management
Wes Johnston, Georgia State University
John (Jeff) Tanner, Baylor University

Global and Cross Cultural Marketing
Susan Whelan, Waterford Institute of Technology
Anthony Foley, Waterford Institute of Technology

Marketing Research and Technology
Paul Connell, Stony Brook University
Yong Liu, University of Arizona

Services Marketing and Management
Shashi Matta, Ohio State University
Clay Voorhees, Michigan State University

Channels of Distribution, Supply Chain Management, Business-to-Business Marketing, and Interorganizational Issues
Mark Houston, Texas Christian University
Chris Blocker, Baylor University

New Product Development, Product Management, and Entrepreneurship
Wendy Boland, American University
Scott Radford, University of Calgary

Retailing and Pricing
Todd Arnold, Oklahoma State University
Lisa Scheer, University of Missouri

Marketing Education and Teaching Innovation
Mary Curren, California State University, Northridge
Kristen Walker, California State University, Northridge

Public Policy and Ethical Issues
Lawrence J. Marks, Kent State University
Michael A. Mayo, Kent State University

Marketing Strategy/Marketing Management for Value Creation
Sam Min, California State University, Long Beach
Stephen Kim, Iowa State University

E-Commerce and Technology
Gary Davies, Manchester Business School
Rosa Chun, Manchester Business School

SIGs
Lynn Kahle, University of Oregon

We sincerely thank Peter Dacin, president of the Academic Council, for asking us to chair the conference and cheering us on when we needed it (which was often). We also thank the previous conference chairs, James R. Brown and Rajiv Dant, for their thoughts and encouragement. Thanks abound to Pam Ellen and Tom Brown who answered the call when we needed sage advice on an issue or two. In addition, we must not forget the AMA staff, particularly Francesca V. Cooley and Jessica Thurmond. We were extremely honored to serve as cochairs for the conference and as coeditors for the proceedings. We also admire the changes that our own institutions are making as they move in the direction of sustainability. Stony Brook University is devoting its new campus in Southampton Long Island entirely to the subject of sustainability so that new generation of students can appreciate and act at this critical juncture. The College of Business Administration at California State University, Long Beach, is integrating sustainability into the MBA curriculum as its focus for training the current generation of MBA students to meet the challenges of a new environment.

We hope that you enjoy the conference and the city of Chicago. We welcome any feedback you may have to make the event even better next year!

Ingrid Martin
California State University

Michael A. Kamins
Stony Brook University
Best of Conference Award

“The Influence of Change-Focused Advertising Appeals and Self-Referencing on Consumer Persuasion”
Julie Ruth, Rutgers University
Linda Tuncay, Loyola University
Atul Kulkarni, University of Illinois

Best Paper Awards by Track

**Branding and Marketing Communications**
“Corporate Branding and the Influence of Employee Stereotypes”
Gary Davies, Manchester Business School
Rosa Chun, Manchester Business School

**Channels of Distribution, Supply Chain Management, Business-to-Business Marketing, and Interorganizational Issues**
“Trusted Advisor–Partner Relationships: Reciprocal Trust, Relational Behaviors and Relationship Outcomes”
Wayne Neu, California State University, San Marcos
Gabriel Gonzalez, Arizona State University
Michael W. Pass, Sam Houston University

**Consumer Psychology and Behavior**
“The Influence of Change-Focused Advertising Appeals and Self-Referencing on Consumer Persuasion”
Julie Ruth, Rutgers University
Linda Tuncay, Loyola University
Atul Kulkarni, University of Illinois

**E-Commerce and Technology**
“Testing an Axiological Model for Assessing the Value of Real-Life Brands in Virtual Worlds”
Stuart John Barnes, University of East Anglia
Jan Mattson, Roskilde University

**Global and Cross-Cultural Marketing**
“Endorsing Product Brands Through a Standardized Corporate Brand: Cross National Perceptions and Effects”
Bernhard Swoboda, Trier University
Markus Meierer, University of Trier
Dirk Morschett, University of Freibourg

**Marketing Education and Teaching Innovation**
“The Relative Efficacy of Instructor-Based and Cooperative Learning Examination Reviews on Student Performance”
Jane Lee Saber, Ryerson University

**Marketing Research and Technology**
“Using a Dynamic Choice Model to Estimate Tuition Elasticity”
Robert Carter, University of Louisville
David J. Curry, University of Cincinnati

**Marketing Strategy/Marketing Management for Value Creation**
Martin Reimann, University of Southern California/EGADE
Oliver Schilke, Stanford University
Jacquelyn S. Thomas, Southern Methodist University

**New Product Development, Product Management, and Entrepreneurship**
“New Product Alliances and Firm Stock Performance”
Sudha Mani, University of Texas at Arlington
Xueming Luo, University of Texas at Arlington

**Public Policy and Ethical Issues**
“Marketing Wellness Internally: Exploring Health Risk Appraisal Variables”
Mary L. Marzec, University of Michigan
Seung Pil Lee, University of Michigan
T. Bettina Cornwell, University of Michigan
Dee Edington, University of Michigan

**Retailing and Pricing**
“Information Value and Influence of Price on Quality Perception: Insights from Cue Utilization Theory”
Elten Briggs, University of Texas at Arlington
David Griffith, Michigan State University
Hieu Nguyen, California State University, Long Beach

**Sales and Sales Management**
“The Moderating Impact of Buyers’ Relationship Duration and Prior Sales Experience in Buyer–Salesperson Relationships”
Brian Rutherford, Purdue University
Adrienne Hall, Purdue University
Nwamaka A. Anaza, Purdue University

**Services Marketing and Management**
“Route to Customer Satisfaction: Is It Through the Heart or the Head?”
Nacef Mouri, George Mason University
Jaishankar Ganesersity of Central Florida
## 2009 Summer Marketing Educators’ Conference
### List of Reviewers

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<th>Name</th>
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I-Ling Ling, National Chiayi University
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CSR DISCLOSURE: AN EXPLORATORY STUDY OF THE LEADING MEDIA ORGANIZATIONS

David S. Waller, University of Technology, Australia
Roman Lanis, University of Technology, Australia

ABSTRACT

Corporate social responsibility (CSR) is an issue of growing interest in the business world, and many large, multinational companies, including media organizations, are voluntarily disclosing information regarding their CSR activities. While there is criticism of the ethical values of “the media,” some media organizations are using CSR to promote a positive side of their business. This exploratory study observes what the leading media organizations are doing in terms of CSR activities to propose a CSR disclosure index for the media industry, and discusses some implications for other organizations.

INTRODUCTION

Coinciding with some major corporate ethical disasters, many organizations have been communicating information on their corporate governance, ethical practice, and social responsibility. Companies can use their website or the annual report as communication tools for voluntary disclosure of non-financial information, such as ethical behavior, to their various stakeholders, including shareholders, employees, customers, suppliers, media, and the government, and to develop a particular brand image for the organization (Berkey 1990; Hopwood 1996; Judd and Timms 1991; Neu, Warsame, and Pedwell 1998; Stanton and Stanton 2002).

Corporate Social Responsibility (CSR) disclosure, in particular, has been of increasing interest as organizations recognize that their actions have consequences that affect all their stakeholders. As a research topic, CSR has been the subject of academic accounting research (Gray, Owen, and Maunders 1987; Farook and Lanis 2005), and a growing topic in marketing research (Luo and Bhattacharya 2006), and as reflected by special issues in the Journal of Marketing Communications, Journal of Advertising, and the Journal of Business Ethics. This is developing as an important issue as companies are coming under increasing scrutiny of their financial and non-financial activities. Companies with a heavy use of marketing activities can particularly benefit from undertaking and disclosing their CSR activities. Media organizations, for example, are often criticized for unethical practices, including program content and its effects on the more vulnerable sections of society (Belch and Belch 2007), therefore, it is important to see how these communicators view their social responsibility.

The objectives of this exploratory study are (1) to analyze what CSR activities are being undertaken by the leading media companies and (2) to develop a possible CSR disclosure index for media companies. To achieve this the annual reports and websites of the ten leading media organizations were analyzed (Advertising Age 2006). These organizations included: Time Warner, Comcast Corp., Walt Disney Co., News Corp., NBC Universal (General Electric Co.), DirecTV Group, CBS Corp., Cox Enterprises, Viacom, and EchoStar Communications Corp. By looking at the CSR disclosure on their websites it can be determined which organizations disclose their CSR activities, what activities they undertake and to make recommendations for CSR disclosure in the future.

BACKGROUND

CSR Disclosure

CSR is defined broadly as “including the concern for the impact of all of the corporation’s activities on the total welfare of society” (Bowman and Haire 1976, p. 13). This assumes that the entity is influenced by and, in turn, has influence upon the society in which it operates (Deegan 2002; Wilmhurst and Frost 1999; Deegan 2002; Campbell, Craven, and Shrives 2002). Systems oriented theories such as these propose that individuals, institutions, and organizations, seeking to preserve their own self-interest, attempt to operate and interact within the system through various relationships with others (Williams 1999). The relationship between individuals, organizations and society is consequently viewed as a “social contract” (Ramanathan 1976; Deegan...
Further, the economic incentives viewpoint is consistent with research that explains CSR disclosure in the context of agency theory (Cowen, Ferreri, and Parker 1987; Adams 2002; Campbell 2000). Firm size has been consistently found to influence CSR disclosure (Belkaoui and Karpik 1989; Roberts 1992; Williams 1999; Patten 1991), with larger firms disclosing higher levels of CSR, although Jenkins (2006) identified a growth of interest from the SME sector. Agency and positive accounting theories predict that managers use CSR disclosure as part of their overall strategy to reduce agency costs and in particular political costs (Watts and Zimmerman 1978). Large firms are more politically visible and, therefore, disclose more information. The legitimacy theory argument is that the more social exposure a firm receives by being larger, the greater the need to legitimize its existence to its relevant publics (Patten 1991). Organizational legitimacy is “when an entity’s value system is congruent with the value system of the larger social system of which an entity is a part” (Lindblom 1994 cited by Newson and Deegan 2002, p. 184). To paraphrase, organizations continually seek to ensure that they operate within the bounds and norms of their respective societies (Deegan 2002). Therefore, a significant positive relation is expected between firm size and voluntary disclosure.

CSR Disclosure Index

Traditionally in CSR disclosure research, aiming to empirically test certain propositions using a mass sampling methodology, various disclosure indices have been utilized to gauge the level of CSR information disclosed in annual reports (see Farook and Lanis 2005; Maali, Casson, and Napier 2006; Williams 2004). The nature and aims of this research are different from those accounting-based studies, with much smaller numbers, therefore, a disclosure index is not utilized. In this exploratory study only ten organizations are analyzed as a starting point in the development of a disclosure index which may then be developed and used in future research.

Similar marketing-based studies have observed CSR information disclosed by organizations and categorized the activities into different sections. Waller and Lanis (2006) analyze annual reports of advertising agency holding companies and found CSR disclosed in the following categories: CSR strategy (in the form of declaring a vision statement, a CSR committee or guidelines), general CSR issues (relating to issues like work output, HR activities, social/community commitment, and environmental initiatives), as well as examples of CSR activities. Jenkins (2006) categorized the CSR activities of SMEs in the U.K. as: Environmental, Employees, Supply Chain/Business to Business, and Community/Society.

Media Organizations

According to Belch and Belch (2007), the media are “organization whose function is to provide information/entertainment to subscribers, viewers, or readers while offering marketers an environment for reaching audiences with print or broadcast messages.” In providing print and/or broadcast messages, media organizations have been often criticized for unethical practices, including showing bias, misleading, deceptive, or offensive program content. As media organizations communicate to a large audience globally, there is concern on its effects on the more vulnerable sections of society, like children, elderly, and low socioeconomic groups (Belch and Belch 2007). With such a large audience and potential effect on the community, it is important to see how these organizations view their social responsibility.

As this is an exploratory study, it was decided to analyze the leading ten media organizations, which is regularly published by Advertising Age (Advertising Age 2008). The ten organizations were: Time Warner, Comcast Corp., Walt Disney Co., News Corp., DirecTV Group, NBC Universal (General Electric Co.), CBS Corp., Cox Enterprises, Dish Network Corp. (formerly EchoStar Communications Corp.) and Viacom. Note that the analysis for this study was made before Dish Network Corp. had officially changed its name. Information on the organizations, including media revenue, is found in Table 1.

While companies can communicate their CSR information through using advertising, annual reports, public relations and their websites, for this study it was decided to analyze the websites and the annual reports which is the only document produced regularly to comply with regulatory requirements and is central to the organizations own image (Gray et al. 1995). However, after first viewing the annual reports, it was noticed that few annual reports actually included CSR information. Walt Disney Co., for example, had a section dedicated to Corporate Responsibility, which included information on their “worldwide outreach” and “environmentality,” while others mentioned the existence of the company’s Code of Ethics. This supports Waller and Lanis’ (2006) study of global advertising holding companies which found that U.S. companies tended to concentrate on disclosing the financial information in the annual report than the voluntary non-financials. Therefore, the main focus of the results come from information placed on the company’s websites. After looking at the annual reports for any comment on CSR, the website was searched by the re-


<table>
<thead>
<tr>
<th>Rank</th>
<th>MEDIA CO.</th>
<th>HEAD QUARTERS</th>
<th>Total $</th>
<th>NEWS PAPER</th>
<th>MAGAZINE</th>
<th>OUT OF HOME</th>
<th>DIGITAL</th>
<th>MOVIES &amp; HOME ENTERTAIN</th>
<th>TV</th>
<th>RADIO</th>
<th>CABLE NETWORKS</th>
<th>CABLE SYS/SAT</th>
<th>OTHER</th>
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<tr>
<td>1</td>
<td>Time Warner</td>
<td>New York</td>
<td>35,629</td>
<td>$0</td>
<td>$3,600</td>
<td>$0</td>
<td>$3,764</td>
<td>$3,266</td>
<td>$47</td>
<td>$0</td>
<td>$7,197</td>
<td>$14,747</td>
<td>$3,008</td>
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<tr>
<td>2</td>
<td>Comcast Corp.</td>
<td>Philadelphia</td>
<td>26,939</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,314</td>
<td>25,625</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Walt Disney Co.</td>
<td>Burbank, Calif.</td>
<td>17,489</td>
<td>0</td>
<td>392</td>
<td>0</td>
<td>0</td>
<td>2,761</td>
<td>5,296</td>
<td>157</td>
<td>7,791</td>
<td>0</td>
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<td>News Corp.</td>
<td>New York</td>
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<td>1,499</td>
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<td>642</td>
<td>2,915</td>
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<td>4,182</td>
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<td>DirecTV Group</td>
<td>El Segundo, Calif.</td>
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<td>6</td>
<td>NBC Universal (General Electric Co.)</td>
<td>New York</td>
<td>12,161</td>
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<td>0</td>
<td>0</td>
<td>2,000</td>
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<td>7</td>
<td>CBS Corp.</td>
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<td>12,051</td>
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<td>0</td>
<td>1,547</td>
<td>311</td>
<td>162</td>
<td>6,216</td>
<td>1,745</td>
<td>1,145</td>
<td>0</td>
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<td>8</td>
<td>Cox Enterprises</td>
<td>Atlanta</td>
<td>11,899</td>
<td>1,400</td>
<td>0</td>
<td>0</td>
<td>918</td>
<td>0</td>
<td>670</td>
<td>445</td>
<td>166</td>
<td>8,300</td>
<td>0</td>
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<tr>
<td>9</td>
<td>Dish Network Corp.</td>
<td>Englewood, Colo.</td>
<td>10,728</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>10,728</td>
<td>0</td>
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<tr>
<td>10</td>
<td>Viacom</td>
<td>New York</td>
<td>9,490</td>
<td>0</td>
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<td>0</td>
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<td>5,912</td>
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Source: Advertising Age
[http://adage.com/datacenter/article?article_id=131191]

searchers for the existence of a social responsibility report, or pages with corporate, governance, ethics, community responsibility codes, or guidelines. From these a number of observations were made.

**RESULTS**

Once the information was obtained, the various CSR-related activities being undertaken by the media companies were identified to develop a list. A summary of the main finding is found in Table 2, with the main points being described below. This answers the first research objective.

Of the ten media companies observed, two mentioned CSR in the annual report (Walt Disney Co. and Cox Enterprises), three had a dedicated CSR report (Time Warner, Walt Disney Co., and CBS Corp.), while two provided CSR-related information in their Business Conduct report (News Crop and Viacom). The main issues that were included by the media organizations included ethical behavior, customer relations, suppliers, employees, community, diversity and the environment, which it is proposed could be used as an index for CSR for the media industry. The issues will be briefly explained:

**Ethical Behavior:** A high standard of ethical behavior, acting with honest, fairness, and integrity in all the company’s operations.

**Customer Relations:** Building long-lasting relationships with customers, providing high-quality ser-

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<thead>
<tr>
<th>Media Organization</th>
<th>CSR-Related Issues</th>
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<tbody>
<tr>
<td>TIME WARNER</td>
<td>Company Overview; Customers &amp; Content; Ethics, Governance &amp; Public Policy; Employees &amp; Workplace; Environment; Supply Chain; Community</td>
</tr>
<tr>
<td>COMCAST</td>
<td>Ethics; Quality; Diversity; Employee Focus; Flexibility; Enthusiasm</td>
</tr>
<tr>
<td>WALT DISNEY</td>
<td>Business Standards &amp; Ethics; Corporate Governance; Community Environment; International Labor Standards; Safety &amp; Security</td>
</tr>
<tr>
<td>NEWS CORP.</td>
<td>Corporate Assets &amp; Information; Conflict of Interest; Equal Employment Opportunity &amp; Unlawful Harassment; Safety of the Workplace &amp; Environmental Protection; Relationship with competitors &amp; Other Trade Practices; Code of Ethics for the CEO &amp; Senior Financial Officers; Procedure for Receipt &amp; Investigation of Companies</td>
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<tr>
<td>DIRECTV GROUP</td>
<td>Diversity</td>
</tr>
<tr>
<td>NBC UNIVERSAL</td>
<td>Community; Community Involvement</td>
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<tr>
<td>CBS CORP</td>
<td>Community Outreach; Programming; Diversity; Industry Recognition; Company Profile</td>
</tr>
<tr>
<td>COX ENTERTAINMENT</td>
<td>Employees; Diversity; Customers; New Technology; New Business; Community; Responsible Actions</td>
</tr>
<tr>
<td>ECHOSTAR (Dish Network Corp)</td>
<td>Honest &amp; Ethical Conduct; Full, fair, accurate, timely &amp; understandable disclosure in reports; Comply with applicable governmental laws, rules &amp; regulations; Promptly report any violations of the code</td>
</tr>
<tr>
<td>VIACOM</td>
<td>Compliance with laws, rules &amp; regulations; Conflict of interest; Confidentiality, Inside Information &amp; Fair Disclosure; Financial Accounting &amp; Improper payments; Equal Employment Opportunity; Harassment Free Workplace Environment; International Business; Fair dealing &amp; Competition; Protection &amp; Proper Use of Viacom Assets – Electrical Communication; Respect for Intellectual Property Rights; Corporate Communications; Health, Safety &amp; the Environment; Political Contributions &amp; Payments</td>
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service, and particularly for the media industry, responsible programming with acceptable content.

**Suppliers:** Fair dealing with those in the supply chain, and industry in general.

**Employees:** A focus on protecting staff, ensuring diversity, encouraging talents, keeping to international labor standards, and providing safety and security in the workplace.

**Community:** Fostering strong links with the community through public service announcements (PSAs), sponsorship, financial support, and volunteering.

**Diversity:** To show respect and reflect in a range of areas including programming, employment, customers, communities, and cultures.

**The Environment:** To balance corporate goals with activities to enhance environmental protection, including using recycling and environmentally friendly supplies.

From these main CSR issues a general CSR disclosure index was developed. The index has a 25-point scale with four main categories: Ethical Behavior, Employees, Community Commitment, and The Environment. The scale is found in Table 3. This answers the second research objective of this study by developing a possible CSR disclosure index for media companies.

### RECOMMENDATIONS

From observing the CSR-related issues presented on the websites of the media companies, a number of recommendations can be made, however, while providing these five recommendations it should be noted that these have been generated from a limited sample, and that they may be general points for an “ideal” situation which may vary given the different organization or industry. Management, for example, may decide to focus on various elements in its CSR reporting depending on its size, country of origin, corporate culture, financial situation, as well as who are the stakeholders that it is trying to communicate.

1. A dedicated CSR report or section in the annual report. While it is up to the company to voluntarily disclose their CSR activities, there are social benefits in communicating these activities to the various publics, such as shareholders, employees, customers, suppliers, media and the government.

2. Clear CSR Statement. Any CSR information should begin with a clear statement which sets out a standard that the company should work toward, and the areas of business it will focus its activities.

3. Committee/guidelines/who is responsible. In the CSR information it should be clearly identified if there is a committee in charge of the CSR activities, who is on the committee, if there are definite guidelines or a code of conduct to follow, and who those responsible are answerable to. This can give an indication of how important CSR is perceived in the corporate structure. If there is a set of guidelines or a code of conduct, they should either be included in the report or the web address should be published if those interested would like to access it.

4. Key Issues of CSR. There may be particular CSR issues that the company sees as important and should emphasize in detail in their disclosure report. These could include ethical behavior, customer relations, suppliers, employees, community, diversity and the environment. These issues may vary with the company as the individual firm may focus on specific company needs, but they should be clearly stated and discussed in the report.

5. Examples of CSR work. To assist in the understanding of what the company does as part of its CSR activities, there should be actual examples of what the company has done in the last financial year. For example in the CBS Social Responsibility Report there was full of examples of fund-raising activities and awards for community work at individual broadcasting stations. These can include descriptions of staff volunteer programs or graphics of advertisements from pro bono campaigns for particular charitable organizations, etc.

### CONCLUSION

In conclusion, it appears that corporate social responsibility (CSR) is an issue of growing interest in the business world, and that many organizations are voluntarily disclosing information regarding their CSR activities in their annual report and on their website. This exploratory study observed the CSR activities disclosed by the ten leading media companies – Time Warner, Comcast Corp., Walt Disney Co., News Corp., DirecTV Group, NBC Universal (General Electric Co.), CBS Corp., Cox Enterprises, EchoStar Communications Corp. (Dish Network Corp.) and Viacom. Of the ten media companies observed, two mentioned CSR in the annual report (Walt Disney Co. and Cox Enterprises), while two provided CSR-related information in their Business Conduct report (News Corp and Viacom). From the information gathered the main issues that were included by the media organizations included ethical behavior, employees, community, and the environment, which was proposed as a general CSR disclosure index for the media industry. Finally, five recommendations were
The presented, which were: that companies should include a CSR section in the annual report; there should be a clear vision statement relating to CSR; the existence of a committee/guidelines/who is responsible should be made; key issues of CSR in the company should be discussed, and there should be examples of the CSR work.

As this is a descriptive and exploratory study of ten media organizations, there are limitations about the generalizability of the results. However, it is noted that these organizations include the main global media companies with revenues worth $billions (Advertising Age 2008), and so does give a good indication of CSR disclo-

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<td>Code of Ethics/Business Conduct</td>
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<td>CSR strategy statement</td>
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<td>Impact of work practice</td>
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<td>Impact of suppliers</td>
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<td>Impact on customers</td>
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<th>Employees:</th>
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<td>Staff training</td>
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<td>Staff career development</td>
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<td>Staff diversity</td>
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<td>Staff protection (EEO, safety &amp; security)</td>
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<td>Staff health and well-being</td>
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<td>Compliance with labor standards</td>
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<td>Employee Ownership</td>
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<td>Staff communication</td>
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<th>Community Commitment:</th>
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<td>Social commitment statement</td>
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<td>Value of social investment</td>
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<td>Pro bono campaigns (assistance to charitable and non-profit organizations)</td>
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<td>Community sponsorship (financial support)</td>
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<td>Staff volunteering</td>
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SURE in the media industry in the United States. It should also be mentioned that the media stations, such as the individual radio or television companies, may use other forms of media to communicate with their publics regarding CSR activities, such as press releases, publicity, annual general meetings, and special reports detailing their contribution to society.

Further research should be used to analyze CSR in general and with other types of organizations, including what particular CSR activities are perceived as being worthwhile, and how effective CSR disclosures are in attempting to encourage a favorable attitude toward the company, assisting to legitimize the company’s activities. More work should also be undertaken to develop more rigorous theories of media organization’s CSR disclosure, and determine how the socio-political context of firms influences CSR disclosure. Of course, the CSR disclosure index proposed in this paper should be tested and possibly expanded to take into account more specific features in particular industries. It is noted that the ten leading media organizations have their headquarters in the U.S., so the CSR disclosure of companies around the world would provide an important global perspective. Finally, it is hoped that by publicly communicating their CSR activities, the various publics will have more confidence and trust in the ability of media organizations to ethically undertake their business and social responsibilities.

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THE IMPACT OF RETAILERS’ CORPORATE SOCIAL RESPONSIBILITY ON CONSUMER BEHAVIOR

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SUMMARY

The present study contributes to the knowledge on the impact of corporate social responsibility (CSR) in the retailing industry. This issue has rarely been addressed from the consumer’s perspective in previous research and has not yet been analyzed in a comprehensive manner, covering the main domains of CSR activity.

Corporate social responsibility is currently a topical issue in business practice across all industries. Even though CSR is not a new concept and several retailers have always striven toward socially responsible behavior, CSR activities such as ethical sourcing, corporate philanthropy, cause-related marketing or socially responsible employment have been introduced or intensified by retail companies mainly in the past few years. What was once embraced by a small elite group of companies (such as Timberland, Patagonia, Aveda, and REI in the USA or dm-Drogeriemarkt, The Body Shop, and Coop in Europe) has now gone mainstream (Wilson 2008).

With our study we contribute to the knowledge on the impact of CSR activities on consumer buying behavior and loyalty. Using a comprehensive conceptualization of CSR, we show both the consumers’ perspectives not only that CSR has positive performance implications but also which CSR dimensions are important to focus on to improve consumers’ purchasing behavior. We also show the importance of the credibility of retailers’ CSR activities.

Our conceptual model is presented in Figure 1. The basic assumption is that consumers’ loyalty formation and consumers’ purchasing intentions are not only influenced by (general) characteristics of the retail company or its stores but also by consumers’ perception of the retailer’s CSR activities. In this context, we assume that both CSR credibility and consumers’ CSR orientation play an important role as moderators of the relationships, with CSR credibility also directly impacting consumer loyalty and purchasing behavior.

In order to test the hypotheses, an empirical study was conducted by means of a consumer survey (n = 540). We chose 15 retail companies from different retail sectors (grocery, textile, consumer electronics, furniture) based on market share and the number of outlets in Germany. We used forms of data-collection avoiding direct (face-to-face-) contact with the respondents. Also, we used several forms of data-collection (administration of ques-
tionnaires to consumers in the pedestrian area of two German cities, telephone interviews, and online survey). We used this approach to avoid the problems of social desirability bias in the measures (see Freestone and McGoldrick 2008). Measurement validation and model testing were conducted using SmartPLS (Partial Least Squares).

Our study on CSR’s impact on consumers’ purchasing behavior is in line with the research that generally suggests that the influence on companies’ market performance is positive in terms of affecting customer loyalty and purchasing behavior. Generally, we could reconfirm this for the retailing industry, but with our study we show that CSR is more important as a direct factor of influence on consumers’ purchasing behavior while customer loyalty is less (directly) affected. Our results also show that perceived retailer attributes are more important for consumers’ loyalty intentions while retailers’ CSR activities are more important in terms of their impact on purchasing behavior. This can be an indication that CSR activities – while they with no doubt are of high importance for consumer behavior – have a more short-term effect on consumer behavior and thus, are less “sustainable” and have to be kept “up to date” by the retailers to retain the impact on consumers’ purchasing behavior.

The results indicate that (permanent) communication of CSR activities, highlighting the most important CSR domains, both at the point of sale and in general marketing communications is important to keep consumers informed about the companies’ activities. Our study reveals that while retailers engage highly in communicating their CSR activities, these CSR activities, however, in some cases are not perceived by the consumers. Also, our study indicates that CSR communication activities are of high importance for company success with the results from our survey accentuating that honesty, sincerity and credibility of communication activities are of key importance. References are available upon request.

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UNDERSTANDING CONSUMER OPT-IN AND OPT-OUT PRIVACY BELIEFS: A CROSS-CULTURAL PERSPECTIVE

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SUMMARY

The emergence of the Internet as an exchange infrastructure has popularized two social protocols that determine how much privacy consumers achieve. The opt-in protocol requires that entities wishing to use an individual’s contact information for commercial purposes first seek that person’s approval. The alternative opt-out protocol allows sellers to appropriate consumer’s personal contact information thereby affording consumers less control over their privacy. Consumers who believe in opt-out information sharing take the view that sellers have the right to use customer contact information for commercial purposes as long as they are afforded the opportunity to exclude themselves from further contact when initially contacted by a seller. Although research has examined consumer awareness of mechanisms for controlling personal information and the determinants of consumer willingness to share information (Foxman and Kilcoyne 1993), the theoretical underpinnings of consumer opt-out and opt-in privacy beliefs are not yet fully understood. The purpose of this paper is to advance our understanding of the nature of opt-in and opt-out beliefs.

To provide a more specific assessment of consumer perception of firm privacy practices, the construct commitment to privacy protection is proposed. It evaluates consumer belief about a firm’s intention and preparedness to protect customers’ personal information. Consumer perceived firm commitment to privacy is an evaluation of consumer trust in a firm’s management policies and practices, as they relate specifically to the security and use of customer information. This paper proposes that increased consumer perception of a company’s commitment to protecting consumer privacy is positively related to overall satisfaction and perceived value. Consumers are more likely to be assured and therefore satisfied with a firm that demonstrates strong ethical values and an amicable disposition toward customers. According to the service-dominant logic, value is created and enhanced through co-productive customization of the service outcome. An information privacy policy that engenders a trustworthy environment should create fertile ground for the value co-creation process. Thus, I anticipate that commitment to privacy is positively related to overall satisfaction and perceived value.

The effects of commitment to privacy on overall satisfaction and perceived value are hypothesized to be moderated by consumer opt in and opt-out beliefs. I propose that opt-in belief is consistent with an allocentric perspective, whereby the consumer subordinates his or her goals to those of the society (Triandis et al. 1995). As allocentrics, opt-in believers consider the privacy of the collective or all consumers imperative and believe that consumers must demonstrate solidarity in protecting their right to privacy. On the other hand, as idiocentrics, opt-out believers regard their relationship with society as exchange-oriented rather than communal-oriented (Clark, Mills, and Powell 1986). Idiocentrics view individuals and economic agents as independent of society and thus free to pursue their own self-interests. As idiocentrics, opt-out believers view firm commitment to privacy protection as motivated by calculative reasons such as likely harm to the brand resulting from consumer protest of privacy compromises. Because opt-out believers view a seller’s commitment to privacy as circumstantial rather than benevolent, it is likely to carry less weight in determining customer value and satisfaction as consumers’ adherence to opt-out belief increases. Opt-out believers are likely to be more skeptical of firm intentions. Opt-in believers, on the other hand, are likely to regard firms that demonstrate commitment to privacy as being congruent with their more allocentric perspective and will therefore hold greater affinity toward these firms. Therefore, I expect that the positive effect of perceived firm commitment to privacy on overall satisfaction and perceived value will be enhanced, the more consumers adhere to an opt-in belief and be reduced, the more consumers adhere to an opt-out belief.

Data were collected by means of a survey of members of a regional teachers’ credit union located in the northwestern United States. The survey targeted the total population of 2,745 members who used online banking services and yielded 834 responses, constituting a 30 percent response rate. The aforementioned relationships were examined using stepwise hierarchical regression. The results indicate that perceived commitment to privacy positively affects overall satisfaction and perceived value. Regarding the moderating relationships, opt-in belief significantly enhances the positive effects of commitment to privacy on both overall satisfaction and perceived value. However, opt-out belief does not significantly moderate the effects of commitment to privacy on overall satisfaction and perceived value.

These results provide a clear logic to managers that a reputation for protecting consumer privacy has real impact on how much value consumers perceive in a service...
and the satisfaction they experience. However, these real effects are contingent on consumer heterogeneity regarding their beliefs about whether a firm should have a right to use their information subject to later approval. The results show that the more consumers believe that a firm should first seek their approval, the greater their appreciation of firm privacy policy reassurances. Consumers who adhere to the belief that firms can use their contact information and give them the opportunity to opt-out afterwards are less responsive to a firm’s privacy protection efforts. Possibly, these consumers are more skeptically of privacy protection efforts and are therefore less reactive to them. The results of the study highlight the need for managers to try to evaluate their customers’ attitudes to information privacy rather than assume incorrectly that all customers will respond similarly. This will improve the effectiveness of managers in optimizing yield from their customer information assets.

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A TYPOLOGY OF SOCIAL MEDIA USERS: NEW AMMUNITION FOR MARKETERS

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Anthony Francescucci, Ryerson University, Toronto
Fernando E. Pardo, Ryerson University, Toronto
Bettina C. West, Ryerson University, Toronto

SUMMARY

The trade literature is replete with commentary about the need for marketers to develop promotional strategies that are more of a conversation with customers than a one-way communication. Companies are beginning to invest more dollars in media engagement platforms such as social computing, and in marketing backbone technologies, such as customer analytics to measure impact. The motivation for this shift is the increasing penetration of the Internet into households across the globe. The question for marketers is whether this uptake of technology has reached the “tipping point” where fundamental change ensues because a critical mass of people are engaged and convert to a new idea. This particular study focuses on the adoption of online social network technologies among young adults and the implications of this adoption for marketers.

Because of the relative recency of widespread participation in social networking sites, much of the research on this topic has focused on virtual communities within organizations or communities of practice rather than within the general population. Only a few studies have tried to differentiate among users to uncover specific profiles along a continuum of participation. Most of the previous research has either only focused on those who actively use and participate in social media technology or on understanding the motivations of participators and non-participators. In contrast, this study focuses on understanding the characteristics of the range of users of social network technologies; in other words the profile of various user segments.

This study seeks to contribute to the body of knowledge about social media behaviours by combining and building on the key strands of existing literature. While much of the work done to date focuses on online networks within organizations or communities of practice, this research includes a more heterogeneous group in that the only commonality among participants is that they attend the same university, albeit in different Faculties, Schools, and Programs. In this study the authors propose to identify and investigate the characteristics of segments within the online user group based on the multiple dimensions of technical tasks performed, frequency of use and the social component of tasks performed.

The specific research questions being investigated in this study are: (1) What are the distinct segments within the 18 to 30-year-old age group in terms of use of and participation in online technology, and (2) What are the characteristics of the typology of users?

The authors conducted a quantitative survey using a sample of day and evening students attending a large urban Canadian university with a student body of over 23,000. To develop the scale for the social media profiles the authors conducted an exploratory factor analysis (EFA). Once a model was identified, Confirmatory Factor Analysis (CFA) was used to further refine the model and for parsimony. Having established three distinct types of online behaviours among 18 to 30 year olds, the authors then examined whether individuals who exhibited these behaviours could be segmented into distinct groups. Then the K-means approach was applied to identify four clusters of social media users, along two dimensions: information needs, and interactive participation, which resulted in four distinct and substantial segments defined as Social Media Technology (SMT) Mavens (high on both), Info Seekers (high on information needs), Socialisers (high on interactive participation) and Minimally Involved (low on both).

The analysis of the four user groups are compared on their participation levels in a series of online activities ranging from passive (reading the comments of others) to socializing (posting on the pages of others) to contributing and creating (writing articles). To summarize, these four user segments are distinguishable based on their need for information found through various types of online social technologies as well as their likelihood to engage in interactive participation through these venues.

Our second research question investigated the characteristics of each of the distinct segments that have been identified. Gender differences exist between socializers and info seekers, with females more likely to be socializers and males more heavily represented among info seekers. Program of study does not appear to influence affili-
ation with a particular SMT user segment among full time university students, but continuing education students who also represent a somewhat older demographic are more likely to belong to the minimally involved group. Finally, as full-time students progress through their course of study, their online needs evolve, away from socializing and towards more information-driven motives.

The most important result that this research reveals is that there cannot be a one-size fits all strategy for marketers who intend to leverage social media technology to promote their products and/or services. Each segment uses online interaction to meet different needs and corporations who intend to leverage this medium to promote their products and services need information about their customers in terms of their online habits in order to craft successful online promotion strategies. Future research is needed on the attitudinal and motivational differences among the four segments identified in this study. References are available upon request.

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WHO NEEDS CYBERSPACE? AN ANALYSIS OF MASLOW’S NEEDS IN THE VIRTUAL WORLD OF SECOND LIFE

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SUMMARY

What drives human needs in virtual worlds? This study explores this assertion based on individuals’ higher-order needs (i.e., belonging, esteem, and self-actualization) in virtual world settings using Abraham Maslow’s hierarchy (Maslow 1954) and a series of drivers related to the characteristics of the virtual world medium (arousal and pleasure), personality characteristics (individualism and affinity for technology), channel interaction (intensity of usage and channel experience), and demographic criteria (gender, age, and education). Based on data collected from a survey administered in the virtual world Second Life (n = 404), we find that arousal, pleasure, and individualism act as particularly potent drivers of higher-order needs in virtual world channels, while channel intensity, affinity for technology and gender also act as drivers but to a lesser extent.

Virtual worlds are computer-generated environments that are three-dimensional and are rendered similar to the real world. Connected to the Internet, in virtual worlds “. . . goals are not prescribed, and virtual worlds are not games in the traditional sense” (Barnes and Mattsson 2008, p. 195). Gartner (2007) now predict that 80 per cent of active Internet users will be members of at least one virtual world by 2012. Second Life (SL), the best known and broadest 3-D virtual world platform, has grown rapidly from two million residents in January 2006 to 15 million residents in August 2008 (Second Life 2008). Virtual worlds have broad implications for organizations including the capacity to act as an important channel for companies to interact with current and potential customers, the opportunity to simulate customers’ experiences in physical stores as well as enhancing product knowledge and influencing customer attitudes and purchase intentions (Hemp 2006), among many other applications. Against this background, with the growth in adoption of this technology it is important to question how this affects what we already know about established marketing concepts; this is particularly the case for needs, which are central to social science research and highly important to marketers (Buttle 1989).

Data collection for the study involved the use of an automated avatar in SL operating at a busy traffic point. Respondents initiate contact and are given details of the survey and the URL to begin the survey (using QuestionPro). A non-conditional incentive of LS$250 (approx. US$1) was provided. A total of 404 responses were collected. The demographic profile of respondents was split broadly equally between males and females, 67 percent of respondents were in the 18–34 age group and 43 percent of the sample had received a Bachelor’s degree or higher.

Three higher order needs were measured (belongingness and love, esteem and self-actualization) using a 7-point, 30-item measure drawing on Gratton (1980). Data were also captured for level of user “channel interaction,” intensity of usage and respondent demographics. Two personality indicators were employed: “individualism” (Chelminski and Coulter 2007) and “affinity for technology” (Agarwal and Prasad 1998). Finally, arousal and pleasure were included as measures of the experience of the individual (Wang, Baker, Wagner, and Wakefield’s 2007). All levels of composite reliability for constructs were greater than 0.8 (Straub and Carlsson 1989), levels average variance extracted were greater than 0.5, and all constructs passed tests for discriminant validity (cf., Fornell and Larcker 1981).

In order to examine the impact of constructs on needs, we used partial least squares path modeling (PLS–PM) with reflective indicators (Ringle, Wende, and Will 2005). A power analysis in G*Power 3.0 suggests that our sample is large enough for even small population effects (n = 404; α = 0.05; β = 0.20; f² = 0.04) in our three structural models. We began with belongingness needs finding that arousal and pleasure (p < .001), channel intensity (p < .01), and individualism and affinity for technology (p < .05) were all significant drivers of this need in relative order of impact, while age, gender and channel experience were not found to be significant. We also observe that level of education is significantly negatively related to belongingness needs (p < .001). For esteem needs we find the significant drivers to be arousal, pleasure and individualism (p < .001), channel intensity (p < .01), affinity for technology and gender (p < .05) in relative order of association, while age and channel experience did not have a significant relationship. As in the case of belongingness needs, we find that level of education is negatively related to esteem needs (p < .001). The final need that we examined was self-actualization. Arousal, individualism, affinity for technology, pleasure and intensity (p < .001), as well as gender (p < .01) were all significant drivers of this need in order of impact, while age, level of education, and channel experience were not significant.
In terms of magnitude of effect for each of the three models we can assert that arousal is consistently the primary antecedent of needs in virtual worlds for all higher-needs examined. Thus, the degree to which a virtual world experience is perceived as engaging and interesting by the individual provides important stimuli in the meeting of higher-order needs. In addition to arousal, pleasure and individualism were also consistently strong drivers of all three needs in virtual world contexts. As such, virtual world experiences that are satisfying and make the individual feel happy are potent drivers of all needs, while experiences that emphasize achievement and competitiveness are important in stimulating higher-order needs. Hence, emotional feelings (arousal and pleasure) and individualism would appear to strongly facilitate higher-order need attainment in virtual world settings and have particular importance when designing virtual world experiences and activities.

The significance of the research for marketers lies in a number of directions. An understanding of personal motivations affords us an insight into consumer’s needs and wants. Given that online communities are useful channels for consumers to engage in discussions, inform and potentially influence others (Kozinets 1999; Muniz and O’Guinn 2001) targeting consumers via online channels would appear beneficial. This has important implications for online advertising and viral marketing. Marketing communications and strategies targeted at individual’s deployed through online channels (including the use of advertising, viral messaging and cyber coupons) not only provides significant value in a single channel through word-of-mouth and other viral behavior, but should also prove useful across multiple channels (e.g., real-life, the Web, and virtual worlds). Understanding what motivates individuals and their dominant needs would seem a useful precursor to targeting them and in effectively fulfilling these needs.

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Virtual worlds, or Internet based three-dimensional (3D) platforms, have been receiving increasing attention as new channels for marketing (Hemp 2006; Lui, Piccoli, and Ives 2007; Goel and Prokopec 2008). Besides representing a technological evolution in the representation of users and information in the form of 3D, virtual worlds offer unique distinctions from other communication technologies. One such distinction is the ability to “see” and interact with other users in real-time in an open, social platform (Goel and Mousavidin 2007). Thus far, the focus on the use of technology for marketing has been restricted to a view in which the user has a one-to-one interaction with the medium (for example, websites). The unique affordance of virtual worlds to allow for synchronous many-to-many interactions (Mennecke, McNeill, Roche, Bray, Townsend, and Lester 2008) suggests implications in the way individuals interact with each other and with the medium. These affordances give rise to social aspects that may play a role in affecting outcomes important to researchers and practitioners.

The intent of this paper is to explore the implications of the social aspects enabled by virtual world technology in marketing. We identify new variables, such as social awareness and social quality that may play an important role when studying virtual worlds in the context of marketing. In particular, we are interested in the relationships between such social aspects, and the level of cognitive absorption (Agarwal and Karahanna 2000) that an individual feels when using virtual worlds. Cognitive absorption, derived from the concept of “flow” (Csikszentmihalyi 1988, 1990, 2002) is a state in which an individual is deeply involved with an activity to the exclusion of other cognitive demands. Cognitive absorption, or flow, in shopping using technologies such as websites has been shown to be an important predictor of outcomes such as perceptions of social quality of the medium, satisfaction, enjoyment, intention to use the medium, and shopping decisions (Koufaris 2002; Shang, Chen, and Shen 2005). Such outcomes have implications for marketing literature that deals with the use of electronic communications for consumer interactions. The resultant research model to be tested is shown in Figure 1.
By drawing on prior research, we build a research model that enables us to predict important outcome variables. Results from testing the model partially provide strong support for the hypotheses related to the social aspects. In particular, we find that perceived social interactions and social awareness positively influence an individual’s cognitive absorption in a decision making task. This result could in part explain the ambiguous performance of websites for certain types of products. Due to the social aspects, virtual worlds provide a more real-lifelike experience such that consumers are more embedded in social context. Such “embeddedness” may result in increased trust (Granovetter 1985) and reduced uncertainty, which has an impact on online commerce (Gefen and Straub 2004). These results highlight the importance of studying the social aspects of information technologies. Practitioners looking at exploring virtual worlds as a channel for interacting with customers need to focus on leveraging the social nature of the technology. An entry strategy that emulates that of other virtual channels such as websites would not be as effective when applied in virtual worlds (Goel and Prokopec 2008). Instead, customer-facing strategies that leverage social interaction between customers, and between the business and the customer would yield a positive experience for the consumers.

As yet, while the importance of social aspects has been recognized in marketing literature, it has not been feasible to study them in electronically mediated commerce. This state of affairs has been dramatically changed by the advent of virtual worlds, which provide a social medium in which consumers can interact with each other and with businesses. This study is one of the first ones to provide empirical support for such an impact. References are available upon request.

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TESTING AN AXIOLOGICAL MODEL FOR ASSESSING THE VALUE OF REAL-LIFE BRANDS IN VIRTUAL WORLDS

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Jan Mattsson, Roskilde University, Denmark

SUMMARY

Three-dimensional, computer-generated “virtual worlds” are emerging as a potentially important channel for companies to communicate with current and potential customers, and many companies have made investments in establishing a presence in this new environment. Thus, the problem of brand-building in virtual worlds is nascent. In an attempt to further contribute to understanding this new domain we embarked on a series of studies examining brand value in virtual worlds, focusing explicitly on the Second Life (SL) platform. The key research question for our research is: “What is the brand value of real-life brands that have moved to the Second Life virtual world?” The approach we use to measure brand value is that of axiology (Hartman 1967). As a formal theory it has been proven to be valid and reliable in marketing research (Lemmink and Mattsson 1996; Mattsson 1990; Mattsson and Wetzels 2006; Ruyter et al. 1997).

A scale was developed in a previous study (Barnes and Mattsson 2008). Different value types are constructed from three value dimensions: Emotional (E), Practical (P) and Logical (L). The formal expression of value, namely Value = Intention – Extension, makes it possible to construct nine different combinations of value dimensions. Both the intention and the extension components of the equation can become emotional, practical, and logical. Hence we have the following possibilities (denoting E = emotional, P = practical and L = logical) in descending order of value: E–E, E–P, E–L, P–E, P–P, P–L, L–E, L–P, and L–L. Each dimension has a corresponding survey item to tap into the particular value stream. An Overall value item is also provided.

The survey was delivered in this study via avatar survey bots (ASBs) operating in SL. The ASBs were programmed and run by GMI, Inc. A number of safeguards were implemented to protect validity of responses. An incentive of L$250 was further provided to respondents. To ensure valid responses for each brand, each ASB was positioned in the actual brand location in SL: Mercedes (automotive sector), Dell (consumer electronics sector), Armani (apparel sector) and Hublot (luxury sector). This ensures that respondents have come to experience the SL brand location and do not answer the survey blindly. In all we obtained 1039 responses across the four brands. Some 38 percent of the sample was male and 62 percent female, with a median age of 25 to 34 years and a median weekly usage of 10 to 30 hours. Overall, Armani was rated as the best brand in terms of overall mean of “goodness” (5.60), followed by Dell (5.35), Mercedes (5.33) and Hublot (4.87).

We assessed the dimensionality of the scale using a confirmatory covariance approach. The data in this study confirmed that a three-dimensional second-order axiological model is the best fit on the data ($\chi^2 = 146.70$; df = 24; GFI = 0.970; AGFI = 0.944; CFI = 0.981; RMSEA = 0.070). Further, the PLS model was tested on each of the four new brand samples. All items loaded very significantly on their appropriate dimensions ($p < .001$), validity (AVE) and reliability are strong (AVE > 0.5 and $\chi > 0.8$), as per Fornell and Larcker (1981) and Straub and Carlson (1989), and R$^2$ is substantial across the four brands, ranging from 0.454 to 0.710, demonstrating strong explanatory power in the axiological model.

In order to determine how the respondents perceive the value pattern for each brand, we utilized PLS with formative indicators. In this analysis, we set out to discriminate between those values seen in the object (i.e., significant as to the impact of goodness), and others not seen, but available anyway. For a value item to be considered significant in the assessment of value for a specific brand, the t-values should be significant for both the item and the path to the Overall item (goodness). The larger the loading, the more important and clear a value will be to respondents.

The application of the scale to the four brands using formative PLS modeling suggests variation in brand value. They conform across types and are driven primarily by Logical and Practical dimensions. The Emotional dimension is all but absent, and displays significance only for one brand, which is by far the most luxury-oriented and emotional of the brands—the fashion-house Armani. The most prevalent indicator, apparent in all brand evaluations, is L–P, which refers to logical evaluation of practical value or reliability and is measured in our instrument by “…symbol of quality.” This is eighth in our axiological measuring rod and demonstrates a lower order of brand value. Also, important and surfacing in three brands are L–E. Overall the axiological value pattern is focused on the lower half of our axiological scale.
The brand patterns that emerge are perhaps not surprising. Emotion is not created without significant interaction and engagement from the customer and that is something that the SL locations fail to really provide at this stage. The emotional real-world brand and the images displayed around the up-market, recreated Armani store do help to create a feeling of emotional brand value, albeit relatively weak, but the static nature of the location and the lack of interactivity draw doubt over the sustainability of this (note: the Armani location in SL has since closed). Overall, the immersed users of the SL experience only typically see Practical and Logical dimensions. They stand out in comparison to the Emotional dimension.

The implications are that underperforming virtual world brand experiences need to considerably improve their efforts. To build emotional brand value – which appears at the top of our axiological instrument but is the most poorly represented in brand offerings – firms need to advance in terms of the inclusion of emotional content (i.e., carefully chosen brand images and other multimedia) and interactivity that drive a positive emotional experience that, in turn, creates very high brand value (e.g., the Gossip Girl TV series at the Warner Bros. location in SL). Static experiences that are not periodically updated and that do not create a compelling reason for repeat visits or word-of-mouth are unlikely to create more than low-end, short-lived value. Moving a brand into the virtual world is fraught with complexity, as the closure of Second Life operations of brands such as Sears, Adidas, Reebok, AOL, Mercedes, American Apparel, and Armani testify. Additional effort is required in translating branding approaches to fit the more absorptive, individualized and highly interactive nature of the channel, its altered reality and that of its residents.

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DOES FIT ALWAYS BENEFIT AN EXTENSION: A COMPARISON OF TWO ANALYSES USING SURVEY DATA AND SCANNER DATA?

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SUMMARY

Introducing new products is both risky and critical to a company’s success. To help reduce this risk and increase the probability of success, extension strategies are used extensively in industry. Multiple studies, using consumer survey data and hypothetical extensions, have shown that high levels of congruence or fit between an extension and its parent brand increase the probability of extension success.

But what happens in the “real world” if a brand manager follows this guidance related to extension fit? As noted, prior studies indicate that extension success — and, hence, in-market sales — should increase when there is a high degree of fit between the parent brand and its extension. Alternatively, other researchers have noted that if the extension is congruent with its parent brand — that is, if it is viewed as similar to the parent brand — then the two brands are likely to be in the same consumer perceived consideration set. In this scenario, the parent brand will likely compete for buyers with the extension, possibly resulting in lost sales for the extension. Thus, to truly understand the success factors for extensions, we need to examine both survey data and in-market sales. Therefore, the objectives of this study are two-fold: (1) measure the impact of fit on perceived extension quality using consumer survey data (to act as a replication of prior research and a basis for comparison), (2) assess the effect of fit on in-market extension sales, and compare the findings to those based solely on survey data.

Our analysis combines both survey data and scanner sales data — on the exact same parent brand and extension pairs. There are 44 product extension/parent brand pairs in the dataset encompassing 15 consumer packaged goods categories. The scanner data cover 156 weeks for 63 U.S. cities. For each of the brand pairs, the extension was introduced 6 to 20 months into the time frame, and the parent brand is available for the entire period. The survey items selected to represent the constructs for similarity, and concept consistency (i.e., the two sub-dimensions of fit) are largely derived from Keller and Aaker (1992), as is our construct for perceived quality. The survey data were collected from a sample of adult men and women (i.e., not students) using an on-line instrument.

We evaluate two models. One is a straightforward model examining the impact of fit on perceived quality using only survey data, to confirm prior research, and as a point of comparison. The second model is more complicated in that it integrates scanner data and survey data to assess the impact of extension characteristics, parent brand characteristics, and relationship (or fit) characteristics on extension sales.

Based on the analysis using only the consumer survey data, both similarity and concept consistency exert a significant positive impact on perceived extension quality, consistent with prior research. However, the results based on the dataset integrating both the scanner data and survey data do not reach the same conclusion. More specifically, the main effect for similarity is not significant, and concept consistency displays a negative main effect on extension in-market sales.

What explains these unusual results for the second model and their unexpected differences from first model? We postulate that it is due to two factors. The first is that consumer survey measures for extension success (i.e., perceived product quality) do not account for in-market interactions between a parent brand and its extension. The perceived quality of an extension is aided by a close association with its parent brand, as shown in the first model. However, if the two brands are closely associated or congruent, it implies that the brands are likely in the same consideration set and compete for the same buyers. In this situation, sales of an extension may, in fact, suffer as a result of being positioned too closely to its parent brand. Thus, we observe a surprising paradox in our results: a close association between a parent brand and its extension positively impacts the extension’s perceived quality, while simultaneously finding that the same close association to the parent brand may cause the unit sales of the extension to suffer (depending on multiple moderating conditions). Therefore, we do not observe that high levels of fit consistency benefit the extension when using sales as the criterion variable. In summary and to re-visit the original question: does a high level of fit benefit extension unit sales? The answer is a resounding “It depends!” A list of references is available from the author on request.
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SPONSORSHIP AS A BRAND ENHANCER: IMPACT OF CONGRUENCE AND FREQUENCY ON TRANSFER OF ASSOCIATIONS

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SUMMARY

Building strong brands has become an imperative for many organizations since it has been shown that strong brands yield a number of advantages including establishing an identity in the marketplace (Aaker 1996), improving profits (Baldauf et al. 2003), improving stock performance (Aaker and Jacobson 2001), decreasing vulnerability to competitive actions, increasing margins, providing greater brand extension opportunities (Delgado-Ballester and Munuera-Aleman 2005), and leading to higher consumer preferences and purchase intention (Cobb-Walgren et al. 1995). Branding is seen as a powerful means of differentiation (Pappu et al. 2005), which is one of the most important competitive positioning strategies suggested by Porter (1990).

This research tests the following three hypotheses.

H1: The level of congruence in the relationship between a sponsor and a sponsee will positively affect the strength of associative link between the two.

H2: Frequency of exposure to the relationship between a sponsor and a sponsee will positively affect the strength of associative link between the two.

H3: The strength of associative link between a sponsor and a sponsee will positively affect the transfer of associations from sponsee to sponsor.

In order to test the hypotheses, an experimental study and a sample of undergraduate students were used. Response latency is used both as independent and dependent measure. Response latency is “the length of time taken by a respondent to make a paired comparison choice” (Aaker et al. 1980) and has been used in social psychology research (Fazio 1990). It is the interval of time between stimulus presentation and the resulting response to that stimulus (Fazio 1990). Response latency has been used in psychology (Busemeyer and Townsend 1993) and marketing (Hutchinson et al. 1994; Tybje 1979) and it has been shown to be a valid and robust measure of the attitude conviction (MacLachlan et al. 1979; Fazio 1990). It has been used to measure a number of things, one of them being the associative strength in memory (Fazio 1990).

Pre-Tests. Before starting a main study, two pretests had to be conducted. First one was done in order to identify sponsees that are familiar to the subjects (Pullig et al. 2006). As recommended by Becker-Olsen and Hill (2006), subjects should also have neutral or favorable opinion of these sponsees. Second pretest had to be conducted to identify brands that are both, congruent and non-congruent, with the sponsees. The total of two hundred and forty-three subjects participated in these pretests. Pre-test one identified the following sponsees as the most favorable and familiar: Olympics, the American Heart Association (AHA), St. Louis Cardinals, NFL, and Mardi Gras. Pre-test two identified two fitting relationships (between the 2008 Beijing Olympic Games and Gatorade and between the American Heart Association and Weight Watchers). Two non-fitting relationships were also identified (between the Olympics Games and Armani and between the American Heart Association and McDonalds).

Main Study. One hundred and seventy-four subjects were recruited from undergraduate business courses at a large Midwestern university to participate in this study. Study had a 2 x 3 factorial design where the two factors are: high or low congruence between a sponsor and a sponsee, and the frequency of the relationship (2, 5, or 10 repetitions). Respondents were presented with a combination of press release and advertisements and asked to complete the response latency task. Hypothesis 1 and 2 were tested utilizing Analysis of variance (ANOVA). Hypothesis 3 was tested utilizing linear regression and bivariate correlation.

The effort of this research was two-fold. First, main study attempted to answer the question whether fit or repetition of exposure has an effect on the strength of the associative link between sponsorship partners. In addition, main study attempted to answer the question whether the strength of the associative link between sponsor and sponsee affects the transfer of associations from sponsee to sponsor. Findings from the main study suggest that individuals who are exposed to the high-fit relationships develop a stronger associative link between sponsor and sponsee than individuals who are exposed to the low-fit relationships. In other words, strength of the associative link between sponsor and sponsee is stronger for fitting than non-fitting relationships. Importance of this finding is its suggestion that if we want customers to develop a strong associative link between sponsor and sponsee, partners should not arbitrarily be chosen but strategically matched.
Main study fails to presents evidence that repetition of exposure to the relationship contributes to building a strong associative link between sponsor and sponsee. Finally, the results most interesting to brand managers emerged by testing hypothesis three (H3). The results of this research fully support H3 and indicate the strength of the associative link between sponsor and sponsee is positively related to the transfer of associations from sponsee to sponsor. In other words, the strength of the associative link positively contributes to the transfer of associations from sponsee to sponsor. For brand managers who want to build a positive image of their brands teaming up with sponsees that are seen positively by consumers might be a winning combination. At the same time brand managers who want to improve their brand image or address a certain brand crisis would also be wise to team up with sponsees that carry positive connotations. Overall, we can conclude the transfer of associations is primarily driven by the degree of similarity between sponsee and sponsor (fit) since repetition did not significantly contribute to differences in the strength of associative links between sponsor and sponsee. References are available upon request.

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THE EFFECTS OF FUNCTIONAL AND SYMBOLIC PERCEIVED FITS ON CONSUMER EVALUATIONS OF CO-BRANDING

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SUMMARY

Over the years, marketers have developed a variety of strategies and tools to maximize their branding and communication efforts, one of which is co-branding, where two or more established brands form a partnership to launch a new brand. Among several influences on the effect of co-branding efforts, the fit or logical connection between partner brands has been assumed as the fundamental factor when determining co-branding success (Lafferty 2007).

The best theoretical explanation for the “similarity effect” that leads to a preference for high between-partner fit is based on categorization theory (Aaker and Keller 1990). From this perspective, consumers evaluate co-branding partnerships by transferring quality perception from one partner brand to another. If consumers perceive a close fit, they would more easily transfer the perceived quality of one brand to another, whereas a poor fit may inhibit transferring such positive association. Consequently, the transfer of a brand’s perceived quality is enhanced when partner brands have a good fit.

While previous literature sheds light on the effect of co-branding and consumer behavior, the understanding of the similarity effect is limited because previous studies have tended to discuss and test the effect of perceived fit as a unitary construct and conceptualize it primarily as functional fit. However, there is another way to conceptualize and test the effect of perceived fit in co-branding — perceived fit at the symbolic level. Thus, the current study examines the effects of both functional and symbolic perceived fit on consumers’ evaluations of co-branding simultaneously to provide deeper insights. On the basis of theoretical underpinnings, the study examines whether functional and symbolic perceived fits are positively related to consumer evaluations of co-branding partnerships. To systematically conceptualize and measure perceived symbolic fit, the concept of brand personality and its measurement scales (Aaker 1997) are employed in the current research. We hypothesize positive relationships between functional and symbolic fits and consumers’ evaluations of co-branding.

A 3 (functional fit: low vs. moderate vs. high) × 3 (symbolic fit: low vs. moderate vs. high) between-subjects design was used to test our proposed hypotheses. Functional fit was manipulated by three different product categories (high fit: clothing and clothing; moderate fit: clothing and wristwatch; and low fit: clothing and automobile) and symbolic fit was manipulated through three different brand personality dimensions (high fit: exciting and exciting; moderate fit: exciting and sophisticated; low fit: exciting and sincere). A total of 223 college students (mean age = 20.8; 77 males and 146 females) from a large southwestern university in the United States were recruited for the study. All participants were given extra course credit as an incentive. Participants were randomly assigned to one of the nine conditions. They were given a “Brand Concept Statement” (Aaker 1999), which included the fictitious brand names and some personality trait associations for each of the fictitious brands. After reading the vignettes, the subjects were asked to rate their attitudes toward the co-branding partnership and the co-branded products on five 7-point bipolar adjective scales.

The results of ANOVA on the co-branding partnership evaluation yielded a significant main effect for functional perceived fit ($F(2, 214) = 3.37$, $p < .05$) and symbolic fit ($F(2, 214) = 8.77$, $p < .001$). Similarly, findings for the evaluation of co-branded products indicated a significant main effect of the functional perceived fit ($F(2, 214) = 3.40, p < .05$) and the symbolic perceived fit ($F(2, 214) = 8.11, p < .001$). Consistent with our expectation, when the symbolic fit was high, the evaluations of the co-branding partnership and the co-branded product were peaked, showing the monotonic linear pattern.

However, the same pattern was not observed for functional perceived fit. The results reveal that consumers who see a moderate functional fit show more positive attitudes toward the co-branding partnership and the co-branded product than do those who see the perceived functional fit as either high or low, indicating the inverted-U curve pattern. Mandler’s schema congruity theory (1982) is applicable to understanding these results. According to him, encountering dissimilarity prompts greater elaboration than does encountering similarity. While extremely dissimilar stimuli demand excessive processing, moderately dissimilar stimuli demand minimal efforts to resolve and may generate the satisfaction associated with arriving at a solution to the puzzle of incongruity. As a result, moderate dissimilarity is expected to result in more favorable responses than either high similarity or extreme dissimilarity.
Nevertheless, the schema congruity effect of the inverted-U pattern occurred only in the functional perceived fit. Presumably, the elaboration process necessary to resolving the incongruity associated with symbolic meanings requires more extensive effort than that involved in functional attributes; that is, consumers who are exposed to moderate symbolic perceived fit between brands are less willing to undertake the elaboration required to resolve incongruity, as compared to when they encounter moderate functional fit conditions. References are available upon request.

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CONSUMER PROCESSING OF LOGO CHANGES IN THE REBRANDING OF BRANDS

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SUMMARY

Intel, Credit Suisse, Kodak, Baskin Robbins, Cisco, Payless Shoe Source, Vonage, and KFC are just some of the many companies that have rebranded (or more specifically changed their logos) in recent years. Over time and with growing competition, many companies decide to rebrand themselves for a variety of reasons, such as obtaining a makeover, revitalizing themselves or being totally “reborn” again.

Cost estimates for corporate rebranding can total millions of dollars - especially for name changes (McQuade 1984). Despite the huge investments that can be directed toward rebranding, scholars have only begun to research rebranding phenomena in recent years. Finance-oriented work has investigated the impact of rebranding on profits resulting from rebranding (Horsky and Swyngedouw 1987; Lee 2001). Meanwhile, marketing-oriented work has focused on brand logo creation, rather than on how consumers process brand logos that have been changed by firms.

Currently, researchers have no theoretically-based model to comprehensively explain how consumers process brand logo changes. In short, informal speculation and practitioner anecdotes characterize this domain of consumer psychology research. Only two studies (Pimentel and Heckler 2000; Walsh, Page, and Mittal 2006) have directly investigated consumer processing of logo changes. Pimentel and Heckler (2000) found that consumers generally preferred no changes to logos, but tolerated small changes. Walsh, Page and Mittal (2006) found that highly brand-committed people had more negative attitudes toward the brand after the logo change, whereas weakly-committed people had more positive brand attitudes toward the logo change.

The purpose of this research is to develop and empirically evaluate a comprehensive model to explain how consumers process brand logo changes. After an extensive qualitative investigation, we adopt a theoretical framework of psychological coping and develop a model to explain how exposure to a logo change puts the consumer into a coping situation characterized by responses of (1) curiosity, (2) skepticism and (3) resistance toward the logo change. In this model, two variables are proposed to govern the coping process after exposure to logo changes: (1) the degree of logo change, and (2) the valence (i.e., favorability) of the logo change. Constructs representing curiosity and skepticism are shown to serve as mediators of brand attitude after the logo change in our model of consumer processing of brand logo changes.

Empirical Research

After a review of the literature and qualitative research in the field (Twelve in-depth interviews were conducted on the subject of consumer response to brand changes and more specifically to brand logo changes) a model was developed. This model focused on how exposure to a logo change puts the consumer into a coping situation characterized by responses of (1) curiosity, (2) skepticism, and (3) resistance toward the logo change. In this processing model, two elements were proposed to govern the coping processes of rebranding: (1) the degree of logo change, and (2) the valence (i.e., favorability) of logo change. The model offers a comprehensive explanation of how mental processing of the logo change ultimately affects consumers’ brand attitude after the logo change. Figure 1 depicts an outline of our proposed model.

Testing for the model utilized structural equation modeling. The results of our study offer researchers a better understanding of consumer processing of logo changes used in firms’ rebranding campaigns. Results suggested that our model based on a theoretical framework of psychological coping was instrumental in explaining how consumers likely respond to brand logo changes. One distinctive outcome of our research is finding empirical support for a dual route for consumers’ processing of unexpected changes in the marketplace. This dual route for processing is based on the two-dimensional structure of curiosity (deprivation curiosity and interest curiosity). These two dimensions lead to separate routes for influencing brand attitude after the logo change. Empirical results suggest that interest curiosity has a direct influence on brand attitude after the logo change, while deprivation curiosity has an indirect influence that is mediated by skepticism toward the logo change.
ENDNOTE

1 Pimentel and Heckler (2000) is a working paper study that was later modified and published in a book section – see Pimentel and Heckler (2003).

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IS MORE KNOWLEDGE ALWAYS BETTER? THE EFFECT OF KNOWLEDGE BREADTH AND DEPTH ON NEW PRODUCT PERFORMANCE

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SUMMARY

In recent years, the knowledge-based view (KBV) has emerged as a dominant perspective to explain product innovation and new product success. Despite the prominence of the KBV, the implicit assumption often made by scholars is that more knowledge is always beneficial to product innovation and performance. As a firm accumulates more experience and know-how, the firm is able to evaluate, assimilate, and utilize new information more effectively (Cohen and Leventhal 1990), and therefore has a higher absorptive capacity that is beneficial to its innovation activities. An important yet unanswered question is: is more knowledge always better?

To answer this research question, two features of knowledge must be distinguished: knowledge breadth and knowledge depth. Knowledge breadth is defined as the range of fields over which the firm has knowledge about their customers, market segments and technology, whereas knowledge depth reflects the amount of within-field knowledge a firm possesses (Lausen and Salter 2006; Prabhu, Chandy, and Ellis 2005). Whether more knowledge is better depends on the features of knowledge and the interplay of knowledge depth and breadth.

Knowledge depth reflects the amount of within-field knowledge a firm possesses (Prabhu, Chandy, and Ellis 2005), or the level of sophistication and complexity of a firm’s knowledge of its customers and competitors (De Luca and Atuahene-Gima 2007). It captures the levels of a firm’s understanding of its customers and competitors, or technology in a specific field. Knowledge depth may enhance a firm’s ability to evaluate, assimilate, and utilize new information in NPD, and thereby leads to superior new product performance. Therefore, we hypothesize that:

H1: Higher levels of knowledge depth will result in better new product performance.

A firm with broad knowledge understands a diversified customer base and multiple market segments, and can acquire and assimilate technological information from various sources (De Luca and Atuahene-Gima 2007). However, because a firm’s resources are always limited, a pursuit of knowledge breadth may inhibit a firm’s effort to accumulate and develop knowledge deep in a specific field. Great knowledge breadth may distract a firm’s efforts and resources to too many perspectives, with each perspective receiving only a slim resource. This, in turn, leads to poor NPD performance (Prabhu, Chandy, and Ellis 2005). Therefore, knowledge breadth appears to be both a source of and barrier to innovation (Carlile 2002).

It requires a contingency view to identify the nuanced effects of knowledge breadth. This study proposes that knowledge depth serves as a critical contingency for knowledge breadth to affect a firm’s ability to evaluate, assimilate, and utilize new information in its product innovations. Specifically, this study suggests that knowledge depth will cause a systematic shift in the effect of knowledge breadth on new product performance, from a negative to a positive effect. We propose the following contingency prediction:

H2: Knowledge breadth has (a) a negative effect on NPD performance for lower levels of knowledge depth, and (b) a positive effect on NPD performance for higher levels of knowledge depth.

The sampling frame for this study is 500 high technology firms in China. We obtained 192 usable questionnaires (384 informants), for a response rate of 38.4 percent. On the basis of De Luca and Atuahene-Gima (2007), Moorman and Miner (1997), and Morgan et al. (2004), we developed the scales to measure knowledge depth and breadth, each with four items. New Product Performance was measured with a four-item scale adapted from previous studies (Moorman 1995; Moorman and Miner 1997). The measure evaluates the new product performance during the first 12 months in the marketplace in terms of ROI, sales, profit, and market share.

We conducted a hierarchical moderated regression analysis to test the hypotheses. H1, positing a positive relationship between knowledge depth and new product performance, is supported ($\beta = .51, p < .01$). The prediction of H2 is captured by the main effect of knowledge breadth and the interaction between knowledge breadth and depth. We find that the main effect of knowledge breadth is negative ($\beta = -.20, p < .01$) and the interaction
between knowledge breadth and depth is positive and significant ($\beta = .26, p < .01$), supporting H2.

In conclusion, this paper takes a contingent perspective to resolve a long-lasting dilemma: should firms expand their knowledge base across a wide range of fields or deepen their knowledge base in a specific field. It finds that knowledge depth enhances NPD performance. However, the effect of knowledge breadth on NPD performance is contingent on knowledge depth: a firm’s deep knowledge in a specific field causes a systematic shift in the effect of knowledge breadth, from a negative to a positive effect. Although preliminary, this is the first attempt to examine the interplay between knowledge depth and breadth. In practice, firms need to complement a broad knowledge base with deep understanding of each specific field. References are available upon request.

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SUMMARY

Utilizing new product development (NPD) teams to accomplish complex tasks in organizations has been an emergent issue in many industries throughout the last decade. Despite numerous studies, formation and efficient management of teams is still a developing research domain. By using social network theories and the knowledge-based view of the firm complementarily, this paper contributes to literature by examining the intra-firm social relational structures of an NPD team. Focusing on the network centrality of the NPD teams, this research argues that network centrality influences the characteristics of knowledge received by the members of an NPD team, which in turn, enhance product innovativeness and new product performance.

Cross functionality is a characteristic of most NPD teams today (cf., Cooper and Kleinschmidt 1994). The challenges NPD teams face in highly complex and uncertain environments are heightened because of changing priorities throughout the NPD phases. There are periods when creativity is the primary outcome of interest as well as periods when efficiency is the primary outcome of interest. As a result, the interactions with other groups are not clearly programmed in standard operating procedures and routines, but evolve to meet task demands. In that respect, depending on the development stage, activities such as advice seeking would be vital or may have limited impact on the results. Moreover, excessive reliance on outside knowledge could prove detrimental if the phase the project is in requires intense exploitation of knowledge team members possess. For example, in the fuzzy front end of NPD, members would benefit highly if they get good quality feedback on the financial resource availability to materialize the ideas they generated. Another example would be team members acquiring rich knowledge when they ask for advice from employees in other departments.

Excessive advice seeking would be detrimental in NPD stages where efficiency is priority. Consequently, this research investigates the advice seeking activities in the beginning to the middle stages of product development, where exploration of ideas is more important than proficient execution of more routine activities. In extant literature, the stage that the NPD project is in is increasingly being used as a moderator variable in that the effects of causes on the outcomes are different in the initial stages as compared to the later stages (cf., Griffin and Hauser 1996; Madhavan and Grover 1998).

Interactions of NPD team members for the advice seeking activities outside the team boundary are facilitated by social networks of the individuals. Krackhardt and Hanson (1993) argue that “designed to facilitate standard modes of production, the formal organization is set up to handle anticipated problems” and that when unexpected problems occur, the networks of relationships that employees form within and across functions, is called upon. They note that by cutting through formal procedures these informal networks enable the team to meet extraordinary deadlines. It is therefore imperative to investigate the social networks of NPD teams and how these relationships affect the cognition of the team as a whole because they have the potential to significantly enhance NPD outcomes. As such, a major contribution of this research to NPD literature is to examine the intra-firm social relational structures of an NPD team. The focus is on the network centrality of the NPD teams where network centrality refers to the nature and level of connectedness in a network of actors, where the actors are the focal NPD teams and firm’s functional departments.

As this research is conceptual, the propositions should be empirically tested. Pending empirical support, there are managerial implications. Extant literature shows support that the adequacy of dedicated human resources is a significant ingredient in the success of NPD (Henard and Szymanski 2001). However, while human capital is necessary to success, “it is useless without the social capital of opportunities in which to apply it” (Burt 1997). As such, investigating how the informal social networks influence advice seeking activities of NPD team members would inform how to effectively manage NPD projects. Consequently, this paper suggests managers to consider the network centrality characteristics of their employees when assigning them to NPD teams. References are available upon request.
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SUMMARY

Customers play a critical role in new product development (NPD). Customer participation in the NPD process can be conceived of as having two dimensions: as an information source and as a co-developer (Fang 2008). The former involves information acquisition from customers during the NPD process, whereas the latter refers to “outsourcing” innovation-related activities to them. The rationale behind each dimension is that customers’ tacit knowledge is usually difficult to articulate, express and codify (Yakhlef 2005), thereby demanding that NPD teams have the ability to convert tacit customer knowledge into explicit, and, in this sense, translating customer knowledge becomes crucial to an NPD team. We conceive this translation as a learning process, which consists of knowledge acquisition, dissemination and interpretation (Huber 1991). Figure 1 outlines the blueprint of an NPD team’s learning process in terms of customer knowledge management. We posit that the NPD team initially defines an appropriate learning frame, and once done, the team concentrates on the knowledge content that fits the defined frame and establishes understanding of it (Dunbar et al. 1996).

Customers, as a crucial information source, disseminate both explicit and tacit knowledge. We maintain that converting tacit knowledge to explicit is essential before the NPD team can progress to its interpretation. The conversion is the result of the joint effort of the two parties – that is, the team should provide the appropriate framing to initiate customer cognitive processes leading to knowledge conversion. The team’s interpretation of this converted knowledge then becomes their internalized knowledge and plays two roles: (1) as newly interpreted knowledge increasing organization memory; and (2) as a learning resource for individual team members. The former sheds light on the sharing of interpretation among the NPD teammates that is assisted by collective mental processes (Moorman and Miner 1997). This consensus is then stored in the NPD system and reflected as common experiences, norms, routines, artifacts and so on. The latter is equally important, as each member can learn from the (explicit) interpretation generated by the NPD team and transform it into his or her own (tacit) knowledge as individual memory. This is conceived of as the conversion of explicit knowledge to tacit (Nonaka 1994).

One of the challenges for NPD teams in the learning process is to accurately interpret customers’ knowledge – that is, to establish shared meaning between the team and customers (see the dashed line in Figure 1). We posit that the degree of tacitness of customer knowledge exerts negative effects on shared meaning, but that face-to-face

![Diagram of Learning from the Customer](attachment:image1.png)
interaction between the team and customers may help prevent these effects. Furthermore, we propose that existing organizational memory moderates the relationship between the tacitness of customer knowledge and shared meaning in a curvilinear manner such that too much or too little organizational memory results in stronger (negative) relationships, but moderate organizational memory results in weaker (negative) relationships.

Shared meaning facilitates NPD performance by enhancing product innovativeness and customer satisfaction. In this sense, shared meaning serves as a mediator between customer (explicit and tacit) knowledge and NPD performance. As a result, we emphasize that listening to customers does not necessarily result in actually understanding them. When an NPD team acquires customers’ information, absorbing its intended meaning plays an important role when the team develops new products. Without shared meaning, the NPD team is likely to develop new products that do not meet customer needs, resulting in new product failure. References are available upon request.
ROUTE TO CUSTOMER SATISFACTION: IS IT THROUGH THE HEART OR THE HEAD?

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SUMMARY

Customer satisfaction has come to represent an important cornerstone for customer-oriented organizations (Szymanski and Henard 2001). Customer satisfaction is important to marketers because it is generally assumed to be a significant determinant of repeat sales, positive word-of-mouth, and customer loyalty. It is also important to consumers because it reflects a positive outcome following the outlay of scarce resources and/or the positive fulfillment of prior needs. Thus, maximizing satisfaction is seen as an important objective for both the firm and the consumer. Many studies have investigated the process of satisfaction formation. Out of the multiple processes to satisfaction formation advanced in the literature, the confirmation/disconfirmation paradigm presents the most dominant explanation (Woodruff and Gardial 1996). According to this paradigm, satisfaction is essentially a response to a cognitive evaluation of product performance compared to expectations. The confirmation/disconfirmation paradigm is widely accepted as the process by which consumers are satisfied or dissatisfied (Wirtz et al. 2000).

Recently however, recognizing that a purely cognitive approach may be inadequate in modeling satisfaction evaluations, researchers have called for more investigation into the affective route to satisfaction (Wirtz et al. 2000). A few researchers have provided evidence showing that indeed, customer satisfaction is based partly on cognition and partly on affective responses (Oliver 1997; Westbrook and Oliver 1991). Yi (1990) argues that satisfaction results from processing the affect in a consumption experience, and Mano and Oliver (1993) state that “affect is clearly antecedent to, and necessary for, satisfaction.” The cognitive/affect routes to satisfaction were referred to as the “two-appraisal model” by Oliver (1993). The objective of this study is two-fold. First, we hypothesize and test for the presence of an affective route to customer satisfaction along with the cognitive route. Second, we postulate that the salience of the route to satisfaction—cognitive or affective—depends on the type of value created for the customer. In particular, we postulate that the route to satisfaction is cognitive when utilitarian value is enhanced, and affective when hedonic value is enhanced.

The study results present two major findings. These are: (a) when utilitarian value is enhanced, active cognitive processing helps increase customer satisfaction. Cognitive processing has no effect in increasing satisfaction levels in the case of purely enhanced hedonic value, (b) when hedonic value is enhanced, the affective route to customer satisfaction becomes salient with affect mediating the relationship between customer value and satisfaction. The findings support recent literature suggesting that affective processes contribute to the explanation and prediction of customer satisfaction. The results also confirm the increasing recognition among satisfaction researchers that a cognitive approach alone is not sufficient in modeling satisfaction evaluations, and that depending on the situation, consumers’ evaluative judgments are driven by cognitive processes and/or by their affective responses. In addition, the study provides evidence to delineate the salience of the two alternate routes to satisfaction by showing that under conditions of high utilitarian value, stimulation of the cognitive processes can result in higher levels of satisfaction. However, in the presence of high hedonic value, it is the customer’s affective response that explains satisfaction with cognitive processing having no impact in enhancing customer satisfaction.

The findings carry important theoretical and managerial implications. Theoretically, the research contributes to the satisfaction literature by hypothesizing and empirically testing the presence of an affective route to customer satisfaction in addition to the cognitive route. Second, while customer value has been proposed to be a precursor to satisfaction, this study explicitly identifies the process by which satisfaction occurs for each type of customer value enhanced. From a managerial perspective, the study offers insights as to the conditions under which cognitive stimulation would contribute to higher satisfaction, and when the firm would be better off adopting an affective appeal in its promotional material. References are available upon request.
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PERCEPTION IS REALITY: THE RELATIONSHIP BETWEEN CONSUMER PERCEPTIONS OF INNOVATION AND PURCHASE INTENTIONS

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SUMMARY

Innovation research has received increasing attention in recent years as firms attempt to gain a competitive edge. Firms are increasing spending on research and development in an attempt to differentiate and innovate their products. What impact do innovation initiatives have on consumer’s perceptions of the firm? Within the literature, a commonly accepted definition of innovation is lacking. Innovation is typically defined as a new idea, method or device. Firms are said to innovate in an attempt to create goods and services not currently available in an effort to meet consumer needs (van Riel 2003). However, Flint (2006) suggests firms know far too little about how innovation impacts customer perceptions of value. This viewpoint suggests firms do not have adequate understanding of how consumers interpret firm innovativeness, as well as the potential benefits that can be garnered by achieving a consumer perception of innovativeness. Investigation of the role of perceived innovation from the consumer’s perspective is the objective of this work.

Past research has focused on innovation from the organization’s perspective and has yet to consider the impact of perceived innovation on outcomes (cf., Montoya-Weiss and Calantone 1994; Yadav, Prabhu, and Chandy 2007). The popular press is replete with firm rankings on innovation; however, they do not consider the consumer’s perspective. For example, BusinessWeek magazine partners with Boston Consulting Group to rank the “World’s Most Innovative Companies.” Executive opinion comprises 80 percent of the ranking, while financial measures represent 20 percent (McGregor 2008). Interestingly, consumer perceptions are not taken into account; what is the value of innovation if consumers are unaware of a firm’s innovativeness or a firm isn’t perceived as innovative? This research addresses the role of consumer perceptions of innovation and associated outcomes.

The following research objectives were developed and tested using structural equation modeling. First, this study examined the relationship between consumer perceptions of firm innovativeness and purchase intentions. Second, the impact of perceptions of quality on the relationship between perceived innovativeness and consumers’ purchase intentions were evaluated. Finally, the impact of anticipated satisfaction on the relationship between perceived innovativeness and consumers’ purchase intentions was considered. The goal of this study was to determine the significance of the relationship between consumer perceptions of firm innovativeness and purchase intentions and the extent to which this relationship is mediated by perceptions of quality and satisfaction.

Data were collected from 342 subjects via snowball sampling using an online omnibus survey. Subjects were assigned one scenario and randomly assigned one of four companies to evaluate. They were asked to read a scenario about a fictitious service provider with innovative offerings. The model was tested with a two-step method using structural equation modeling.

Our research suggests consumer perceptions of innovation can influence purchase intentions. Consumers are not likely to perceive a firm as innovative unless they are aware of actions taken by the firm. Firms spend billions of dollars a year on developing new processes and products, however, if consumers are unaware of these innovations they may not fully appreciate the outcome. Further, in an effort to increase consumers’ anticipated satisfaction, firms should explicitly note how superior the innovative product is to previous versions and also the competition. As perceptions of innovativeness increase, perceptions of quality are likely to increase as well, however, the manner in which consumers translate perceptions of quality into anticipated satisfaction will likely influence their purchase intentions.

This research is the first to examine consumer perceptions of innovation and the associated effects. Our research suggests consumer perceptions of innovation can influence perceptions of quality, anticipated satisfaction and purchase intentions. Future research on how managers inform and educate consumers about the benefits of innovative product offerings is warranted. References are available upon request.
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THE LOYALTY FORMATION IN SERVICES: ANTECEDENTS AND MODERATING EFFECT OF PAST EXPERIENCE

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SUMMARY

The development of customer loyalty and retention is an inimitable resource for the organization as loyalty is becoming increasingly harder to attain due to higher customer switching activities (Dixon et al. 2005; Seiders and Tigert 1997). Therefore, knowledge of the variables influencing customer loyalty is vital for services providers, who recognize that the service satisfaction variable alone is insufficient to explain customer loyalty (Bielen and Demoulin 2007). This study introduces a new variable in the loyalty conceptual framework, that is, the consumer perception of hedonic value. In addition, this research explores the moderating role of past experience in the loyalty formation.

Recent studies suggest that creating and delivering consumer perceived value is a key factor for developing long-term relationships with customers (Babin et al. 2005; Sirdeshmukh et al. 2002). In this sense, the literature has devoted considerable attention to developing and testing theory explaining how utilitarian aspects of perceived value, such as quality or price, influence consumer loyalty (e.g., Brady and Robertson 1999; Cronin et al. 2000; Sirohi et al. 1998; Tam 2004). However, there is an increasing need for delving into the influence of the hedonic components of value (Jones et al. 2006). Service researchers (outside of the retail area) have given relatively little attention to experiential aspects including the role of the hedonic value generated by fun, enjoyment or beauty (Babin et al. 2005).

Furthermore, some authors have shown that consumers with different experience with the product category differ significantly in their level of loyalty to companies (Rodgers et al. 2005). Whereas researchers have long called for an investigation of how personal factors may moderate the influence of establishment environment on consumers’ responses, very few studies have been conducted with this focus (Grewal et al. 2003).

The purpose of this research has been to provide an additional perspective in the analysis of the loyalty programs, following three objectives: (i) to establish a theoretical basis for evaluating hedonic value and to test it empirically; (ii) to find empirical evidence in a service context for direct and indirect links between hedonic value and consumer loyalty; and (iii) to test the moderating effect of consumer past experience on consumer loyalty.

The main contribution of this research has been to analyze the loyalty formation through the hedonic elements that generate perceived value, delving into the value-satisfaction-loyalty relationship. The results show that hedonic value is a higher-order construct composed by the dimensions of play and aesthetics. The data also confirm the importance of hedonic value as a key driver of consumer satisfaction and loyalty, and indicate that hedonic value contributes specially to the loyalty formation through consumer satisfaction. Moreover, the results obtained confirm the moderating effect of past experience on the consumer loyalty formation.

By segmenting the sample on this basis, it was found that consumer loyalty is strongly determined by hedonic value for consumers with lower level of past experience, but its effect diminishes to non-significant for consumers with higher experience. On the other hand, and supporting the results of Rodgers et al. (2005), our findings show that consumer satisfaction has a stronger impact on loyalty for consumers with higher experience.

This research has several managerial implications for service providers. First, they should determine the different elements that generate consumer loyalty through perceived value before deciding on an appropriate marketing strategy. Thus, they have to consider not only traditional elements, such as efficiency, quality, or price, but also recognize and analyze the contribution of hedonic factors, such as play and aesthetics. This would entail that service providers should carefully analyze store atmospherics (decoration, music, lighting, etc.) as well as to the hedonically-oriented aspects of product-design features (color, form, streamlining, etc.) as a mean of differentiation. Moreover, organizations need to check personal characteristics of their customers that play an important role in determining their perception of hedonic value, satisfaction and loyalty with the service offering, in order to allocate resources more efficiently.
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MEASUREMENT AND STRUCTURAL INVARIANCE OF CROSS-CULTURAL SERVICE QUALITY EVALUATION AND OUTCOMES

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SUMMARY

It is important when researching international services to investigate whether there are differences across cultures in how consumers interpret and respond to service quality measures (Winsted 1997). Termed measurement invariance, this critical issue in cross-cultural research is seldom addressed in empirical studies. In its absence interpretations of cultural differences are problematic, as it is not established that members of different groups are using the same conceptual frame of reference when responding to survey items (Riordan and Vandenberg 1994).

In the first test of the invariance of service quality measures across national ethnic groups, Ueltschy et al. (2004), using an experimental dental setting, explore the invariance of a selection of SERVPERF measures relevant to the context using a sample of U.S., English Canadian, and French Canadian students. Although partial measurement invariance is supported, this finding raises some questions about the measurement equivalence of U.S. developed service quality scales in more diverse cultural settings. Additionally, service quality is modeled as a unidimensional construct in their study. An unanswered question is whether the dimensionality of Western service quality instruments holds in non-Western contexts. A key issue also is whether there are significant cultural differences in the importance of the service dimensions on overall service quality perceptions and other behavioral outcomes (e.g., Bolton and Myers 2003; Zeithaml and Bitner 1996).

The major objectives of the study then are to explore whether: (1) industry-specific measures of service quality exhibit criterion validity and measurement invariance across Western and Asian consumer groups; and (2) the determinants of service quality, satisfaction and behavioral intentions are structurally invariant across Western and Asian consumer groups.

Research Model and Method

In the research model the consumer’s intentions to recommend and repatronize the service provider are a function of the consumer’s overall satisfaction with the service experience. Overall customer satisfaction derives from the consumer’s overall perceived service quality and satisfaction with the price paid. A consumer’s overall service quality with their experience derives from the consumer’s perception of the service provider’s performance on a number of industry-specific service variables including timeliness, employee knowledge, convenience, helpfulness, comfort, meals, and safety and security. The individual service dimensions encompass the five dimensions of SERVQUAL. These are adapted and expanded to better represent the airline industry context under study.

The research design for the study applies the guidelines of Hult et al. (2008) for cross-cultural international business research. Special attention is paid to ensuring construct, measurement and data collection equivalence. The data for this study derive from a survey of international airline travelers conducted at an Australasian international airport. Of the 750 questionnaires distributed, 488 returned the survey (65%). The final sample consists of 405 fully completed responses, 212 Western (North American, European, Australian, and New Zealand) and 193 Asian (predominately Chinese, Korean, and Japanese).

Exploratory factor analysis indicated six service quality factors, with the knowledge and helpfulness items loading on the same factor. Consequently, these two dimensions are combined in the structural model analysis. Additional tests assessed the reliability and validity of the constructs in the model, multicollinearity, discriminant validity and common method variance. Commonly accepted standards were met in all cases. Following Vandenberg and Lance (2000) tests were conducted for invariant covariance matrices, configural and metric invariance of the service quality measures across Asian and Western samples. The results support full measurement invariance. The conceptual research model was then estimated using a multi-group structural equation model. One of the paths, Comfort Overall Service Quality, was insignificant for both groups. Accordingly, we re-estimated a trimmed model without this path.

Results and Implications

The results indicate there is both homogeneity and heterogeneity in the effects of the service quality determinants across both samples. Western air travelers indicate that timeliness, knowledge and helpfulness, and safety...
and security are significant determinants of their overall service quality. Asian air travelers indicate that knowledge and helpfulness, convenience, meals, and safety and security are significant determinants of their overall service quality. For both samples, safety and security has the greatest effect on overall service quality. This result is not unexpected given the current global environment. The samples differ significantly on the importance they attach to timeliness and meals. While the Western sample regard timeliness an important determinant of service quality, Asian travelers consider it has a small but significant negative effect on overall service quality. The timeliness construct focuses predominantly on speed of service delivery. Asian consumers may in some cases consider speed of delivery negatively impacts service quality as it could limit their ability to develop relationships, receive personalized attention or customization.

The effects of overall service quality and price on customer satisfaction are found significant for both groups. However, Western travelers place significantly greater importance on service quality and Asian travelers’ greater importance on price in their evaluations of customer satisfaction. The effects of customer satisfaction on intentions to repatronize the airline and to recommend the airline are found significant in both samples, although no significant differences are found between the groups.

These findings suggest the advantage of industry specific measures in cross-cultural studies over the more generic and potentially ambiguous SERVQUAL and SERVPERF measures (cf., Ueltschy et al. 2004). The existence of both homogeneity and heterogeneity in the determinants of overall service quality tentatively indicate that there is both a global market for some dimensions of service quality (e.g., safety and security, knowledge and helpfulness), and a need for customization of others (e.g., timeliness). Western consumers are found to consider service quality more important than Asian consumers in evaluations of their level of overall satisfaction. The converse effect is found for the effect of price on satisfaction. This finding has significant implications for cross-cultural pricing and service delivery strategies. References are available upon request.

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A CONTINGENCY VIEW ON BOARD COMPOSITION AND FIRM PERFORMANCE: EVIDENCE FROM NEW ZEALAND

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SUMMARY

Recent financial crises and corporate scandals around the world have renewed scholarly interest in the relationship between firm governance and firm performance. After the enactment of Sarbanes-Oxley (S-O) Act in the USA in 2002, several countries released similar corporate governance guidelines and it is important that we examine the efficacy of key governance reforms. A key component of the governance reforms has been to ensure that firms establish an effective board. Due to strategic and multiple roles that boards play, their effect have varying levels of effectiveness in different contexts. Though extant literature indicates an over emphasis on agency theory, to examine the role of boards, we utilize an integration of multiple theoretical perspectives, namely agency theory, stewardship theory, resource dependence theory and stakeholder theory. Specifically, this paper examines the relationship between the key board characteristics and firm performance.

Board characteristics considered in this research include board size, director ownership, CEO duality, gender diversity, educational qualification of board members and the number of board meetings. Additionally, board size has been considered as a moderating variable to examine how the effects of other board characteristics on firm performance are contingent on board size. Accordingly, a total of eleven hypotheses have been developed using a contingency approach derived from a multiple theory perspective. We proposed that board characteristics: size of board, number of women directors, number of directors with PhD qualifications, number of board meetings, director ownership are associated positively and CEO duality is related negatively with firm performance. We also proposed five additional hypotheses regarding moderating effect of board size.

Method

Sample. Our theoretical arguments are tested using a sample of all the listed firms on the New Zealand stock exchange. As on November 2007, there were a total of 156 listed firms. Longitudinal data covering a four-year period from 2004 to 2007 was used. The choice of year 2004 was based on the consideration that New Zealand Securities Commission released handbook of principles and guidelines for company directors in 2004. Though they were non-binding, compliance is expected by at least the listed firms. The data is collected from NZX Deep Archive and annual reports of listed firms. We could not get the annual reports for all the firms for all the years as several of these firms got listed after 2004, while some delisted during the 2004–2007 time period. We coded the board characteristics data from the annual reports. Here again we faced challenges as several annual reports do not provide information on key board characteristics. With these data limitations, we had a final sample of 207 firm-year observations of 61 firms.

Measures. We chose firm performance as the dependent variable and it was measured by the return on assets (ROA). We controlled for firm size, firm age and industry affiliation. The explanatory variables included board size, CEO duality, gender diversity, number of directors with PhDs, number of board meetings conducted annually, and director ownership. We measured board size by the total number of directors on the board. We measured CEO duality by a binary variable, which took a value of 1 if the CEO and chairman are the same person and 0 otherwise. We measured gender diversity by a simple count of women members on the board. For educational qualification, we relied on a count of board members who had a PhD. We believe PhD to be a good measure of educational qualification as it shows that the person is a specialist. Board meetings were the annual count of number of times the board met. We measured director ownership by the proportion of shareholding owned by the directors among the total firm shares outstanding in a particular year.

Analytic Procedure. We examined the impact of board characteristics on firm performance using a firm-year unit of analysis. With firm-year records, we applied generalized least square (GLS) random-effects models to test the hypotheses. The insignificant Hausman test statistic suggested that the assumptions for random effects estimation were not violated.

Major Research Findings

The findings of our study show that board characteristics such as board size, CEO duality and gender diversity were positively related with firm performance, whereas director ownership, board meetings, and the number of board members with PhD level education was found to be negatively associated. As proposed, board size was found...
to be moderating some of these relationships; it had a positive effect on directors’ ownership, board meetings, but was found to be negatively related to CEO duality and did not have any effect on number of women members and those with PhDs. These findings clearly indicate the critical role being played by board size, which has implications in the design and contribution of corporate boards to firm performance. The findings also provide partial evidence to different governance theories, further indicating the need for theoretical pluralism to gain insights into boards’ functioning and contribution.

Overall, our study contributes to deepen the understanding of board-performance link by examining traditional and organizational variables of board characteristics. The multi-theoretic framework that we proposed offers new light into constitution and functioning of top management teams in different strategic roles they perform. While the findings underscore the critical role played by boards and the effect of board characteristics on firm performance, they also call attention to the need for gaining deeper understanding by identifying the contingency conditions upon which the board characteristics and firm performance may dependent. Such insights into the relationships will have implications for academicians, policy makers and practitioners. References are available upon request.
ETHICS AND MARKETPLACE DECEPTION: AN EXPLORATION INTO THE ACCOMMODATIVE ROLE OF DECEPTIVE PRACTICES IN MARKET EXCHANGES

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SUMMARY

Since early in the history of studying markets, scholars have maintained an interest in the use of deceptive practices in market exchanges (Deighton and Grayson 1995; Zinbarg 2001). Much of the deception research appearing in consumer and marketing journals is grounded in the idea that the business exchange context differs fundamentally from everyday life. Specifically, research by practical ethicists suggests that characteristics of the business context engender a certain degree of deception. Unwritten rules of the game are often justification enough for violating fundamental ethical tenets such as the golden rule or the categorical imperative (Kavka 1983; Schweitzer et al. 2005). Much of the work in business ethics that deals with deception begins with Carr’s (1968) contention that the rules of business are more akin to the rules of a poker game, rather than rules of everyday life. He argues that bluffing in negotiations is perfectly acceptable because one’s opponent acknowledges that such activity takes place merely by entering the negotiating arena.

But what is the nature of these rules of the game in an exchange context? How do they come about and what function for exchange do they serve? With respect to marketplace deception, little research attention has been given to the formation and creation of the normative rules of the game. If parties engaged in a market exchange believe a certain degree of deception is acceptable in the business context, then how does this shared moral orientation affect the exchange process? Extant deception research is largely grounded in the ideological perspective of buyers or of sellers. Rarely has deception research examined moral orientations shared by exchange partners. As such, this research may over-predict the degree of conflict between buyers and sellers. Intuitively, buyers’ and sellers’ shared moral orientations toward the use of deceptive practices likely help facilitate or accommodate exchange between the two parties. This paper explores the structure and strategic use of deception in negotiated exchanges between buyers and sellers. Specifically, we examine the question, “how might moral orientations toward deceptive practices shared between buyers and sellers, accommodate exchange?”

At its most basic level deception involves a deliberate act by one party that is intended to produce a belief in another party that is inconsistent with what the first party believes to be true. This conscious misrepresentation of the truth may include lies, half-truths, distortions, exaggeration, cheating, stealing, and hiding behavior (Lippard 1988). Deception may also include omission (Schweitzer et al. 2005), obfuscation, and dissimulation (Bristol and Mangleburg 2005). Research on marketplace deception addresses issues such as the potential of consumers to be deceived by advertising (e.g., Barone et al. 2004; Burke et al. 1988; Johar 1995) and public policy aimed at protecting consumers against deceptive marketing practices (e.g., Burke et al. 1997; Ford and Calfee 1986). This work tends to assume that deception in any form is unethical. However, not all deceptive practices result in injury or loss for either party in an exchange and in fact the deceptive practices employed by buyers and sellers involved in a negotiation actually facilitate rather than hinder exchange between the two parties.

A fundamental premise of consumer rights is that they have the right not to be deceived (Lacziak and Murphy 2006). The idea of deception serving a facilitating role in exchange does not dispute this point. The position here is that viewing deceptive practices as resulting in suboptimal exchange may not provide a comprehensive view of the structural role of deception in an exchange context. It is difficult to dispute the notion that it is unethical for sellers to deceive buyers about the features of the product; elements that are objectively knowable and verifiable. However, the settlement conditions are non-verifiable dimensions (Dees and Cramton 1991). Settlement issues include one’s preference regarding the terms, conditions, and timing of an exchange; such as one’s minimum reservation price (Dees and Cramton 1991). Settlement issue deception is viewed as acceptable if it is not offensive, that is, it is not intended as a strategy to harm the other part, but instead as a deceptive strategy (Kavka 1983).

This exploration of a moral orientation toward deception shared among exchange partners is theoretically grounded in the sociological concept of accommodative schemas. The underlying principle of accommodative schemas asserts that describing the ideological orientations of each party in a social exchange does not sufficiently describe the interactions of the two parties (Lidz et al. 1980). The ideologies of buyers and sellers provide
meaning and structure to the roles played by both parties. However, these opposing ideological orientations place the parties in conflict with one another and they require a shared moral schema that facilitates cooperation with the opposing party in the exchange. The position here is that buyers’ and sellers’ moral orientations toward the use of deceptive practices accommodate the exchange between two parties with otherwise conflicting ideologies. Therefore, in the present context, an accommodative schema refers to an ideology of the morality of deception that is shared between buyers and sellers.

Ethical issues in marketing are most often examined at either the micro- or macro-level of analysis. That is, scholars tend to examine particular decision making activities of individual managers (micro), or more overarching cultural, institutional, or governmental ethical norms (macro) (Jeurissen 1997). The emphasis on micro and macro levels of analyses has left a middle ground of situational ethics that has not been explored. Past research has described this meso-level of analysis as encompassing the organization (Jeurissen 1997). Yet, by focusing on the organizational level, there is really no point at which scholars of ethics recognize that there may be industries or particular market contexts where ethical relativism may apply. That is, we suggest that the expectations of both parties in a negotiation for a used car would be different than the expectations of doctors and patients discussing options for surgical procedures. By exploring the potential accommodative role of deception in protracted exchange, we aim to explore a set of contextual ethical guidelines that they willingly employ in different market contexts.

This study reports the results of a set of individual interviews with consumers and a set of focus group interviews with sales representatives. The aim was to unpack the underlying ethical motivations behind deceptive practices in exchanges and discover the role that these accommodative schema play in determining meso level relativistic moral standards.

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PRICE AS AN ELEMENT INSTEAD OF THE ELEMENT OF ANTITRUST POLICY: THE ARGUMENT FOR CUSTOMER VALUE AS THE FOCUS OF ANTITRUST POLICY

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SUMMARY

For almost three decades, American public policy has followed two tenets of equilibrium-seeking economic thought toward competition. One, the firm’s ability to set its prices reflects the firm’s market power (Armentano 1990) because a firm with a greater percentage of market-share possess sufficient leverage over the market to dictate how much it will pay for resources, how much supply will be made available, and how much consumers will pay for the product (Varian 2003).

Two, competitors are viewed at the firm level (Hovenkamp 2005) rather than at the channel, network, or alliance level (Hunt and Arnett 2001). Public policy focuses on ensuring that no single firm behaves like a monopolist or a collection of firms behaves like a cartel in a particular market. In such a situation, the firm or firms artificially produce below or above equilibrium to suppress competition in a market. These two tenets appear consistent with equilibrium-seeking economic thought, which treats competition as static in nature.

Both tenets place a premium on price as the primary, if not sole, determinant of whether the competitive process has been impaired. Recently, public policy has shifted by accepting alternate views of competition (Grengs 2006; Levin and McDonald 2006). In these alternate views, “imperfections” in the marketplace are accepted, and the firm’s ability to create or enhance value is considered.

Recent decisions such as United States v. Microsoft Corp. (2001) and Eastman Kodak Co. v. Image Technical Services (1992) appear consistent with disequilibrium-seeking economic thought, which views competition as a dynamic in nature. In this view, firms compete on value creation and not simply on price (Schumpeter 1942). Indeed, Microsoft’s argument for bundling its operating system and web browser resides on the concept of effectiveness, or creating value for consumers. The D.C. Circuit Court accepts Microsoft’s argument in its decision that Microsoft bundled (e.g., a legal marketing tactic) rather than tied (e.g., an illegal marketing tactic) its operating system and its web browser.

Strategy scholars (e.g., Hunt and Morgan 1995) argue that firms compete on an effectiveness dimension by offering higher perceived value at a price that is comparable to competitors’ market offerings and/or on an efficiency dimension by offering comparable perceived value at a lower cost than competitors are able to achieve. Microsoft’s argument rests on this notion of competing on effectiveness (e.g., value) and/or efficiency (e.g., cost), and not simply price when bundling two products.

In this context of value creation and dynamic views of competition, this paper argues that public policy makers should adopt a view consistent with disequilibrium-seeking economic thought because of its normative explanatory ability. Further, public policy makers should incorporate the role of effectiveness (i.e., value) along with efficiency (i.e., cost) as means for marketers to create a market offering that meets the heterogeneous demand of market segment, or segments. Finally, public policy makers should consider the role of networks, alliances, and supply chain or distribution channel in the firm’s ability to create value.

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MARKET EXPANSION, MANUFACTURING FLEXIBILITY, LEARNING, INNOVATION, AND ENTREPRENEURSHIP IN EXPORTING: A DYNAMIC CAPABILITY PERSPECTIVE

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SUMMARY

Dynamic capabilities are the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments (Teece, Pisano, and Shuen 1997). This study proposes and tests a model that evaluates the impact of innovation and entrepreneurship, as dynamic and higher order capabilities, on the firm’s ability to integrate, build, and reconfigure its absorptive capabilities. Absorptive capability is the organization’s ability to identify the value of new information, assimilate it, and apply it to commercial ends (Cohen and Levinthal 1990). Zahra and George (2002) distinguish between potential and realized absorptive capacities. Potential absorptive capacity entails the firm’s capability to acquire external knowledge and encompasses technology, market, and social learning; while realized absorptive capacity leverages this knowledge through manufacturing flexibility and marketing expansion capabilities. Finally, dynamic capabilities theory suggests that export performance should address long-run benefits on the firm’s absorptive capacity (Knudsen and Madsen 2002). As such, entrepreneurship and market expansion-adaptation impact export performance.

Manufacturing Flexibility and Innovation Capability

Manufacturing flexibility is the capability of the firm to respond to environmental changes and manage production resources to meet customer demands (Chen, Calantone, and Chung 1992) with little negative impact on time, cost, and performance (Upton 1994). As such, the proposed model tests the impact of technology learning on manufacturing flexibility capabilities since it provides knowledge that supports the initiation and development of innovations. Furthermore, Bleaney and Wakelin (2002) found that innovative activity determines high exports in innovating firms, whereas, exporting probability only reflects greater efficiency measured by lower costs. Then, it is expected that innovation as it builds export readiness is driven by technological and manufacturing capabilities.

Market Expansion–Adaptation and Entrepreneurship Capability

Market expansion capability is the ability to configure and deploy marketing resources among different export markets to achieve export performance. Because organizations integrate, and reconfigure resources and capabilities to match requirements from the environment (Teece, Pisano, and Shuen 1997), market expansion builds on the firm’s adaptation capabilities (Yang, Leone, and Alden 1992) and is driven by social learning. Entrepreneurship is the ability of the firm to use its capabilities to exploit external possibilities (Day 1994) and recognize and envision market opportunities (Chandler and Hanks 1994). It captures renewal and alertness, allowing firms to revise their existing capabilities, coordinate resources, and resize their future ability to compete (Barney 2001; Leonard-Barton 1992). This study hypothesized that innovation capability has a direct effect on entrepreneurship capability while this impacts market expansion-adaptation capabilities in exporting firms.

Methodology

Firms that participated in this study have an average of 47 years and median annual sales of $14,750,000. They have been engaged in exporting for 23 years, export to 20 countries in average, and 17.6 percent of their sales derived from exports. The sample consisted of U.S. managers with an average age of 52 years, 10 years of experience as part of the TMT, and 14 years of experience in exporting. The sample power is 80 percent (average loadings $\lambda = .84$ and $\phi = 0.54$). Confirmatory factor analysis using LISREL 8 (Joreskog and Sorbom 1993) assessed the adequacy of behavioral measures and test for discriminant validity. All indicators loaded in their respective constructs as theory suggests, and the model fit with a $\chi^2 = 248.07$, 224 degrees of freedom (d.f.), $p = .129$, goodness of fit index (GFI) = .79 (independent model with $\chi^2 = 2922.27$ and 276 d.f.), comparative fit index (CFI) = .98, normed fit index (NFI) = .90, and RMSEA = .037 and test of close fit (RMSEA < .05) = .77. To assess discriminant validity, correlations among factors were fixed to 1.0 (phi coefficients $\phi_{ij} = 1.0$), the model was recalculated, and chi-square measure was used as fitting criteria (Anderson and Gerbing 1988). Common method variance does not cause a problem since a one-factor model did not fit ($\chi^2 = 777.09$, 252 degrees of freedom (d.f.), $p = .000$, goodness of fit index (GFI) = .54, and RMSEA = .16). The final model was estimated using Partial Least Squares Path Modeling, PLS (Tenenhaus et al. 2005).

Results and Discussion

First, this model suggests that exporting firms require a blend of absorptive and higher-order or dynamic capa-
bilites to develop their competitiveness in international markets. Technology, market, and social learning capabilities support manufacturing, innovation, and market expansion/adaptation. Technology learning assures development of manufacturing flexibility capabilities. These capabilities, in conjunction with market learning, feed the firm’s innovation. Second, firms can’t make use of their innovation capabilities if there are no entrepreneurship capabilities that transfer innovation output to the market. Third, market expansion-adaptation capabilities are necessary for entrepreneurship capabilities to be effective. Fourth, performance of exporting firms is supported on entrepreneurship and market expansion/adaptation abilities. Finally, innovation and entrepreneurship capabilities support market expansion; thus conducive to export performance. References are available upon request.

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THE INFLUENCE OF ORGANIZATIONAL STRATEGY ON CONTEMPORARY MARKETING PRACTICES IN CHINA AND THE U.S.: A TEST OF THE MILES AND SNOW STRATEGY TYPOLOGY

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SUMMARY

The dramatic changes taking place in the global business environment require that marketing practitioners and scholars learn more about the comparative nature and evolution of marketing as an organizational process. Technological forces, changing consumer demands and competitive forces compel organizations to emphasize long-term relationships with their customers or markets (Brown 2005; Day and Montgomery 1999; Gronroos 1991; Kotler 1992; Webster 1991). Yet, firms still must pursue superior product, promotion, distribution, and pricing strategies, or practice effective transactional marketing to remain competitive (Kumar 2008) in both domestic and global markets. Little is known, however, about the way that firms utilize traditional transactional marketing practices and the more contemporary relationships marketing practices (Covielo, Brodie, Danaher, and Johnston 2002) when operating under different environmental conditions in the global marketplace. Recent research suggests that contemporary marketing practice (CMP) is pluralistic: that is firms combine various aspects of contemporary marketing practices including transactional, database, e-marketing, interaction and networking marketing to serve their markets (Covielo, Brodie, Danaher, and Johnston 2002). However, existing CMP studies do not systematically explore the environmental context of managerial marketing practices in depth. Hence, it is still unclear why some firms emphasize different aspects of contemporary marketing practices or seem to follow the pluralistic marketing hypothesis, (Covielo et al. 2002; Perls, Brodie, and Johnston 2004; Wagner 2005).

Research in environmental management theory (Burns and Stalker 1961; Duncan 1972; Lawrence and Lorsch 1967; Zeithaml and Zeithaml 1984) suggests that firms utilize different aspects of contemporary marketing practice as a function of how they are strategically aligned with their organizational environment or their organizational strategies. Organizations use different strategies to interact with their environment because of perceived differences in environmental conditions (opportunities and threats), mission, goals, resources, and market selection (e.g., Anderson and Paine 1975; Ansoff 1965; Blau and Scott 1962; Chandler 1962; Etzioni 1961; Miles and Snow 1978; Segal 1974). Consequently, firms differ in their managerial practices and decisions because of differences in their organizational strategies. To determine the environmental fit of various organizations’ actions or decisions, (such as contemporary marketing emphasis), scholars have proposed several frameworks for diagnosing the impact of environmental conditions on organizational practices. Among these frameworks, the Miles and Snow Strategic Typology (1978) has received considerable support. This framework posits that organizations respond to their environment by using a defender, a prospector, and an analyzer strategy based on their perception of the rate of change in their environment. Defenders use more of a niche strategy in response to relatively stable environmental conditions, while prospectors use a more innovative risk-taking interaction process in response to rapid environmental change. Analyzers, on the other hand, use dual approaches that often imitate prospector firms. While the Miles and Snow (1978) framework has been widely validated in mostly strategy contexts and, to a limited extent, in transactional marketing contexts (e.g., McDaniel and Kolari 1987), it has yet to be applied to contemporary marketing decisions. Accordingly, we examined the robustness of the Miles and Snow Typology (1978) in the comparative marketing context involving firms in China and the U.S. Using a standard CMP questionnaire, we collected data on managerial marketing practices and perceived environmental conditions of 451 firms located in China and 352 firms located in the U.S.. We then verified the robustness of the Miles and Snow Strategic Typology (1978) as a tool for assessing the influence of environmental conditions on contemporary marketing practices in China and the U.S. Finally, we examined the comparative nature of contemporary marketing practices in both samples.

The findings show that managers’ perception of the rate of environmental dynamism is a consistent predictor of variation in the way firms utilize various aspects of contemporary marketing activities in both samples, as
predicted by Miles and Snow’s (1978). We also found that while transaction and database marketing are practiced with similar emphasis across all organizational strategy types in both samples, there are some organizational differences in the practice of interaction and network marketing which may be attributed to domestic rather than global environmental conditions. Specifically, while U.S. defender firms emphasize interaction marketing, Chinese defender firms have less use for interaction marketing and instead emphasize transactional marketing. However, prospector firms and analyzer firms emphasize interaction marketing and network marketing over transactional marketing in both samples because of the demands of the dynamic environmental conditions.

These findings suggest that the basis for contemporary marketing practice decisions is broader than type of market served (consumer versus business) as proposed in the extant literature and is, to a large extent, similar among firms operating in similar organizational environments. In addition, this study extends the contemporary marketing practice literature to China’s emerging market environment and suggests how managers may identify the most suitable emphasis within contemporary marketing practices in China and other emerging market economies and how such practices may or may not be directly transferable from U.S. organizational context. References are available upon request.
SEGMENTING THE OVER-FIFTIES MARKET IN SIX WESTERN COUNTRIES: THE IDENTIFICATION OF CROSS-NATIONAL SEGMENTS

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SUMMARY

The Idea of Cross-National Segments

When marketing to customers in more than one country managers often find themselves between costly adaptation and efficient standardization strategy risking a stuck-in-the-middle-situation of mediocre offer and mediocre cost positioning. On a domestic basis marketers typically analyze the degree of homogeneity within a market before deciding whether to employ a uniform or a differentiated strategy. On an international basis the degree of within-country heterogeneity is often neglected, as international market segments are formed by grouping countries on the basis of cultural similarity. The formation of cross-national market segments is proposed here as an alternative approach to international market segmentation that is at the same time cost-efficient and accounts for the diversity on the inner-country-level. Cross-national segments can be defined as clear segment profiles of homogeneous customer groups that exist in more than one country. In this research the approach of cross-national market segmentation is applied to one of the most promising markets of the future: the over-fifties market in Western countries.

Data Gathering, Sampling, and Method

Primary data gathered in six Western countries (France, Germany, Italy, Spain, the U.K., and the United States) served as a basis for identifying the hypothesized cross-national segments. In advance, a preliminary study was conducted in France and Germany as well as pretests in the remaining countries. For the main study, a dataset of more than 1.000 face-to-face interviews was generated in the six countries. Quota sampling based on national statistic sources of the 50+ gender and age distribution was used. The constructs analyzed are latent variables and reflective in nature. Multi-items scales were used to measure them. The clustering constructs were first validated on a national basis by means of factor and reliability analysis and then analyzed to ensure construct equivalence across country samples. Random samples were drawn from the national samples in order to ensure proportionality between the countries according to their population sizes. A data set of more than 700 respondents remained to be analyzed by means of clustering procedures. A combination of the following clustering algorithms was used to obtain the final segment solution: single linkage (for identifying outliers), ward (for determining a first clustering solution including the number of clusters), and k-means (for optimizing the ward-solution).

Results

A five-cluster solution was obtained with distinct segment profiles showing sufficient homogeneity within and heterogeneity between the clusters. Cluster sizes were large enough to describe the segments identified as substantial. Moreover, the five segments comprise respondents of all of the six countries. Even though, the percentage of respondents of each nationality varies somewhat from segment to segment, only one of the segments shows a clear over representation of two nationalities.

It is a predicament that segmentation approaches do not only deliver distinct segment profiles based on the variables used for actively forming the clusters. To ensure identifiability and accessibility, segments furthermore need to vary significantly on further descriptive variables. The over-fifties-segments obtained show indeed decisive differences in terms of demographics and other descriptive variables. These findings may indicate that these distinct groups truly exist in the marketplace. They are, furthermore, a signal of actionability for the segmentation approach.

Discussion, Limitations, and Further Research

In general, the results show that inner-country heterogeneity seems to be too important to be neglected in international marketing. If distinct market segments with diverse needs exist in submarkets, these need to be accounted for. This conflicts with any further aggregation of customers on the country-level, e.g., the formation of country-clusters. Therefore, cross-national segmentation is proposed here as an alternative to traditional international market segmentation. It combines seemingly contradictory goals, i.e. suiting customers’ diverse needs as well as following company necessities in terms of cost-efficiency in an international environment. The empirical results of this research support the thesis that comparable segments truly exist in different countries and can be efficiently marketed to. However, this research is limited to the over-fifties market in Western countries. Further research might aim at identifying cross-national segments in other markets.
Moreover, future replication studies in the same countries need to address the question of timely stability of the segments identified. In addition, a replication study in less-developed countries might shed some light on differences within the over-fifties segments between industrialized and industrializing countries. References are available upon request.

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SUMMARY

The concept of ethnocentrism represents the proclivity for people to view their own group as the center of the universe, to interpret other groups from the perspective of their own group, and to reject people who are culturally different while blindly accepting those that are culturally similar to themselves (Booth 1979; Worchel and Cooper 1979). This study uses the term “consumer ethnocentrism” to represent the belief held by consumers about the appropriateness and morality of purchasing foreign-made goods (Shimp and Sharma 1987). The purpose of the study is to build a framework for when organizational strategy can be used to circumvent the effects of consumer ethnocentrism. The study strives to link consumer ethnocentrism to organizational strategy by employing the Oliver (1991) typology for strategic responses to institutional processes. Propositions are developed using the framework.

Three variables are used to examine the effects of organizational strategy on consumer ethnocentric tendencies. First, the study examines whether or not a market has high ethnocentric tendencies. Second, an examination of whether or not a firm, brand, or product is known to be foreign by the consumer. Brand Origin Recognition Accuracy (BORA) has been found to be approximately 35 percent for U.S. consumers (Samiee, Shimp, and Sharma 2005). Finally, whether or not a market has strong domestic competition is examined. Without a domestic substitute consumers do not have the choice between a domestic or foreign product.

According to Oliver (1991) there are five strategic responses to institutional pressures a firm may use – an Acquiesce (conform) strategy, a Compromise strategy, an Avoid strategy, a Defy strategy, or a Manipulate strategy. The focus of this paper is on what conditions each strategy will be successful in circumventing the negative effects of consumer ethnocentrism on the consumer’s willingness to purchase a foreign product.

In order to use the Oliver framework the current study frames consumer ethnocentrism as an institutional pressure. Signaling theory suggests that brands can be used by consumers to signal personal values (Erdem and Swait 1998; Montgomery and Wernerfelt 1992; Ozsomer and Altaras 2008). Thus, a consumer that buys a foreign brand may signal to others, in particular their reference groups, that they are unpatriotic, do not support domestic jobs, and don’t care about their peers. The risk of potential negative consequences motivates consumers to behave in congruence with their reference groups. Thus, consumer ethnocentrism can be widely diffused through industries, nations, and regions (Klein and Ettenson 1999; Shimp and Sharma 1987) becoming a public opinion and therefore an institutional pressure.

In the case of ethnocentric consumers, the norm or “pressure” being applied is to avoid foreign originated products or services. For a foreign firm, conforming to this norm would mean to produce products in the country of the ethnocentric consuming market. The Oliver typology aids the current study in predicting when a foreign firm should conform to the norms of the ethnocentric consumer market, or try to resist the institutional pressures exerted upon them by ethnocentric consumers.

Based on the Oliver typology of Strategic Responses to Institutional Processes (1991) the following propositions are presented:

P1: When consumer ethnocentric tendencies are low in the firm’s market, a defy strategy will circumvent the negative effects of consumer ethnocentrism on the foreign firm.

P2: When consumer ethnocentric tendencies are high, but brand origin recognition accuracy (BORA) is low in the firm’s market, an Avoid strategy will decrease the negative effects of consumer ethnocentrism on the foreign firm.

P3: When consumer ethnocentric tendencies are high, brand origin recognition accuracy (BORA) is high, and there is weak domestic competition in the firm’s market, a Manipulate strategy will decrease the negative effects of consumer ethnocentrism on the foreign firm.

P4: When consumer ethnocentric tendencies are high, brand origin recognition accuracy (BORA) is high, and there is strong domestic competition, an Acquiesce or a Compromise strategy will decrease the negative effects of consumer ethnocentrism on the foreign firm.
Consumer ethnocentrism is based on fear. The fear that purchasing products of foreign origin will cause economic strife (Shimp and Sharma 1987), or the fear that purchasing products of foreign origin will cause others to look down upon you (Fishbein and Ajzen 1975; Lutz 1991; McCracken 1986; Shimp and Sharma 1987). In contexts in which fear is used in the purchase decision, Proposition 4, an organization will be forced to be passive and use a conform strategy. Otherwise, an organization will try to be proactive and resist the institutional pressure being exerted. The contribution of the current study is that a framework to predict in which contexts consumer ethnocentrism will affect organizational strategy has been developed. Future research should test whether or not each organizational strategy enhances organization performance. References are available upon request.
IMPROVING SALESPEOPLE PERFORMANCE: THE CRITICAL ROLE OF AFFECT-BASED TRUST AND EMOTIONAL INTELLIGENCE

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SUMMARY

How can today’s sales manager successfully recruit, train, and motivate each sales representative to achieve top performance? This study investigates the relationship between a sales manager’s emotional intelligence and the level of trust, specifically affect-based trust, experienced by the sales representatives he/she manages. This study also explores how affect-based trust experienced by sales representatives correlates with both job performance and motivation.

Emotional intelligence (EQ) is the “ability to perceive emotion, integrate emotion to facilitate thought, understand emotion, and to regulate emotion to promote personal growth” (Salovey and Mayer 1997). Past empirical studies reveal that one’s level of emotional intelligence is a primary determinant of effective leadership. In the workplace today, research reveals a positive shift toward “building relationships.” “Trusting relationships derive from psychological interactions between two parties who make efforts to enhance those relationships,” indicates Samsup and Shim (2005). Trust is comprised of emotional and logical dimensions. This study focuses primarily on the emotional side of trust, known as affect-based trust. Individuals having affect-based trust “express care and concern for the welfare of their partners and believe intrinsic virtue of such relationships” (Dirks 1999; Rempel, Holmes, and Zanna 1985). “Ultimately, the emotional ties linking individuals can provide the basis for trust,” explains McAllister (1995). There has been little empirical research and analysis done involving affect-based trust as the missing link between sales managers’ emotional intelligence and the performance and motivation of sales representatives.

Participants surveyed consisted of retail employees from the southwestern part of the United States. Individuals participating in this study were asked to answer the questions about the person of authority over their daily job routine, which would be operationally defined as his/her primary sales manager. A total of 274 samples were collected for this research study, which included 144 males and 130 females ranging in ages 18 to 76 years.

Interestingly, this study supports past EQ research conducted by Salovey, Mayer, and Goleman as well as McAllister’s studies concerning affect-based trust. By showing a strong, positive correlation between emotional intelligence and affect-based trust, this study reveals that as a sales manager’s emotional intelligence increases, their ability to foster a trusting relationship with their sales representatives will increase as well. Those increasing levels of affect-based trust, in turn, create increasing levels of job performance and motivation among sales representatives. Thus, one can better understand the vital importance of establishing a relationship upon the basis of trust, specifically affect-based trust. Essentially, affect-based trust generates a strong link between a sales manager’s emotional intelligence and a sales representative’s performance and motivation.

“Trust in the workplace is an extremely valuable resource with a significant effect on job satisfaction and well-being” (Helliwell 2005). This study supports the growth of affect-based trust between salespeople and sales managers and enhances the positive impact of EQ within the workplace, especially among sales-related careers. If sales managers focus on each dimension of their EQ, the process of forming trust will enable healthier communication and improve understanding of sales representatives’ needs. With superior management of emotions along with trust-building activities, sales managers can interact easier with their employees and create higher levels of trust. This supports the idea that higher levels of trust may decrease monitoring costs and employee turnover rates (Bachmann and Zaheer 2006). Within today’s troubling economic times, this study brings great relevance. Other contributions involve the evaluation process of prospective and current employees. During selection and hiring processes, businesses can formulate even better assessments by evaluating one’s EQ along with other items. Additionally, face-to-face meetings and ongoing feedback could increase trust levels to help increase job performance. Having few methodology limitations, such as the use of a self-reported performance scale or the social desirability of participants, this study made considerable efforts to guard against influence upon participants’ responses.
REDUCING SALESPERSON ROLE STRESS AND INCREASING ORGANIZATIONAL COMMITMENT: AN EXAMINATION OF LOC

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SUMMARY

Studies have shown that when a salesperson leaves his/her organization, the costs associated with departure can range from 25 percent to 200 percent of their annual compensation (Pinkovitz 1997). One way to help reduce turnover is to increase an employee’s commitment to the organization (Somers 1995). While the linkage between organizational commitment and turnover is well-established, gaining a better understanding of the organizational and work related factors that influence organizational commitment will ultimately lead to a reduction in salesperson turnover. Little attention has been paid to the effect one’s LOC (LOC) has on organizational commitment. Knowing how much control one feels they have over events that occur plays a significant role in predicting one’s commitment to an organization. The purpose of this study is to determine the relationships between stress-related variables, LOC and organizational commitment.

Literature Review

Agarwal and Ramaswami (1993) found that the influence of sales job characteristics on organizational commitment is mediated by job stress factors. People with a less external LOC reported higher levels of organizational commitment (Spector 1988). Yousef (2000) found that there was a significant, positive relationship between a more external LOC and both role conflict and role ambiguity. Those with a more external LOC found their work environment to be more stressful, and led to higher levels of internal stress (Bernardi 1997). Role conflict (Boles et al. 1997) and role ambiguity (Fogerty et al. 2000) are both found to have a significant, positive effect on emotional exhaustion. When employees are confronted with a situation in which two sources of authority want two different things, and it is impossible to make one party happy without upsetting the other party, levels of emotional exhaustion increase (Elloy et al. 2001). Also, when employees’ jobs become more unclear and their goals more undefined, these employees will experience rising levels of emotional exhaustion (Kelloway and Barling 1991). Employees who experience emotional exhaustion due to excessive psychological and emotional demands tend to lay the blame with their firm, reducing organizational commitment (Winstanley and Whittington 2002). As a result of the literature review, 6 hypotheses have been formulated:

H1: As a salesperson’s LOC becomes more external, the salesperson will exhibit significantly lower levels of affective organizational commitment.

H2: As a salesperson’s LOC becomes more external, the salesperson will exhibit significantly higher levels of role conflict.

H3: As a salesperson’s LOC becomes more external, the salesperson will exhibit significantly higher levels of role ambiguity.

H4: As role conflict increases, the salesperson will experience significantly higher levels of emotional exhaustion.

H5: As role ambiguity increases, the salesperson will experience significantly higher levels of emotional exhaustion.

H6: As emotional exhaustion increases, the salesperson will experience significantly lower levels of affective organizational commitment.

Results and Discussion

H1 through H4 and H6 were supported, while H5 was not. The resulting structural model can be seen in Figure 1. Salespeople with make external attributions for either success or failure feel they have no control over job performance. They see little difference between sales organizations, causing organizational commitment to be high when they are performing well and low when they are not. Salespeople with a less external LOC realize that in situations of role conflict, the wisest choice is ultimately the most beneficial to them. Salespeople with a more external LOC feel that the choice doesn’t matter, because they have no control over their success or failure. Salespeople with a less external LOC focus on successful
behaviors, believing that they are responsible for their own success. Those with a more external LOC don’t view their behaviors as deterministic of success. Once a salesperson experiences a high level of emotional exhaustion, they may feel the organization is expecting too much of them, causing the salesperson to want to distance themselves from the organization. Those with a more external LOC experience more emotional exhaustion and role stress. These results are important because they are managerially actionable. Preventative measures such as personality inventories, training, group discussion and motivational techniques can help salespeople shift their LOC from more to less external. References are available upon request.

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SALES ROLE IN STRATEGIC RELATIONSHIP ALIGNMENT: AN INTENSIFICATION/DE-INTENSIFICATION PERSPECTIVE

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SUMMARY

The concept of relationship marketing has been a topic of a number of scholarly articles, especially in the marketing literature. Fundamentally, relationship marketing is about activities that enhance long-term, continued interaction with customers or other partners (Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994; Berry and Parasuraman 1991). Whether the outcome of a relationship is positive or negative, managing the buyer-seller relationship can be challenging, especially for the seller. Every exchange can bring benefits for both firms or the potential for conflict between the firms. One emerging stream of research regarding managing these relationships involves the use of the sales force as relationship managers because they have the most frequent and intimate contact with the customers (Weitz and Bradford 1999). While there seems to be a tendency to favor closer business relationships (Kotler 1992; Webster 1992), the salesperson’s influence can be used to create distance in a relationship if management deems it more appropriate.

The purpose of this paper is to discuss how the top management can more effectively utilize the sales force to intensify or de-intensify relationships with customers. In most cases, the academic approach to relationship marketing demonstrates a bias that relationships bring about positive benefits for the firm and when in doubt is the default strategy (Vargo and Lusch 2004). This, however, is not always the case. Some research has cast serious doubt as to whether close relationships sustain profitability over the long term due to factors such as the cost of returns or customer expectations (Reinartz and Kumar 2003). Given these findings, many firms would be best served to create some distance in their relationships for purposes such as renegotiating or ending a relationship with an unprofitable customer.

One of the main contributions of this research is that it allows for the notion that closer relationships are not always desired. For the purposes of this research, exchange is operationalized along a continuum with pure transactional exchange (or discrete transaction) at one end and pure relational exchange on the other end (Dwyer, Schurr, and Oh 1987). It is the strategic options along this continuum that are vital to this research. “The concept of discrete transaction specifically excludes relational elements” (Dwyer, Schurr, and Oh 1987, p. 12). As exchange is more influenced by past and future interactions, the connection between the companies tends to move toward relational exchange, often referred to as relationship marketing.

A new dichotomy is proposed of “relationship intensification” and “relationship de-intensification.” Relationship intensification will be defined as those efforts made by the company to move both parties along the spectrum toward a relational exchange. Alternatively, relationship de-intensification will be defined as those efforts made by the company to move both parties along the exchange continuum toward either discrete transactions or termination of the relationship.

The general system theory provides the theoretical grounding for this paper. This theory proposes that open systems display equifinality, or the ability to achieve an end result regardless of initial conditions. In moving toward this final condition, the system diminishes the difference between current and equilibrium states. This principle allows that companies can move in both directions (intensification and de-intensification) along the exchange continuum in order to find the optimal end-result.

Propositions are developed regarding sales management practices that can influence buyer-seller relationships. First, selling teams can be used to signal relationship intensification or de-intensification by altering the size of the investment committed to a customer. Second, outcome-based control systems can be employed to encourage decreased relational behavior by the salesperson, whereas behavior-based controls systems are likely to produce salesperson focus on a long-term relationship with the customer. Finally, a firm can pursue relationship de-intensification by pushing customer loyalty to the individual salesperson by giving him/her greater autonomy. On the other hand, the customer loyalty will be directed more toward the firm if it displays high levels of entitativity (consistency or unity of social entity).

This paper represents a step toward advancing the understanding of how the sales force can be used to manage relationships with customers. Because they typically have the most interaction with customers, salespeople represent a vital opportunity for firms to manage the relationships with their customers. The other primary
contribution of this research is the allowance of both relationship intensification and de-intensification. Through general system theory, we embrace that firms may wish to maintain an equilibrium or particular location along the exchange continuum. By being open to this possibility, the recommendations and discussions of this research become more applicable in more contexts. Finally, this paper presents a starting point for further research on how the sales force can be managed to achieve a company’s goals in relationship marketing. References are available upon request.

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THE FIRE FROM WITHIN: ASSESSING EMPIRICAL CONGRUITY IN THE RELATIONSHIP BETWEEN SALESPERSONS’ MOTIVATION AND PERFORMANCE

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ABSTRACT

Motivation is a fire from within. If someone else tries to light that fire under you, chances are it will burn very briefly. – Steven R. Covey

Sales executives manage their sales force based on principles of their industry, the expectations and demands of their supervisors, and their own assumptions about what motivates salespeople and what leads to good sales performance. In addition, they constantly try to improve their understanding of the determinants of good sales outcomes (Walker, Churchill, and Ford 1977). In fact, the marketing literature is replete with attempts to identify the relationship between salespersons’ characteristics and their performance (Brown and Peterson 1993). There are a number of studies that propose theoretical models which attempt to explain salesperson performance in different contexts (Walker, Churchill, and Ford 1977; Jackson, Tax, and Barnes 1994; Paparoidamis 2005). In addition, quantitative studies in the literature analyze various combinations of salespersons’ skills, motivations, efforts, role variables, personal factors, aptitudes, and organizational/environmental factors (Smith et al. 2000; Evans et al. 2005; Low et al. 2000; Humphreys 2002). However, it is unusual to see correlations greater than 0.2 in absolute value between performance and any single performance predictor in such quantitative analysis (Oliver and Anderson 1994). This suggests that motivation, performance, and sales outcomes relationships are situation specific. In fact, focus of past studies is limited with respect to their context, country, motivation type, industry, division. Thus, there is a need for a broader perspective to salesperson motivation, performance and sales outcomes relationship.

The objective of this study is to present an integrative review of the extant literature on the salesperson motivation – performance relationship and to empirical assess the in/congruity across effects. In this study we first concentrate on salesperson performance and salesperson motivation link only. Then an attempt is made to analyze the more generalized relationship between salesperson motivation and sales outcomes. The study employs a meta-analytic approach to integrate different research findings by treating the variations across different studies as dependent variables (McGraw and Smith 1981). This integration helps account for the variation of results across studies (Henard and Szymanski 2001). Accordingly, the present research attempts to address the prevailing question: “Is salesperson motivation positively related to salesperson’s performance outcomes sans moderators?” Also, the article identifies potential individual and organizational factors and tests them as portentous moderators across effects.

The use of meta-analysis to advance knowledge has been well-established in the social sciences literatures (Farley, Sultan, and Lehmann 1990). For instance, Churchill et al. (1985) used this technique to identify role variables, skill, motivation, personal factors aptitude, and organizational/environmental factors as determinants of salesperson performance. The contribution of our study is to exclusively focus on the relationship between salesperson motivation and performance. It is a largely accepted managerial premise that highly-motivated salespeople will achieve better sales performance. To the extent that the motivation-performance relationship exists in sales contexts, the present study reviews the literature in the past twenty five years and attempts to identify managerial mechanisms for improving sales performance.

The paper begins with a comprehensive review of the sales literature addressing the motivation-performance relationship. Attempts are made to identify similarities and differences across the body of literature with a bent toward isolating individual and/or organizational moderators that have been empirically tested to date.

LITERATURE REVIEW

Walker, Churchill, and Ford (1977) define salesperson motivation as the amount of effort salesman desires to expend on each of the activities and tasks associated with the job such as calling on potential new accounts, planning sales presentations, and filling out reports. In mathematical terms, motivation is defined as the multiplication of expectancy and valence for performance. Expectancy is the extent to whether a salesperson believes that expending an amount of effort on a task would result in better performance. Valence for performance is composed of the concurrent impact of salespersons’ interest in rewards and their perceived realization that effort will produce desired rewards. Thus, Walker, Churchill, and Ford’s
salesperson motivation and performance. According to factor that is discussed to affect the relationship between organization effectiveness, and sales person effort. Thus:

- Intrinsic rewards are feelings of accomplishment, personal growth, career development, and self-worth. External rewards are those controlled by managers and customers such as pay, financial incentives, security, and promotion. Based on these two types of rewards, intrinsic motivation is defined as the motivation to obtain intrinsic rewards whereas extrinsic motivation is directed at extrinsic rewards. Thus, intrinsic motivation refers to the pleasure or value of the sales activity itself whereas extrinsic motivation is based on the results of the actions (Skinner 1989).

There is a continuing debate in the literature regarding the type of motivation that is more effective on salesperson performance. Tyagi (1985) states that intrinsic motivation is more effective in producing better performance than extrinsic motivation. However, according to Skinner et al. (1989), whether intrinsic or extrinsic motivation has a greater impact on motivation is not yet determined in the literature. In this study, we propose that intrinsic motivation has a greater impact on motivation than extrinsic motivation. We base this argument on the views of Smith and Rupp (2003). They assert that intrinsic motivation always increases overall motivation, while extrinsic motivation can have both positive and negative effects on motivation. This is because extrinsic motivation is not lasting over longer periods as intrinsic motivation (Deci and Ryan 1980). Therefore, the following hypothesis follows:

**H1a**: The relationship between salesperson’s motivation and performance is stronger when motivation is internal than external to the sales person.

We also propose that this argument can be generalized for the relationship between salesperson motivation and sales outcomes. We define sales outcomes as the sum of outcome performance, job performance, effort performance, work performance, role prescribed performance, extra role performance, multidimensional performance, relative information provision performance, expense control performance, behavior performance, sales unit/organization effectiveness, and sales person effort. Thus:

**H1b**: The relationship between salesperson’s motivation and sales outcomes is stronger when motivation is internal than external to the sales person.

The type of item sold by the salesperson is another factor that is discussed to affect the relationship between salesperson motivation and performance. According to Churchill et al. (1985), the relationship between salesperson motivation and performance is stronger when sold item is an industrial product than a service. Smith and Rupp (2003) add to this argument by stating that many products, especially industrial products, change rapidly and often. This makes continual learning essential to remain competitive for selling products. Thus, Smith and Rupp (2003) contend that “sales people that work continually to increase their technical and sales knowledge generally achieve an increased competency that results in increased intrinsic motivation and greater success in selling” (p. 164). Since services do not evolve as frequent as products, the following hypothesis follows:

**H2a**: The relationship between salesperson’s motivation and performance is stronger when sold item is a product than service.

Generalizing from this hypothesis we also propose that:

**H2b**: The relationship between salesperson’s motivation and performance is stronger when sold item is a product than service.

There are factors that may moderate the relationship between sales person motivation and performance related to the characteristics of the organization. The organizational characteristics that support salesperson’s perception of competency and self-determination are suggested to positively moderate the relationship (Smith and Rupp 2003). When the salesperson works under a marketing department instead of a simple sales department, it can be argued that salespeople have better competency and self determination levels. This is because marketing departments offer a range of learning opportunities to salespeople that may improve their sales skills. In addition, marketing departments collect and disseminate information that return to salespeople as two distinct types of knowledge. Declarative knowledge is the data base for understanding and interpreting the sales domain, whereas procedural knowledge tells sales people what should be done in selling situations and involves methods to improve adaptive selling ability (Weitz et al. 1986). Thus, advanced knowledge of customer values and beliefs helps salespeople to operate in a market with a better competency and reduced role uncertainty for firms with a specialized marketing department. Therefore, it is hypothesized that:

**H3**: The relationship between salesperson’s motivation and performance is stronger when the salesperson works under a marketing department than a sales department.

Another organizational characteristic is whether the firm is a direct sales organization or not. As a business strategy, most direct sales organizations focus on learning
and knowledge production specifically on selling. They take advantage of networking to learn about new information and technologies and they contact a large base of peers and customers on a regular basis (Smith and Rupp 2003). Since they are specialized in selling networks, salespeople that work under direct sales organizations have a better chance of performance under identical levels of motivation, support the following hypothesis:

H₃: The relationship between salesperson’s motivation and performance is stronger when the sales person works at a direct sales firm than other types of firms.

The nationality of the salesperson is another proposed moderator for the investigated relationship. For instance, the drivers of motivation-performance relationship for Chinese salespeople are not the same as U.S. salespeople. Under the equality ideology of socialism, recognition for individual performance such as bonus and incentives are not tenable options in China. In addition, higher needs such as self respect and further growth are more important for salespeople when lower needs are fully satisfied (Liu 1998). Since U.S. has a higher living standard than most other countries, both intrinsic and extrinsic components of motivation for salespeople in U.S. are expected to lead more salesperson performance in U.S. In addition, counties with lower living standards and stronger social emphasis are burdened by the ability to train salespeople on a regular basis, and to provide them with reliable and updated data.

Therefore we propose the following hypothesis:

H₄: The relationship between salesperson’s motivation and performance is stronger when the salesperson works in the U.S. than non-U.S. firms.

There are important structural changes in business at the new millennium. Emergence of information technology, rapid life cycles for products and services, increased emphasis on innovation and new product development are some of the changes that aim to create more efficient ways to conduct businesses activities. In line with these developments, sales people of new millennium can perform better for a given level of motivation, merely because of these favorable structural changes that evolved by time. Therefore, the following hypothesis summarizes this point:

H₅: The relationship between salesperson’s motivation and performance is stronger for studies carried out at or after 2000 than before.

**METHODODOLOGY**

The studies included in the meta-analysis were selected based on broadly-accepted electronic search procedures. Databases such as ABI/Inform, Ebsco Host, Business Source Premier, Dissertation Abstract, and Science Direct were accessed. Combination of keywords such as “salesperson motivation,” “salesperson performance,” and “sales outcomes” were used to drive the search. Business journals such as the Journal of Marketing, Journal of Marketing Research, Journal of the Academy of Marketing Science, Journal of Business Research, and Academy of Management Journal were also manually searched. Further, the references of the studies found were searched for other articles.

The search was terminated in May 2006, the time at which additional search efforts did not provide new results. In total, over a thousand articles were identified. From this sample frame, articles that did not empirically test the relationship between salesperson motivation, performance or a measure of sales outcome, or did not report the effect size were eliminated. The final set of articles contained 23 articles with a total of 50 effect sizes (Table I). The final set is used to test H₄ and H₅. The rest of the hypotheses are tested by focusing on studies that measure salesperson motivation and salesperson performance. This involved a subset of studies with an effect size of 27 (Table II).

**DATA ANALYSIS**

Calculations are initiated by transforming the reported effect size statistics (correlations, regression coefficients, and path coefficients) into measurement-error corrected correlation coefficient (MECR). Conversion formula proposed by Glass et al. (1981) were employed. Multiple effects from a single study were used if they pertained to different subgroups (e.g., internal vs. external distinction, effort-performance distinction) without averaging them. This was done to avoid conceptual ambiguities and possible incorrect estimates of sampling error. The 50 measurement error-corrected correlations between salesperson motivation and sales outcomes range from – .22 to 0.97. Further, we tested all 50 correlations for homogeneity using the Q-test, for which the measurement error-corrected R’s (MECR) were transformed into Fischer’s z coefficients to account for slightly non-normal distribution (Hedges and Olkin 1985).

ANOVA tests were conducted to assess separate effects of each independent variable on the dependent variable (MECR). A regression is run to check for the relationships which are proposed by the hypotheses.

**RESULTS**

The results (shown in Table 1) of ANOVA analysis for the test of salesperson motivation-performance relationship show that the relationship between salesperson’s motivation and performance is stronger.
when motivation is internal to the salesperson than external (H1a supported). When the sold item is a product, rather than a service, the relationship between salesperson motivation and performance is again stronger (H2a supported). The third hypothesis was measuring the effect of the department under which the salesperson works. When the salesperson works under a marketing department, rather than a sales department, the proposed relationship between salesperson motivation and performance is found to be higher (p = 0.000), supporting H3. Whether the firm is a direct sales firm or not does not seem to effect the proposed relationship (p = 0.710 > 0.05). Therefore, H4 is not supported. H5 was marginally supported (β = 0.249, p = 0.048), i.e., the proposed relationship is stronger for U.S. firms than non-U.S. firms. Finally, the correlation is higher when measured in studies at or after 2000 than before (H6 supported).

The attempt to generalize these results to the salesperson motivation and sales outcomes relationship failed at Study 2 (shown in Table 2). H1b and H2b are not supported.

DISCUSSION

These findings bring an analytical perspective to the various dimensions of salesperson motivation and performance relationship. The importance of internal motivation is underscored as opposed to external motivation in obtaining better performance levels. Firms that specialize in selling products, rather than services are advised espe-

### TABLE I
ANOVA Table for Salesperson Motivation – Performance Relationship

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variables</th>
<th>Beta Coeff.</th>
<th>t-value</th>
<th>Sig.</th>
<th>Collinearity Stats.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>H1a</td>
<td>Extrinsic Motivation</td>
<td>-0.565</td>
<td>-6.276</td>
<td>0.000</td>
<td>0.807</td>
</tr>
<tr>
<td>H2a</td>
<td>Product</td>
<td>0.832</td>
<td>3.209</td>
<td>0.005</td>
<td>0.097</td>
</tr>
<tr>
<td>H3</td>
<td>Sales Department</td>
<td>-0.542</td>
<td>-4.736</td>
<td>0.000</td>
<td>0.498</td>
</tr>
<tr>
<td>H4</td>
<td>Direct Sales</td>
<td>-0.036</td>
<td>-0.378</td>
<td>0.710</td>
<td>0.710</td>
</tr>
<tr>
<td>H5</td>
<td>U.S. Firm</td>
<td>0.249</td>
<td>2.112</td>
<td>0.048</td>
<td>0.469</td>
</tr>
<tr>
<td>H6</td>
<td>2000 and after</td>
<td>0.318</td>
<td>2.982</td>
<td>0.008</td>
<td>0.573</td>
</tr>
<tr>
<td>R</td>
<td></td>
<td>0.936</td>
<td></td>
<td></td>
<td>R² = 0.876</td>
</tr>
</tbody>
</table>

### TABLE II
ANOVA Table for Salesperson Motivation – Sales Outcomes Relationship

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variables</th>
<th>Beta Coeff.</th>
<th>t-value</th>
<th>Sig.</th>
<th>Collinearity Stats.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>H1b</td>
<td>Intrinsic Motivation</td>
<td>-0.105</td>
<td>-0.679</td>
<td>0.500</td>
<td>0.712</td>
</tr>
<tr>
<td></td>
<td>Extrinsic Motivation</td>
<td>-0.296</td>
<td>-1.884</td>
<td>0.066</td>
<td>0.0691</td>
</tr>
<tr>
<td>H2b</td>
<td>Product</td>
<td>-0.164</td>
<td>-0.955</td>
<td>0.345</td>
<td>0.578</td>
</tr>
<tr>
<td></td>
<td>Service</td>
<td>0.218</td>
<td>1.221</td>
<td>0.228</td>
<td>0.534</td>
</tr>
<tr>
<td>R</td>
<td></td>
<td>0.482</td>
<td></td>
<td></td>
<td>R² = 0.232</td>
</tr>
</tbody>
</table>

VIF = Variance Inflation Factor
cially to motivate their salespeople to obtain better performance levels. A separate marketing department that assist salespeople for better information provision, training and competency is seen to positively affect the relationship between salesperson motivation and performance. U.S. firms are seen to be particularly prone to this link between motivation and performance. Finally, this relationship is seen to be more prevalent in recent studies, indicating that the importance of motivation and performance relationship is increasing by in time.

However, an attempt to find the moderators of the salesperson motivation and sales outcomes relationship failed. This maybe caused by the fact that there is no consensus on the literature about the definition of a sales outcomes construct. For instance, Anderson and Oliver (1987), Behrman and Perreault (1982), Jaworski and Kohli (1991) concur in defining outcome performance as sales outcomes measure. On the other hand, Humphreys (2002), Katsikea and Skarmeas (2001) define sales unit effectiveness as a dimension of sales outcomes. However, Baldauf and Cravens (2000) contend that behavior performance, outcome performance and sales organization effectiveness must be treated as distinct constructs. Thus, the aggregate measure that is used in this study that incorporates all of the above may not have captured the proposed construct correctly. Thus, the insignificance may be due to poor discriminant validity and internal validity for the definition of sales outcomes. It is suggested that future research concentrate on defining such a global measure and analyze its relationship with previously well defined constructs, such as performance and motivation.

REFERENCES


Glass, Gene V., Barry McGaw, and Mary L. Smith (1981),


APPENDIX 1

Study 1 Model for Salesperson Motivation–Performance Relationship

Moderators:
- Nature of Motivation
  - Extrinsic/Intrinsic
- Sold Item
  - Product/Service
- Department
  - Marketing/Sales
- Firm Type
  - Direct Sales/Others
- Nationality
  - US/Non-US
- Study Year
  - 2000 and after/before

Salesperson Motivation $H_{1a}, H_{2a}, H_3, H_4, H_5, H_6$ Salesperson Performance

Study 2 Model for Salesperson Motivation – Sales Outcomes Relationship

Moderators:
- Nature of Motivation
  - Extrinsic/Intrinsic
- Sold Item
  - Product/Service

Salesperson Motivation $H_{1b}, H_{2b}$

Sales Outcomes:
- Outcome Performance
- Sales Unit/Organization Effectiveness
- Job/Effort/Work/Role Prescribed/Extra Role/Multidimensional/Relative Info.Provision/Expense Control/Behavior Performance
- Sales Person Effort
| Study                          | Title                                                                 | Included in Studies:                  | Sold Item (Product/Service), Country | Department, Firm Type | Item Type                                         |
|-------------------------------|                                                                      |                                       |                                    |                        |                                                  |
| Atuahene-Gima and Michael (1998) EJM | A Contingency Analysis of the Impact of Salesperson’s Effort on Satisfaction and Performance in Selling New Products | Study 1, Study 2                      | Product, Australia                 | Mktg, Others           | Industrial Products                               |
| Baldauf et al (2001) IM R     | Examining the Consequences of Sales Management Control strategies in European Field Sales Organizations | Study 1, Study 2                      | Both, Austria                      | Mktg, Direct Sale      | Durable Products-Consumer Goods                  |
| Babakus et al (1996) JPSSM    | Examining the Role of Organizational Variables in the salesperson Job Satisfaction Model | Study 1                              | Service, US                        | Sales, Others          | Various Services                                  |
| Katsikea and Skarmeas (2001) EJM | Organizational and Managerial Drivers of Effective Export Sales Organizations | Study 1, Study 2                      | Service, US                        | Mktg, Others           | Various Products                                  |
APPENDIX 2 (CONTINUED)

<table>
<thead>
<tr>
<th>Study</th>
<th>Title</th>
<th>Included in Studies</th>
<th>Sold Item (Product/Service), Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beltrami and Evans (1988) JPSSM</td>
<td>Salesperson Motivation to Perform and Job Satisfaction: A Sales Contest Participant Perspective</td>
<td>Study 1</td>
<td>Service, US</td>
</tr>
<tr>
<td>Yilmaz (2001) EJM</td>
<td>Salesperson Performance and Job Attitudes Revisited</td>
<td>Study 1, Study 2</td>
<td>Product, US</td>
</tr>
<tr>
<td>Evans (2005) JBR</td>
<td>The Moderating Effect of Goal-Setting Characteristics on the Sales Control Systems-Job Performance Relationship</td>
<td>Study 1</td>
<td>Both, China</td>
</tr>
<tr>
<td>Sohi (1996) EJM</td>
<td>The Effects of Environmental Dynamism and Heterogeneity on Salespeople’s Role Perceptions, Performance and Job Satisfaction</td>
<td>Study 1</td>
<td>Product, US</td>
</tr>
</tbody>
</table>
### APPENDIX 2 (CONTINUED)

<table>
<thead>
<tr>
<th>Study</th>
<th>Title</th>
<th>Included in Studies</th>
<th>Sold Item (Product/Service), Country</th>
<th>Department, Firm Type</th>
<th>Item Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leach et al (1995) JPSSM</td>
<td>The Role of Self-Regulation Training in Developing the Motivation Management Capabilities of Salespeople</td>
<td>Study 1</td>
<td>Service, US</td>
<td>Sales, Others</td>
<td>Insurance</td>
</tr>
<tr>
<td>Humphreys (2002) JSM</td>
<td>Transformational Leader Behavior, Proximity and Successful Services Marketing</td>
<td>Study 1</td>
<td>Service, US</td>
<td>Sales, Others</td>
<td>Financial Services</td>
</tr>
<tr>
<td>Grant et al (2001) JAMS</td>
<td>The Role of Satisfaction with Territory Design on the Motivation, Attitudes, and Work Outcomes of Salespeople</td>
<td>Study 1, Study 2</td>
<td>Both, Australia</td>
<td>Sales, Direct</td>
<td>Durable Products-Consumer Goods, Various Services</td>
</tr>
<tr>
<td>Tyagi (1985) JPSSM</td>
<td>Work Motivation Through the Design of Salesperson Jobs</td>
<td>Study 1</td>
<td>Service, US</td>
<td>Sales, Others</td>
<td>Insurance</td>
</tr>
<tr>
<td>Vink and Verbeke (1993) JPSSM</td>
<td>Adaptive Selling and Organizational Characteristics: Suggestions for Future Research</td>
<td>Study 1, Study 2</td>
<td>Both, Netherlands</td>
<td>Mktg, Others</td>
<td>Various Products</td>
</tr>
<tr>
<td>Study</td>
<td>Title</td>
<td>Included in Studies:</td>
<td>Sold Item (Product/Service), Country</td>
<td>Department, Firm Type</td>
<td>Item Type</td>
</tr>
<tr>
<td>-----------------------</td>
<td>----------------------------------------------------------------------</td>
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<td>---------------------</td>
</tr>
<tr>
<td>Oliver and Anderson (1994) JM</td>
<td>An Empirical Test of the Consequences of Behavior and Outcome-Based Sales Control Systems</td>
<td>Study 1, Study 2</td>
<td>Product, US</td>
<td>Sales, Drect</td>
<td>Industrial Products</td>
</tr>
</tbody>
</table>

* Alpha scores from sources, if available
AN EXPLORATORY STUDY OF ANTICIPATING REGRET WHEN MAKING NEW PRODUCT PROJECT CONTINUATION DECISIONS

Kumar Sarangee, University of Illinois at Urbana-Champaign
Jeffrey B. Schmidt, University of Oklahoma, Norman

SUMMARY

The difficulties involved in abandoning a failing project have been well documented. One of the primary reasons is the psychological biases that influence human decision making under stress, risk and uncertainty. These biases can cause decision makers to ignore danger signals, to refrain from adjusting objectives in the face of new information and to throw good money after bad. This common consequence is called escalation of commitment (hereafter escalation), defined as the continued investment in a failing course of action. The practical importance of escalation has spawned a plethora of empirical investigations in various contexts like information systems (Keil et al. 2000) and marketing, especially new product development (Schmidt and Calantone 1998, 2002). But importantly, the underlying mechanisms causing escalation remain relatively unknown and under-researched. To address this gap, this paper explores the psychological biases experienced by managers who are confronted by risky decision making. The context of examination is new product development (NPD), as it is very conducive for the occurrence of escalating commitment (Schmidt and Calantone 1998, 2002). This study integrates the small but growing literature on anticipated regret theory as a potential mechanism underlying escalation in NPD. The use of anticipated regret to explain escalation in NPD is a novel idea as, to the best of our knowledge, this literature has not been previously used in the examination of NPD decision making.

Theory

Anticipated regret has been defined as “a convenient generic term to refer to the main psychological effects of the various worries that beset a decision maker before any losses actually materialize” (Janis and Mann 1977, p. 222). Anticipated regret, then, is considered to occur when before or in the process of making a given decision, a person considers the possibility of post-outcome (i.e., future) regret (Lemon, White and Winer 2002, p. 7). The regret is thus anticipated prior to a decision outcome (Simonson 1992). Anticipated regret is different from regret in which a decision maker compares the “actual outcome and that outcome that would have occurred had the decision maker made a different choice” (Bell 1982, 1985). Hence, anticipated regret is felt (1) before a decision is made and (2) before the outcomes of both the chosen, and the forgone alternatives are known. This study suggests the following proposition and hypotheses:

P1: A manager involved in continuation/termination decisions in NPD is expected to experience anticipated regret at the prospect of terminating a project.

H1: The level of anticipated regret is positively associated with the level of escalation of commitment in NPD projects.

H2: Higher levels of anticipated regret will induce the decision making NPD manager to perceive more favorably the likelihood of success of the project.

H3: Higher perceived likelihood of success of an NPD project will escalate the level of commitment of the decision maker toward the project.

Methodology

We conducted a decision making exercise to empirically test the hypotheses. A total of 195 undergraduate students of a major state university served as the subjects. The task was an NPD decision making situation where the study participants were asked to act as NPD managers in a fictitious corporation. The subjects were presented with detailed financial and non-financial performance information and made project continuation/termination recommendations, other decisions at Gate 2 of the hypothetical project. At the start of the exercise, participants were instructed about the minimum percentage market share (30%) and profitability (must be positive) which a new product should have as per the corporate policy. Furthermore, the performance feedback information that was provided to respondents showed that the NPD project was not meeting the minimum hurdle rates for both metrics and was failing.

Discussion of Results

The results show that anticipating regret leads one to upwardly inflate the perceived likelihood of successfully developing and commercializing a new product. Therefore, to justify their decision to continue with a failing
NPD project, decision makers upwardly bias their assessment of the probability of being successful. This upward bias then leads one to continue funding the failing NPD project.

**Contribution and Implications**

This study has three broad implications. First, it uses the hitherto unused theoretical perspective of anticipated regret to more fully understand the underlying mechanism and provide an alternative explanation of escalation of commitment in NPD. Second, in the existing literature, anticipated regret has been examined in the context of consumer decision making (Simonson 1992; Zeelenberg et al. 1996; Zeelenberg 1999; Hetts et al. 2000; Lemon, White, and Winer 2002). This study adds a further dimension to the extant regret literature by examining anticipated regret in a managerial context. Third, unlike most of the theoretical approaches offered to explain escalation, the anticipated regret theory adopts a forward looking explanatory perspective, as regret is experienced before the outcome occurs and this future anticipation of regret is hypothesized to impact escalation during managerial decision making in NPD. References are available upon request.
Product innovation has been recognized as a fundamental means of firms’ success, survival, and renewal (Dougherty 1992; Eisenhardt and Martin 2000; Daneels 2002). Moreover, integrating the environmental dimension into business strategy, several benefits can be generated: increased efficiency in the use of resources, return on investment, increased sales, development of new markets, improved corporate image, product differentiation, and enhanced competitive advantage (e.g., Peattie 1992; Miles and Munilla 1993; Porter and van der Linde 1995; Shrivastava 1995). In particular, green product innovation is receiving a growing attention as a means to improve companies’ performance (Chen 2001; Baumann et al. 2002; Pujari et al. 2004; Pujari 2006; Chung and Tsai 2007) and has been found to be positively correlated to firm performance in high-tech industries (Chen et al. 2006; Chung and Tsai 2007).

This paper aims at studying the role of external integrative capabilities to develop green products, and at investigating whether green product development creates new market and other opportunities for firms.

In fact, products could be regarded as sources of environmental burden during their whole life cycle, and their environmental characteristics are influenced by a variety of different stakeholders. Still, there is still much confusion on what constitutes an environmentally friendly product (Baumann et al. 2002; Berchicci and Bodewes 2005). There are several definitions of “green” in the literature, both in general terms (e.g., Kleiner 1991; McDonagh 1994; Miller and Szekely 1995; Silverstein 2001) and at product level (e.g., Peattie 1995; Roy et al. 1996; Ottman 1997). The definition of a product as “green” should consider its whole life cycle, as Ottman (1997) states that green products “strive to protect or enhance the natural environment by conserving energy and/or resources and reducing or eliminating use of toxic agents, pollution, and waste.”

Three external integrative capabilities (namely, networks of collaborations, external communication, and acquisition of know-how) will be considered. The choice to focus on this kind of capabilities is linked to the fact that a central part of the new product development concerns the way firms search for new ideas and technologies. The product development process can be conceived as a form of problem-solving activity involving the creation and recombination of technological ideas (Katila and Ahuja 1998) and associated search processes involve investments in building and sustaining links with a wide range of external actors (von Hippel 1988).

**Key Hypotheses:**

H1: Collaborations with external actors positively influence the integration of environmental issues into new product development, both in terms of (a) manufacturing process and (b) product design.

H2: The acquisition of information from external knowledge sources positively influences the integration of environmental issues into new product development, both in terms of (a) manufacturing process and (b) product design.

H3: The acquisition of technical know-how and assets positively influences the integration of environmental issues into new product development, both in terms of (a) manufacturing process and (b) product design.

H4: The integration of environmental issues into new product development in terms (a) manufacturing process and (b) product design, leads to the opening of new windows of opportunity for the firm.

A sample of 700 Italian manufacturing firms operating in two different industries, namely textile and furniture, was drawn from the membership lists of the Italian Chamber of Commerce. Textile and furniture were selected because they represent an important part of the whole Italian economy. In the textile industry, Italy represents the biggest exporter in EU, while in the furniture industry Italy is the third biggest manufacturer and the second exporter in the world. To collect data, a structured
questionnaire containing closed-ended questions was developed. Responses were recorded on a five-point Likert scale. Some of the scales included in the questionnaire were adapted from earlier studies on new product development. A total of 102 usable questionnaires were returned.

Results show that external communication has a significant positive effect on green process showing a support for H2a. About control variables, firm’s size and age do not have a significant influence on green process. Results also show that networks of collaborations have a positive and significant effect on green product supporting H1a. This means that formal collaborations play a significant role in the development of green products. On the contrary, external communication doesn’t have a significant effect on green product. Therefore, H2a does not receive support. Moreover, results show that the acquisition of know-how has a significant positive effect on green product. Hence, H3a is supported. This result emphasizes the need to invest on human resources in terms of training and recruiting, and to acquire technical know-how and assets in order to develop green products. About control variables, neither firm’s size or firm’s age have significant influence on green product.

Further, results show that both green process and green product have a positive and significant impact on windows of opportunity. Therefore, H4a and H4b are supported. This means that the integration of environmental issues into new product development, both in terms of manufacturing processes and product design, enables firms to open new markets and technologies and leads firms into new product arenas. With regard to control variables, firm’s size has a significant influence on windows of opportunity, meaning that larger firms are more capable to open new markets, technologies, and product arenas with their new product development programs, whereas firm’s age does not have influence on windows of opportunity. References are available upon request.

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NEW PRODUCT ALLIANCES AND FIRM STOCK PERFORMANCE

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SUMMARY

New product development is probably one of the most important but highly risky processes for many firms. On the one hand, innovative new products are pivotal because they inject fresh blood into the firm, likely generating superior future cash flows and shareholder value for the firm. On the other hand, ironically, the success rate for new product development and introduction is low. To partially mitigate risks and boost financial returns, firms increasingly engage in new product alliances. At the interfirm level, new product alliances are defined as formalized non-equity collaborative arrangements among two or more organizations to jointly develop new products and introduce the products (Rindfleisch and Moorman 2001). However, interfirm alliances themselves are also known to have a high failure rate and are considered unstable because alliance partners may have divergent strategic priorities, experience a clash of interest, and even irresponsibly copy partners’ technological secrets.

Despite the inherent hazard and instability associated with alliances, firms extensively engage in alliances to reduce the risk of new product development and introduction. To our knowledge, this contradiction has largely been neglected by past research. Therefore, we do not know whether or when interfirm new product alliances may boost stock return and perhaps decrease stock risk at the same time. We extend the literature by investigating the impact of new product alliances on return and risk simultaneously because shareholder value is determined by both return and risk (Srivastava, Shervani, and Fahey 1998). The influences of new product alliances on stock risk and return are not the same but rather heterogeneous among different firms and alliances. We argue that new product alliances generate greater benefits (a) for smaller firms compared to larger counterparts and (b) with greater interfirm collaboration as opposed to lesser interfirm collaboration. We also recognize potential feedback effects from stock performance to future product alliance strategy. Because prior theory suggests that current changes in firm stock prices may motivate managers to evaluate future strategic actions including new product alliances (Markovitch, Steckel, and Yeung 2005; Luo 2009), it would be incomplete and less rigorous for research to ignore these feedback effects. Theoretically, we advance research streams on both new product development and marketing-finance interface.

We collected data from multiple sources for this study. Alliance information was obtained from Recap, firm stock price information from CRSP, and various firm accounting data as control variables from Compustat. Using these multiple sources our sample consists of 403 firms over 31 years with 2,528 new product alliances from the biopharmaceutical sector. We estimate the system of equations using the three-stage least squares (3SLS) estimator. The 3SLS is an appropriate estimation strategy because first, consistent with the efficient market hypothesis, firm’s stock return, stock risk and new product alliances affect each other simultaneously. Second, a simultaneous estimation strategy may alleviate endogeneity concerns related to stock return, stock risk, and product alliances.

The results indicate that new product alliances significantly improve stock return and at the same time reduce stock risk, thus successfully linking new product alliances to stock performance. In addition, we find that firms with higher stock return and lower stock risk engage in more new product alliances in the subsequent period, thus highlighting some feedback effects emanating from stock performance to future product alliance strategy. We also find that smaller firms benefit with a greater decrease in stock risk than larger firms. Greater interfirm collaboration increases stock return and reduces stock risk than lesser interfirm collaboration.

This research is the first to simultaneously examine the effects of new product alliances on firm stock performance and the feedback effect of stock prices on future new product alliances. We address recent calls to examine the financial “impact of joint (product) development efforts” such as new product alliances (Hauser, Tellis, and Griffin 2006, p. 695). We innovatively show that the benefits of product alliances may outweigh the hazards of opportunistic behavior because product alliances not only increase stock return but also decrease stock risk. We extend the marketing-finance literature by investigating the impact of product alliances on return and risk (DV) simultaneously in a systems view. Furthermore, our results that current stock returns and risk affect firms’ future product alliances contribute to the marketing-finance interface literature by providing empirical support for the feedback effects from stock performance to future product alliance strategy. Indeed, firms may use financial markets as useful market intelligence and signals trigger-
ing subsequent changes in organizational strategic actions (Markovitch, Steckel, and Yeung 2005). Extending this stream of research, we are among the first to uncover the two-way (direct and feedback) effects, i.e., new product alliances to stock performance and then to future new product alliances. References are available upon request.

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MAKING PERSONALLY RELEVANT DECISIONS FOR PRODUCT EFFICACIES: THE EFFECTS OF FRAMING, PARTITIONING, AND QUANTIFICATION

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SUMMARY

If I take a prescription pain reliever such as Maxalt, what is the probability that I will get relief? If I drive a Toyota Prius and I get in a car crash, what is the probability that I will get seriously hurt? Consumers often make judgments about personal well-being while evaluating products, and regulations increasingly require that clinical trial and product test data be provided to consumers (Landro 2004). However, such data can be quite complicated to interpret and how the interpretation is done may depend on many factors. When consumers make a decision about their own personal well-being or behavior, it is called a personally relevant decision (Levin, Schnittjer, and Thee 1988). Research indicates that for personally relevant decisions, consumers want to process any given data in an unbiased way to make the best judgments (Levin, Schneider, and Gaeth 1998; Levin et al. 1988). However, whether consumers are actually able to do so may depend on the data format. The data format may vary in several ways, but we focus primarily on three factors that have theoretical and practical significance: (1) data partitioning, meaning whether results from multiple studies or subject groups are reported separately or aggregated (Morwitz, Greenleaf, and Johnson 1998), (2) data quantification, meaning whether the results are presented as frequencies or equivalent percentages (Cuite et al. 2008), and (3) attribute framing, meaning whether the results are framed in terms of successes or equivalent failures (Levin and Gaeth 1988). These factors are studied in the literature and are varied in real world information displays.

Attribute framing refers to describing outcomes “in terms of success versus failure rates” (Levin, Schneider, and Gaeth 1998, p. 159). Numerous studies indicate that framing attribute information about products in terms of successes rather than the equivalent failures enhances product evaluations (Levin et al. 1998; Mittal, Ross, and Tsiros 2002; Zhang and Mittal 2005). However, researchers have found that when decisions have personal relevance, the frame is rendered inconsequential (see Levin et al. 1998 review; also Janiszewski et al. 2003; Levin et al. 1988; McElroy and Seta 2003). People are motivated to evaluate the alternate frame in addition to the given frame due to their high level of personal interest in the topic. In other words, people are motivated to consider both the probability of success and failure, regardless of how the data is framed. The question we ask is whether the frame might sometimes bias judgments despite personal relevance. In particular, might the frame bias judgments when the data are in a partitioned frequency format and there is low processing ability? Our research is the first to examine this issue. Four experiments tested our hypotheses.

The results of our first experiment (with sunscreen as a product) replicated prior findings, and showed that for decisions made under personal relevance, there were no framing effects. However, framing effects emerged when there was no personal relevance.

The results of our second experiment (with prescription pain reliever Maxalt as a product) showed that the combination of partitioned data and frequency data reduces the ability to process, relative to aggregated data or percentage data. Therefore, the combination of partitioned data and frequency data evoked a framing bias despite personal relevance, in that a success versus failure frame favorably biased judgments. Aggregated data or percentage data did not evoke this bias.

The third experiment again used sunscreen as a product, and examined how data variance might influence the effects of partitioning and framing. This experiment also examined actual consumer choice behavior in terms of choosing between a focal versus a control sunscreen. We wanted to examine if when the partitioned data points have high variance or variability, the frame may be invalidated or discredited as a heuristic cue (Schwarz and Clore 1983, 2003). The results of this experiment supported such a hypothesis.

Finally, in our fourth experiment, we attempted to empirically verify our assumption that data partitioning is the major cause of the framing bias that is observed with low variance frequency data. We showed participants a single data point and asked for personally relevant judgments. Then we showed participants a second and a third data point, rendering the data partitioned, and asked for their judgments after each subsequent data point. We posited that there would be no framing bias with a single data point, but that the framing bias would emerge with the second data point and especially with the third data point. That is, the framing bias would appear and strengthen as the data became more partitioned and processing became
increasingly difficult. The results of this experiment supported our hypothesis.

In sum, the results of our experiments would have implications both for marketers as well as for regulators, in terms of designing optimal formats for presenting information from product and/or clinical trials and tests. In terms of academic implications, this research is the first to examine the interaction effects between data framing, partitioning, and quantification; while prior studies found lack of framing effects under personal relevance, our experiments demonstrate that even when there is personal relevance, framing effect biases can emerge for partitioned frequency data. References are available upon request.

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THE EFFECT OF POSITIONING FRAMES ON COMPENSATORY REASONING IN CHOICE

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SUMMARY

Marketers are increasingly utilizing differentiating positionings to describe products with often highly similar features as their competitors. In fact, many marketers are instituting “all-in-one” positionings to claim competence across the range of attributes standard in a category. Examples include Colgate Total, Olay’s Complete line, Sprint’s Simply Everything Plan, and Club Med’s all-inclusive vacations. Despite the increased presence of products using an all-in-one, or complete, positioning (Advertising Age 2008), surprisingly little research has focused on the effectiveness of the strategy. The strategy seemingly carries some risk, including jeopardizing consumer credibility in the brand’s ability to deliver a high performance level on every feature. This risk was confirmed by Chernev (2007), who found all-in-one (multi-attribute) products did not perform as well as specialized (single attribute) products on their sole attribute even when it was the same in both products. Therefore, identical features can be assessed differently as a function of the attribute choice context.

An experiment was conducted to examine how attribute performance in multi-attribute and single-attribute products is influenced by positioning. The study exactly replicated Chernev’s (2007) procedure, stimuli, and measures, with the addition of the positioning variable. Consistent with our objectives, we do in fact replicate and extend Chernev (2007). We used his identical procedure, stimuli, and measures, with the exception of adding a between-subjects positioning frame variable. There, we explored the differences between complete and attribute positioning. Our findings in the absence of the positioning variable replicate those of Chernev (2007). The all-in-one option shows a performance decline versus the specialized option on its sole attribute. However, in the presence of the positioning variable, that effect is eliminated and at times even reversed. Here, a complete positioning enhanced the perceived performance of an attribute in an all-in-one option when compared with a product that is specialized on that attribute. With a standard attribute positioning, that attribute showed the same performance decline as in Chernev (2007).

This verifies the notion that positioning provides an interpretive frame that alters the perception of product attributes, even when the attributes are identical. This has critical implications for managers. Obviously, this empirically demonstrates the power of positioning. Products that have a competitive advantage can utilize positioning to enhance its differentiation. However, even products lacking a competitive advantage can implement a differentiated positioning and likely enhance consumer perceptions of their attributes. The results suggest that marketers who reposition must test not only the impact on their own products’ attributes but also the effect on the attribute relationships between their products and competitors. References are available upon request.

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THE ROLE OF VIVID IMAGERY AND CONCRETE VERBAL INFORMATION IN OMISSION DETECTION AND PERSUASION

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SUMMARY

Visual and verbal information are the fundamental vehicles that marketers use in non-personal marketing. With time and cognitive constraints, consumers hardly have complete information when making judgments. Information overload for consumers motivates marketers to develop increasingly vivid visual and verbal marketing messages via ads, packaging, and other media. Although vividness effects have been explored extensively, relatively little is known about how vivid imagery information, when paired with vivid product descriptions, will affect consumer inference and message persuasiveness.

The first goal of this research is to examine the effects of verbal and imagery vividness by treating them as two unique sources of vividness. The second goal of the research is to determine how verbal and imagery vividness influence consumers’ sensitivity toward omissions and their inferences on missing information.

Judgments made by consumers are usually formed based on limited information because marketers typically omit unfavorable information. Omission neglect, the insensitivity toward missing information, attributes, options, or issues, occurs when judgments are made on the basis of insufficient or weak evidence (Sanbonmatsu et al. 1992, 2003, 1997, 1991). Recognition of the absence of missing information of an attribute leads to inferential correction that moderates judgments (Sanbonmatsu et al. 1991). Although omissions are typically non-salient and not easy to detect, recognition of the absence of missing information of an attribute leads to inferential correction that moderates judgments (Sanbonmatsu et al. 1991).

Prior studies manipulated vividness by varying the degree of imagery colorfulness and verbal concreteness (Taylor and Thompson 1980). In this paper, we propose that imagery vividness and concrete verbal information drive different effects on consumers’ responses toward omissions. We predict that while verbal concreteness decreases sensitivity toward omissions (resulting in higher evaluations), imagery vividness should increase this tendency (resulting in lower evaluations).

Adaval and Wyer (1998) found the effects of concrete verbal information on consumer information processing and judgment in an attempt to investigate the role played by narratives in consumer information processing. As narratives are less effortful to process, favorable information of a target product should lead to more positive evaluations when it is presented in narratives rather than in a list format. Adaval and Wyer further argued that because narratives match consumers’ preexisting knowledge structure, a holistic strategy is more likely to be adopted to evaluate an event when it is presented in the format of narratives. By contrast, abstract, non-narrative-based information encourages the adoption of a piecemeal strategy that examines the content of an event in an attribute-by-attribute manner. Omissions are less likely to be detected when a holistic (vs. piecemeal) strategy is adopted.

Pham et al.’s (2001) recent paper on the unique effects brought by chronic vividness of imagery suggests that uniqueness of chronic imagery vividness lies in the tendency of vivid imagers to pay greater attention to less salient (vs. salient) information. Since less salient (vs. salient) information is weighted more heavily, decisions of vivid imagers are more likely subject to the nature of less salient (vs. salient) information. This finding is consistent to Shepard’s (1978) contention that chronic imagery vividness encourages creativity in problem solving through an increased chance of discovering and reinterpreting non-salient information. Because omitted information is less salient, higher imagery vividness should lead to higher likelihood of omission detection.

Experiment 1

One hundred six participants (66 males) were recruited from a large Midwestern university for the study and were given extra credit for participation. Participants were asked to evaluate a trip to Hawaii based on provided information. They were randomly assigned to one of the four conditions consisting of 2 (imagery vividness: Colorful vs. B/W picture) x 2 (verbal concreteness: Narrative-like description vs. Feature-listing description) between-subjects factorial design. The condition of imagery vividness included either a colorful or a B/W picture featuring an image of a beach view of Hawaii. Verbal vividness was manipulated by describing feature activities of the trip either in concrete, image-provoking language, or in a feature-listing manner. Participants indicated their overall impression of the trip, evaluation of the presented and
omitted features activities (feature activities that were not mentioned in the description), and extent to which they wished to know more information about the trip. Main effects were present for imagery vividness and verbal concreteness. Follow-up tests showed that the overall impression of the trip in the colorful picture condition was significantly less favorable than in the B/W condition. By contrast, describing the trip in narrative-like language led to more favorable overall impressions than did descriptions given in a feature-listing manner. Further, participants in the high imagery vividness (i.e., colorful picture) condition exhibited a greater need for more information. Omitted attributes received a less favorable evaluation when the trip was paired with a colorful picture. No main effect was found for verbal vividness on omitted attributes. The absence of a main effect from verbal vividness on omitted attributes suggests that participants in the high (vs. low) verbal vividness condition are likely equally cognizant of omissions. Therefore, the overall better impressions from the higher verbal concreteness previously found might be attributed to participants’ preference for narrative-based information (Schank and Abelson 1995) rather than to omission-related explanations. No interaction was found in the analysis.

Discussion

In the present study, we proposed that suggest that prior practice regarding imagery and verbal vividness as identical sources of vividness is problematic. The results in our experiment show that while verbal vividness often leads to more favorable evaluations of a product, imagery vividness can drive less favorable evaluations. This pattern of the results also provides evidence for the contents raised in prior literature that vividness can sometimes undermine persuasion (Frey and Eagly 1993). Furthermore, the present research identifies the differential role played by imagery and verbal vividness in missing information detection.

Our research also presents an important implication to marketers. That is, marketers’ increasing effort to increase the vividness in visual communications with consumers may backfire. The counterintuitive results are brought by the potential that vivid imagery information encourages the detection of non-salient missing information. When missing information is noticed, product evaluations are adjusted toward a more moderate end. In the meantime, decision making may be based on “what’s missing” rather than “what’s present.” However, the positive (vs. negative) effects of vivid imagery are foreseen in circumstances when missing information is especially difficult to think of. Such circumstances might include the evaluation of brand leaders, product categories that consumers are not familiar with, or products with their unique selling points significantly lying in the visual appeals.

REFERENCES


ANTI-COUNTERFEITING COMMUNICATION STRATEGIES:
MUCH ADO ABOUT NOTHING?

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SUMMARY

Counterfeiting is widely considered as one of the big issues firms from various industrial sectors have to deal with (Source: Global Anti-Counterfeit Summit 2008). Counterfeited products account for a growing fraction of world trade. According to the OECD, counterfeiting would represent 5 to 7 percent of worldwide trade (200 to 300 billions of Euros) but also leads to a loss of 200,000 jobs across the world (Source: European Commission). Sixty countries are known as counterfeiters, with 70 percent of counterfeited products being manufactured in Asia and 30 percent in the Mediterranean Area. This research will be focused on non-deceptive counterfeiting; meaning that the consumer knowingly purchases a fake product.

Scholars in international business have dealt with counterfeiting by investigating anti-counterfeiting strategies, examining common counterfeiting methods and evaluating the economic consequences of international product counterfeiting. However why the consumer engages in this illicit behavior is still somewhat a mystery. Focusing on the rather unexplored demand-side of the counterfeiting market, this research will include results gained from several qualitative studies conducted with the objective to investigate whether anti-counterfeiting communication campaigns were adequate to their purpose or not, and if not to work out more adequate strategies. We expect inconsistencies in-between the discourses of these campaigns and consumers’ incentives to buy non-deceptive counterfeits. Anti-counterfeiting communication campaigns might have had problems in adapting to radical changes in consumer behavior, or they might actually have been doomed to failure for some intrinsic reason. In any case, anti-counterfeiting communication strategy should build upon identification of the key factors for the success of anti-counterfeiting campaigns, and these key factors should be identified within the complex nucleus of relations between the campaigns and their targets. This implies segmentation issues such as whether such campaigns should focus on specific targets or not, why and how.

The research is therefore divided in two major parts, according to the set objectives. The first part deals with the demand-side of non-deceptive counterfeits, while the second part presents the analyses of the anti-counterfeiting discourses. A confrontation of the results concludes the research.

As a first step in this research project, a literature review of carefully chosen references identified as relevant to the study has been conducted, leading to the following research proposal: “The purchase of counterfeited luxury goods in a social context is an acceptable or even logical behaviour for the postmodern consumer. He is doomed to behave like his peers (mimetic consumption) and this behaviour can be easily justified by appropriate moral norms defined by the reference group. Besides, he finds himself decentred and manipulated by the counterfeits per se. New postmodern ethics may thus justify counterfeiting, at least from the consumer’s point of view.”

Qualitative research looks like being the most appropriated way to begin this research, since the first purpose is really to get insights and understanding of the problem setting. Since we have limited experience and knowledge about the research issue (although we do know what features we want to assess), exploratory research will be a useful step (Zikmund and Babin 2003). This will be a first step to a more rigorous, conclusive, confirmatory study by reducing the chance of beginning with an inadequate, incorrect or misleading set of research objectives. We have elicited three exploratory research designs we believe relevant to our research issue: the Observation Method, the Depth Interview Method combined with the use of the Zaltman Metaphor Elicitation Technique (ZMET) and Projective Techniques. Briefly, ZMET rests on a number of premises concerning the meanings of products, brands, or consumption experiences in the minds of consumers. These include the recognition that such meanings are stored and communicated as images in general. To capture the metaphoric content of such images, ZMET asks informants to take representative photographs or to collect other relevant pictorial materials that reflect their consumption experiences or that indicate what some concepts of interest means to them. Later, these pictures are combined by informants, with accompanying stories, in the form of evocative and expressive montages.

The second phase of the investigation will aim at providing a better understanding of the values anti-counterfeiting campaigns refer to. This will be achieved thanks to the Critical Visual Analysis of several advertisements designed in order to deter people from buying counterfeits or pirated goods, in various countries. We chose to rely upon a methodological process of semiotic analysis introduced by Pasquier, with some modifications: semiotics
can provide great insights within the frame of grey markets or in developing markets, to identify differences with more conventional markets and help find relevant signs to display to these consumers. A mapping of the anti-counterfeiting discourses will be presented, to be confronted to the consumers’ discourses mapping. Managerial implications of the research will also be touched upon, via the presentation of new aspects of anti-counterfeiting strategies to managers, relying upon insights on how people might be influenced in their intention to buy non-deceptive counterfeited products. Advertising discourses could for instance include emotional and personal characteristics and not only be normative.

ENDNOTES


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AN AGENT-BASED DIFFUSION MODEL WITH CONSUMER AND BRAND AGENTS

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SUMMARY

Diffusion of innovations in a social system reflects the aggregation of adoption decisions made by individual consumers. Adoption decisions are made in a complex, adaptive system and result from interactions among individual’s personal characteristics, perceived characteristics of the innovation, and social influence (Gatignon and Robertson 1985).

Econometric and explanatory approaches represent two major methods for modeling diffusion. Econometric models, such as the Bass (1969) model, forecast product category growth by modeling the timing of first-purchases of the innovation by consumers (Mahajan, Muller, and Bass 1990). The “consumer diffusion paradigm” is an example of an explanatory model. It establishes adoption as a function of three consumer-related factors: personal characteristics, perceived innovation characteristics, and the consumer’s exposure to social influence (Gatignon and Robertson 1985).

As an emerging methodology, agent-based modeling (ABM) has the potential to add to the strong foundation established by extant diffusion models in three ways. First, ABM allows market entities, or agents, to be defined in terms of their attributes at the individual level. Second, ABM allows interactions among agents to be defined and simulated. Finally, agents may be programmed to adapt as a result of the interactions that occur within the simulated system. ABM’s ability to allow modeling of interactions and agent adaptation represents its greatest strength. Compared to other methodologies, these capabilities result in better incorporation of real-world dynamics which are characteristic of the system in which diffusion occurs (Toubia, Goldenberg, and Garcia 2008). ABM’s role in research is not to replace causal models, but rather to build upon their theoretical basis by providing insights related to interactions within the system and emergent results (Garcia 2005).

Using ABM, the current research contributes to the innovation literature in marketing by developing a complex, adaptive model that utilizes consumer and brand agents to simulate key factors and interactions that occur in the market during the diffusion process. Compared to other diffusion modeling approaches, this approach is unique since individual decisions by consumer agents yield brand-level diffusion curves. The model combines the brand-level diffusion curves to form a product category diffusion curve resulting in disaggregate (brand) and aggregate (product) diffusion curve outputs.

The theoretical basis for this ABM is the “consumer diffusion paradigm” (Gatignon and Robertson 1985). ABM makes it possible to build upon this framework by defining agents so that interactions between personal characteristics, personal influence, and perceived innovation characteristics are simulated. The ABM is also programmed to allow agents to adapt in defined ways as they respond to the introduction of new brands, brand promotion levels, and increasing social influence.

Based on adopter groups defined by Rogers (2003), three adopter groups were included in this model; the number of consumer agents within each adoption category was based on proportions defined by Rogers. To operationalize consumer agents’ personal characteristics, high, medium, and low innovativeness levels were assigned to the innovator, early adopter, and later adopter groups, respectively. Susceptibility to features, price, social influence and promotion were defined relative to innovativeness level (Bass 1969; Kim, Bridges, and Srivastava 1999; Rogers 2003).

The characteristics of three key brands and market assumptions used in this ABM were based on the consumer digital camera market (Mintel 2006; Mintel 2008). Brand agents were defined in terms of innovation characteristics (Rogers 2003), price, promotion level, and brand density (in terms of channel presence).

The ABM in this research departs from the focus on social network influence which has been the most prevalent application of ABM within the marketing literature (e.g., Jansen and Jager 2002; Delre et al. 2007). Similar to the approach used by Delre, Jager, and Janssen (2007), the agents in this ABM reside in a fixed social network where interactions occur among consumers and among consumers and brands.

A consumer adoption threshold function was defined to drive the model. This function incorporated factors reflecting consumer and brand agent interactions to calculate a threshold value corresponding to the probability of adoption of the brand by a consumer agent. Collective adoption decisions yielded brand and product category diffusion curves which were aggregated to form product category diffusion curves.
The model developed in the current research demonstrates the feasibility and advantage of using agent-based methodology to understand the complex interactions that occur during the diffusion process for a durable product at the brand and product category level. The ability to model at the brand level has significant managerial implications since it provides insights for brand managers in terms of their primary focus – the brand. In this model, interactions among consumer and brand agents also demonstrated ABM’s ability to reveal emergent results signaling an interesting area for further study in diffusion of innovation research. References are available upon request.

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MARKET INFORMATION USE AND NEW VENTURE PERFORMANCE: AN EMPIRICAL STUDY IN CHINA

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ABSTRACT

In this paper, we focus on how market orientation can be realized in emerging new venture companies under China’s transition economy. Our empirical results using the data of 178 founders indicate that the effects of organization factors on market information use and new venture performance are stronger than those of personal factors measured by founders’ prior experience.

INTRODUCTION

Unlike other former Soviet and Eastern European countries, China took an evolutionary approach to reform that gradually liberalizes its economy (Tan 2006). Since the open-door policy in 1978, China has been evolving from its centrally planned economy to a “socialist market economy” and undergoing incredibly rapid market-oriented growth for the past three decades (Tan 2006; Wei and Morgan 2004; Zapalska and Will 2001). In contrast with its relative decline of state-owned large enterprises (SOEs), small new ventures are increasing in numbers and making significant contributions to the national economy. In particular, several recent state policies and projects accelerated the growth of Chinese startups in the strategic high technology fields such as IT, computers and software, as well as other industries. Chinese new ventures are also attracting research interest in various areas such as networking (Li and Zhang 2007; Siu and Bao 2008), venture capital (Batjargal 2007; Bruton and Ahlstrom 2003), and so forth.

Market orientation has been studied in many countries including Chinese companies (e.g., Wei and Morgan 2004). However, studies about market orientation in small new ventures in China are still limited despite their great impact not only on its national economy but also on the worldwide economy. This research provides the first evidence of the positive relationship between market information use and new venture performance in Chinese new ventures.

CONCEPTUAL MODEL AND HYPOTHESES

In this paper, market orientation is defined as the extent of market information use at organization level (Narver and Slater 1990; Kohli and Jaworski 1990; Moorman 1995). Until recently, empirical studies about market information use have been limited to large firms (Brush 1992; Keh, Nguyen, and Ng 2007). We conceptualize a model to investigate to what extent new ventures utilize market information and how it affects their performance. Focusing on Chinese new ventures should be helpful to understand how institutional context affects market orientation in a country other than the U.S. (Bruton and Ahlstrom 2003; DiMaggio and Powell 1983).

Organizational market information use is considered in terms of a series of stages. These stages are generally defined as information acquisition/generation, information sharing/dissemination, and utilization both conceptually and instrumentally (Jaworski and Kohli 1993; Moorman 1995). In this study, we focus on the last stage, as market information use is considered to be most important (Moorman 1995; Ottum and Moore 1997). Information use is affected by both characteristics of organization systems or processes and individual manager activities, or entrepreneurs in the new venture companies (Daft and Weick 1984; Moorman 1995). Therefore, we examine two general factors: organization factors and personal factors.

Organizational Factors

We investigate organizational cultural factors as the determinants of market information use and new venture performance in this paper. In general, culture is defined as the aggregate of values, beliefs, and customs that affect common characteristics of a human group (Hofstede 1980; Holt 1997). Among a variety of possible options such as individualism, power distance, masculinity, uncertainty avoidance, or Confucian dynamic (Nakata and Sivakumar 1996), we focus on two major factors; collectivism and uncertainty avoidance (Hofstede 1980; Triandis 1995).

Although there could be numerous definitions, the simplest way to define collectivism is to refer to “the social connectedness among individuals” (Earley and Gibson 1998). Collectivism emphasizes in-group value sharing, participative decision-making, and a “paternalistic” leader (Earley and Gibson 1998; Morris, Davis, and Allen 1994). Although the individualism-collectivism dimension can be discussed at the organizational level as well as societal or national levels, little research has been done explicitly at the organizational culture level (Robert and Wasti 2002).
Collectivism is appropriate for characterizing Chinese new ventures for three reasons. First, Hofstede (1980) rated China as a high collectivism country. Second, from its political background, China has experienced a long history of communism, under which individual decision-making was discouraged (Holt 1997). Third, as Chinese people value family and personal ties called “Guanxi,” collectivism is supposed to strengthen the relationships among people (Zapalska and Will 2001). Thus, collectivism is considered to be a characteristic of Chinese culture.

On the other hand, there exist two issues we must consider regarding recent China. First, the political and economic conditions are changing dramatically. Second, we focus on emerging new firms, which are completely different from traditional SOEs. We should investigate whether collectivism continues to be a factor in Chinese new ventures. Such new ventures could be similar to western companies rather than SOEs, as many Chinese entrepreneurs come back from the U.S. or other western countries after they finish studying abroad.

In the literature, controversy exists regarding the effects of collectivism on entrepreneurship (or innovation). Tiessen (1997) asserts that both individualism and collectivism contribute to entrepreneurship in different ways. Nakata and Sivakumar (1996) also suggest that individualism promotes new product development during the initiation stage whereas collectivism promotes it during the implementation stage. Morris, Davis, and Allen (1994) have found a curvilinear relationship between collectivism and entrepreneurship. In China, from its national culture and history, entrepreneurs tend to view their responses to challenges as harmonious collective endeavors rather than personal interests (Zapalska and Will 2001). Considering that the new venture companies are established and run by a small founders’ group, collectivism should help the companies enhance their organizational information use and performance just as collectivism in Japanese new product development teams enhance their performance (Nakata and Sivakumar 1996). Therefore, we hypothesize;

H1a: Collectivism has positive impact on market information use in Chinese new ventures.

H1b: Collectivism has positive impact on new venture performance in Chinese new ventures.

Uncertainty avoidance involves how societies deal with their unknown future and is associated with high tendency toward formalization and planning (Hofstede 1980; Nakata and Sivakumar 1996). Although quite different from its counterparts of Soviet Union and Eastern Europe, central planning has been the basis of the political system in China for many years (Holt 1997; Li et al. 2008). Even under the current market reform, the centralized hierarchical decision making and formalized processes should be typical in Chinese companies regardless of their founders. We anticipate that Chinese institutions and culture affect market information use and performance in new ventures from the view of institutional theory (Scott 1987; Bruton and Ahlstrom 2003).

According to a meta-analysis of market orientation (Kirca, Jayachandran, and Bearden 2005), organizations with high uncertainty avoidance are less effective in implementing market orientation. As uncertainty avoidance is linked with formal organization structure, it tends to reduce information use in firms (Jaworski and Kohli 1990; Moorman 1995). In contrast, some studies suggest that formalized decision making is associated with environmental turbulence and entrepreneurship (Caruana, Morris, and Vella 1998). Entrepreneurship orientation consists of innovation, risk taking and proactiveness (Morris and Lewis 1995). Since risk taking relates to uncertainty avoidance, new venture companies are supposed to process more information to cope with the environmental changes. Considering that China is undergoing rapid and turbulent environmental changes, we hypothesize that uncertainty avoidance characterized by formalized structure is effective for enhancing market information use and new venture performance.

H2a: Uncertainty avoidance has positive impact on market information use.

H2b: Uncertainty avoidance has positive impact on new venture performance.

Personal Factors

Second, we focus on personal factors which consist of company founders’ prior experience in technology, business and its related industries. From the human capital perspective and resource-based theory, prior studies have found that the founders’ demographic characteristics such as education and experience impact business performance (Batjargal 2007; Dimov and Shepherd 2005; Eisenhardt and Schoonhoven 1990). In their recent meta-analysis, Song et al. (2008) found that founders’ marketing experience affects performance positively whereas neither founders’ experience in research and development (R&D) nor with startups have direct impacts. However, the effects of founders’ prior experience on the use of market information to enhance new venture performance are not yet clear in the entrepreneurship literature.

In new venture companies, founders’ power is stronger than other companies. Therefore, it is likely that founders’ prior experience would bias their view of information processing at the organizational level. As Workman (1993) suggests, if founders have a technology
background, it is likely that they hesitate to use market information, as they might think that the role of market information is limited. Based on these ideas, we hypothesize;

H3a: Founders’ experience in marketing has positive impact on market information use while founders’ experience in technology and related industry has negative impact on market information use.

H3b: Founders’ experience in marketing, technology and/or related industry has positive impact on new venture performance.

New Venture Performance and Environmental Turbulence

Organizational market information use is one of the central concepts of market orientation (Jaworski and Kohli 1993; Narver and Slater 1990). As market information processing reduces the uncertainties about customers, competitors, and other market related environment, market information use will enhance the probability of new venture success (Menon and Varadarajan 1992; Moorman 1995). We expect to see a replication of these findings in the Chinese context.

H4: Market information use has positive impact on new venture performance.

In addition, we investigate how environmental turbulence affects new venture performance in Chinese new ventures. Due to its own legal, political and financial institutions as well as market entry and technological development by other counties (Li et al. 2008), China experiences an extremely high level of environmental turbulence. Prior research indicates that environmental turbulence promotes marketing orientation (Morris and Lewis 1995). Information processing theory also suggests that the more turbulent the environment is, the more information firms should explore and acquire to reduce uncertainty and risks in decision making (Galbraith 1973). Thus, we hypothesize that technological and market turbulence affect market information use positively but new venture performance negatively.

H5a: Technological turbulence has positive impact on market information use.

H5b: Market turbulence has positive impact on market information use.

H6a: Technological turbulence has negative impact on new venture performance.

H6b: Market turbulence has negative impact on new venture performance.

RESEARCH METHODOLOGY

Our survey followed the procedures recommended by Dillman (1978) and Douglas and Craig (1983). First, we developed an English version of questionnaire survey adapting the well-validated existing measures from the literature. Then the questionnaire was double translated into Chinese. A Chinese translator translated the English version into Chinese and a second translator who did not know the English version translated it back to English. A Chinese-American bilingual researcher who cooperated with data collection for this study compared the translated English version with the original questionnaire. After this double-translation process, only four words were corrected in the Chinese version. We evaluated these measures by asking eight founders of Chinese new ventures to assess the appropriateness of measurement items we prepared (Churchill 1979). We found no problems in this pretest. Thus, revision of the Chinese version was determined to be unnecessary.

The sampling lists of our study consist of two sources in six cities in China: Guangzhou, Xiamen, Putian, Shanghai, Beijing, Fuzhou. One is a set of lists of registered companies that were purchased from local governments and the other is a commercial list of new ventures established in China. These lists include 9,412 companies since 1995 in total. Among them, we focused on 3,286 companies which were established between 2002 and 2007. Then we randomly selected 1,000 companies to contact. After our phone call to seek their participation, 514 companies declined to participate, 97 companies did not return phone calls, and 106 companies could not be reached. As a result, 283 companies agreed to participate.

The Chinese questionnaire was sent to all 283 companies following the total design method for survey research (Dillman 1978). To increase the response rate, we sent an invitation to attend a research conference in the U.S. in addition to a survey and return-address envelope. After one week, we sent a follow-up letter and called all the companies to discuss possible questions. After four follow-up mailings to all non-responding companies, we received completed questionnaires from 178 founders. No non-response biases were detected by examination of differences between the first wave and subsequent waves. Among 178 founders, 9 are in the textile industry, 22 are in pharmaceuticals, drugs and medicines, 49 are in consumer electronic and electrical equipment, 45 are in semiconductors and computer related products, and 53 are in home appliances. The average firm age is 2.25 years and average number of employees is 113 with a minimum of 11 and maximum of 753.

RESULTS OF ANALYSES

Before testing the hypothesized relationships, we validated the measurement model using Anderson and
Gerbing’s (1988) two-step approach. We tested a model with four independent constructs measured by multiple items (collectivism, uncertainty avoidance, technological turbulence and market turbulence). The result of confirmatory factor analyses indicates a satisfactory fit (Chi-square = 93.04, d.f. = 59, CFI = .99, IFI = .99, TLI = .98), with each item loading on the appropriate construct (the smallest t-value is 4.31), demonstrating convergent validity (Anderson and Gerbing 1988). The Cronbach alphas of all the constructs range between 0.65 and 0.99 (Nunnally 1978). Discriminant validity was also confirmed by Chi-square difference test between the modeled confirmatory factor analysis and one with between-construct correlations constrained to 1.0.

With regard to organizational factors, collectivism was measured using three items asking whether individuals in the respondent company work together more than strive for individual recognition, if managers take an interest in the personal problems of their subordinates, and if the company rewards cooperative behaviors (α = .79). Uncertainty avoidance was measured by three items asking whether the managers spend time preparing formal plans such as budgets, policies and if procedures are strictly followed, and if job and duties are described in detail by written procedures in the respondent company (α = .99). The personal factors are measured using three items asking about the total years of founders’ experience in technology, business and in the same industry respectively. We also prepared items about founders’ education in technology and business for reference. However, we found technological and business education are highly correlated with industry experience. We attempted to test the hypothesized model using variables about education and found the results are similar to those about experience. Therefore, we only report the results of founders’ experience in the next section.

Market information use was measured by three items asking whether the respondent companies have formal processes that rely heavily upon market information to make decisions, if they have formal processes that use market information to solve specific problems, and if they value market information as an aid to decision making (α = .80). New venture performance was measured by three items regarding market share, sales and profit margin relative to the venture’s stated objectives (α = .91). Technological turbulence was measured by four items (α = .99). Market uncertainty was measured by three items (α = .65). We also controlled for firm age, firm size (Coviello and Jones 2004) and growth rate. Based on these analyses, we have concluded that our measurement model possesses convergent validity, discriminant validity, construct unidimensionality and reliability. The measurement items and correlation matrix among constructs will be provided by authors upon request.

Next we tested the hypotheses using structural equation modeling (SEM) (Anderson and Gerbing 1988). As we summarize in Table 1, the model fits the data well. As for organization factors, hypotheses 1a and 1b are supported because both path coefficients from collectivism to market information use and new venture performance are positive and significant (.19 for market information use and .31 for new venture performance, respectively, p < .05). As for hypotheses 2a and 2b about uncertainty avoidance, the path of market information use is positive and significant (.20, p < .05) while the path of new venture performance is not significant.

Second, to our surprise, hypotheses 3a and 3b regarding founders’ prior experience are not supported as none of the path coefficients was significant (p < .05). Third, market information use affects new venture performance positively (the path coefficient is .40, p < .05), indicating hypothesis 4 is supported. Fourth and finally, we found interesting results regarding the relationships between environmental turbulence, market information use and new venture performance. As we predicted, technological turbulence enhances market information use (coeff. is .18, p < .05). However, contrary to our hypothesis, market turbulence affects market information use negatively (coeff. is -.31, p < .10). Thus hypothesis 5a is supported while 5b is not supported. In terms of the effect of technological turbulence and market turbulence on new venture performance, both hypotheses 6a and 6b are supported as the path coefficients are negative and significant (-.16 for technological turbulence, p < .10 and -.02 for market turbulence, p < .01, respectively). As for controls, firm size and growth rate have positive effects on new venture performance (.002 and .20, p < .05, respectively) while firm age has no effect.

**FINDINGS AND IMPLICATIONS**

In this paper, we developed a model to investigate market orientation in new venture firms in China. Developing and applying a conceptual model for Chinese culture leads us to better understanding about what is going on in recent China as well as about differences from the U.S. and other countries. Our empirical results using the data of 178 founders indicate that the effects of organization factors on market information use and new venture performance are stronger than those of personal factors measured by founders’ prior experience. Also we have found that the organizational factors directly affect performance positively while personal factors do not. We anticipate that our results are different from prior studies because we are dealing with an extremely rapidly changing market. Our finding suggests that prior marketing experience can be only effective when the market situation is stable enough to apply prior knowledge. Investigating competing cultural contexts thus brings us a richer view of our theory and empirical findings.

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TABLE 1
Results of Structural Equation Modeling

<table>
<thead>
<tr>
<th>Organization factors</th>
<th>Market Information Use</th>
<th>New Venture Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collectivism</td>
<td>.19 (.09)**</td>
<td>.31 (.11)**</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>.20 (.08)**</td>
<td>.14 (.09)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal factors</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Founders’ technology experience</td>
<td>-.02 (.05)</td>
<td>H3a</td>
</tr>
<tr>
<td>Founders’ business experience</td>
<td>-.06 (.05)</td>
<td>H3a</td>
</tr>
<tr>
<td>Founders’ industry experience</td>
<td>.02 (.05)</td>
<td>H3a</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environmental turbulence</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Technological turbulence</td>
<td>.18 (.07)**</td>
<td>H5a</td>
</tr>
<tr>
<td>Market turbulence</td>
<td>-.31 (.17)*</td>
<td>H6a</td>
</tr>
</tbody>
</table>

| Market information use (MIU)              |                        |                         |
|-------------------------------------------|                        |                         |

| Control variables                         |                        |                         |
|-------------------------------------------|                        |                         |
| Firm age                                  | .09 (.07)              |                         |
| Firm size                                 | .00 (.00)**            |                         |
| Growth Rate                               | .20 (.09)**            |                         |

Note: Chi-square = 561.07, d.f. = 282, CFI = .91, IFI = .92, TLI = .90, RMSEA = .075.
Cell entries are unstandardized coefficients. ***p < 0.01, **p < .05, *p < .10.

Furthermore, we have provided empirical evidence that market information use enhances new venture performance. We have also found that environmental turbulence negatively affects new venture performance. It is surprising that market turbulence does not affect market information use positively while technology turbulence does. Although organizational information processing theory indicates the importance of utilizing environmental data for decision making, too much turbulence might cause inability to process information. Also, since technology turbulence affects market information use positively but new venture performance negatively, we can infer that technology turbulence will enhance performance through improving market information use indirectly.

Like all research, ours has some limitations. First, there will of course be other factors that affect market information use and new venture performance in China. Although we focus on institutional and cultural aspects in this study, future research could explore more elaborate models for explaining market orientation among new ventures in China. Another possible study could be to investigate the methods of market research in China. Since we only focus on market information use in Chinese new ventures, future research could incorporate information acquisition stage into the model and examine how they collect market information. Despite such limitations, we hope the findings of this research might help understand which factors enhance market orientation in new ventures operating in the transition economy of China.

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PRODUCT INNOVATIVENESS AND SALES PERFORMANCE: HOW THE INFLUENCE OF DESIGN NEWNESS AND TECHNICAL NEWNESS DIFFERS ACROSS THE PRODUCT LIFECYCLE

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Sören Salomo, Technical University of Denmark, Denmark
Jaap E. Wieringa, University of Groningen, The Netherlands

SUMMARY

Product innovativeness is regarded as a critical construct in marketing and innovation research (e.g., Avlonitis et al. 2001). Several researchers have focused on the issue of conceptualizing and measuring innovativeness (e.g., Green et al. 1995). Although conceptualizations differ vastly, most authors suggest product innovativeness to be a multi-dimensional concept, which includes at least a technology dimension (e.g., Gatignon et al. 2002). However, product innovativeness is very rarely assessed from a design perspective. This fact is surprising when considering that in many markets new products are very similar in technological features, but compete on their visual appearance (Veryzer 1995). In this manuscript, we build an argument for why the assessment of product innovativeness should consider changes in a product’s visual appearance, and propose a conceptualization of design newness. We also strive at investigating whether design newness has an impact on performance across the product lifecycle. To be able to put the findings into perspective, we also assess the performance effect of technical newness.

The marketing and innovation literature have largely neglected investigating the performance effect of a product’s design newness. Early studies by Sherman and Hoffer (1971) and Hoffer and Reilly (1984) provide evidence that changes in exterior appearance may positively affect a firm’s market share position. More recently, Pauwels et al. (2004) demonstrate positive effects of styling changes on firm revenues. The design and consumer research literature provides some more insights. Concerning the ability of novel designs to draw attention and generate interest, several studies demonstrate that the more a product’s design deviates from existing products the more attention and interest it receives (e.g., Garber 1995). There is also literature that shows that design newness can directly affect consumer needs or values, such as affiliation, achievement, variety-seeking, or self-expression (Yalch and Brunel 1996; Engel et al. 2005). Consequently, we expect a positive effect of design newness on product sales. Empirical evidence provides an ambiguous picture of the performance effect of technical newness (e.g., Calantone et al. 2006; Zhou et al. 2005). Henard and Szymanski (2001) report that correlation between product innovativeness and performance varies significantly between all studies included in their meta-analysis (from r = -.62 to r = .81). Most researchers argue that technical newness impacts a wide array of benefits but also costs associated with new products. One can reasonably expect a product with new technical performance features to be on average better able to meet latent needs of potential customers (Veryzer 1998). A novel technology can also serve as an effective argument for product positioning and differentiation from competitors (Lynn et al. 1996). Following this line of reasoning, we expect that technical newness has a positive impact on product sales. Yet, we are mainly interested in investigating how the influence of design newness and technical newness on sales performance behaves over the product lifecycle. Such investigation is still new to the relevant literature. Although several researchers recognize that measuring this relationship at different points in time may yield different results (e.g., Montoya-Weiss and Calantone 1994), conceptual thinking and empirical evidence is still lacking. Consequently, we explore whether changes occur over the lifecycle.

As our empirical context, we choose the automobile industry. Each new product sold needs to be registered in a central database, allowing accessibility of objective sales data over time. In addition, both technical and design aspects play a strategic role of in product innovation in the automobile industry (Pauwels et al. 2004). We focus on the German market, which is the largest European market for automobiles and is known for its high competitiveness. Many models from international OEMs are present across all major segments. We concentrate on the six main automobile segments and include 156 models from 14 brands launched between 1978 and 2006 in our sample. For assessing design newness we retrieve front-, side-, and rear-view pictures of automobiles from the automotive press and let design experts rate each car’s newness as compared to its competitive set (Monö 1997). For technical newness, we use test reports from the automotive press to assess the newness of the built-in components.

We perform multiple least squares regression analyses and explain relative sales by design newness and technical newness. As control variables, we include relative model price and competitive intention. We also
include time and time square in the model. For each explanatory variable, we also consider the interaction with time and time squared. Our results show that both newness constructs are strong predictors of sales. While we find that the effect of design newness is estimated not to fluctuate significantly over the product lifecycle, the effect of technical newness increases after launch, attains a maximum in the fourth year, and declines thereafter.

The dashed lines are 95 percent confidence intervals; the dotted lines are 90 percent confidence intervals.

Overall, our results support our proposition that a design perspective should be considered when assessing product innovativeness. Over the course of the product lifecycle an interesting picture emerges. For design newness, the positive, continuous effect on sales across the product lifecycle seems to indicate that design newness can generate a high awareness and interest among consumers, which not only acts as a trigger for early adoption decisions, but which pertains over the lifecycle. For technical newness it takes some time to reach full effect, and the size of the effect declines later in the product lifecycle. This finding may imply that the majority of customers need time to get used to really new cars, understand new features and overcome technology-related risks (Bagozzi 1999) before deciding to buy such cars. For future research our results emphasize the importance of considering a design perspective when investigating the nature and effects of product innovativeness. To management practice we recommend paying close attention to differentiating products from competitors based on a fresher look and by communicating this newness to positively influence sales across the whole product lifecycle. Detailed results and references are available upon request.

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WHAT ARE CORPORATIONS BLOGGING ABOUT? IDENTIFYING STRATEGIES ABOUT CORPORATE ASSOCIATIONS AND CREDIBILITY

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SUMMARY

Blogs are ubiquitous on the Internet. Over 110 million blogs are tracked and nearly 105 million Internet users visit a blog at least once per month (Williams 2008, eMarketer 2008). A corporate blog follows the same format as a traditional blog (i.e., conversational language, entries in reverse chronological order, and capability for readers to leave comments) but it also acts as a two-way communications and marketing channel (Weil 2006). The two-way nature of a corporate blog enables corporations to engage in conversations with current and prospective customers as well as other stakeholders. These conversations can facilitate brand building, cultivate customer relationships, garner feedback, support sales, demonstrate expertise, and encourage collaboration and knowledge sharing.

Academic research has not kept pace with the blogosphere. Considering the existing studies about blogs and in particular, corporate blogs, there has yet to be a systematic analysis of the content posted on corporate blogs. While practitioners suggest blogs are effective marketing tools, research has not explored marketing strategies employed by corporate bloggers. This study examines how marketing strategies are integrated into corporate blogs within the theoretical frameworks of corporate credibility and associations as discussed by Aaker (2004), Brown (1998), Brown and Dacin (1997), Keller and Aaker (1992, 1998).

This study uses a qualitative approach to contribute, apply, and augment the areas of corporate associations and corporate credibility in the online environment. Following a grounded theory approach to the design and analysis, this study uses qualitative data gathered from forty-one corporate blogs with a total of 534 posts. Two researchers first coded the posts for general themes (i.e., discussion points in each post). The 534 posts produced 2071 themes. The themes were then coded based on similarity which yielded 88 different topics. Next, the topics were grouped based on similarity resulting in 35 strategies. Finally, the strategies were classified into six clusters: company, product, customer, marketing, outside activities and external relationships. Of all the themes, 45 percent related to the company, 16 percent were product related, 14 percent were associated with customers, and 12 percent pertained to marketing, outside activities accounted for 10 percent, while 3 percent considered external relationships.

The purpose of this study was to examine blogs to determine not only what corporations are blogging about but also corporate blog strategies that relate to corporate associations and corporate credibility. Considering the actual counts and percentages, corporate blog content parallels elements of corporate credibility and corporate associations. Specifically, the six dimensions of corporate associations (Brown 1998; Brown and Dacin 1997), corporate abilities and success, interaction with exchange partners, interaction with employees, social responsibility and contributions, marketing considerations, and product considerations align with the strategies uncovered in this study. Moreover, the strategies that emerged reflect elements of corporate credibility as described by Keller and Aaker (1992, 1998) including corporate expertise, trustworthiness, and likability.

The excitement about corporate blogs is their marketing power. The strategies identified in this qualitative study reveal that corporations communicate marketing messages, both implicitly and explicitly, through a broad range of topics. Considering the frameworks developed by Brown (1998), Brown and Dacin (1997), Keller and Aaker (1992, 1998), the results suggest that corporations can use blogs to promote their credibility and cultivate associations.

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THE ANTECEDENTS OF ONLINE SERVICE ADOPTION: THE IMPACT OF VIRTUAL COMMUNITY ON WEBLOG ACCEPTANCE

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SUMMARY

Internet portals have long been providing free services (e.g., e-mail, weblog) to attract new users or retain existing customers. Weblog enables people to interact with others extensively and the population of weblog users has been skyrocketing in recent years. However, it is uncertain whether the users will continue to use the present free service over time. This study aims to investigate the antecedents influencing a user’s attitude and intention to continually use the current weblog service. The study advances the relationship marketing literature in explaining user’s new service adoption behavior by adding community identify and community pressure generated through the process of using web-based services. The conceptual empirical model has been developed on the foundation of social psychology, relationship marketing, and transaction cost analysis (TCA). Results showed that asset specificity and community pressure play a mediating role in the relationship between community identification and attitude toward using weblog services, which in turn to affect intention to stay with blogging community. Perceived usefulness is successful in determining the attitude of using blogging community. Finally, the article concludes with implications for web-based service providers, and additional extended research relevant to the study of community and asset specificity is also provided.

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BEHAVIOR OF INTERNET GAMBLERS: AN EXPLORATORY STUDY OF OLDER VS. COLLEGE YOUTH USERS

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Michael W. Little, Virginia Commonwealth University, Richmond
Heiko de B. Wijnholds, Virginia Commonwealth University, Richmond

SUMMARY

The marketing of online gambling has been immensely successful, as measured by the revenues being generated by its tremendous growth in popularity (Cotte and Latour 2009). Yet, the study of various behavioral and psychological issues associated with online gamblers, has been limited. There is an opportunity for researchers to investigate the impact that online gambling has on consumer behavior and welfare despite the lack of direction from the recent legislation. In this paper, the authors will attempt to focus on various behavioral, psychological and legal issues associated with online gamblers such as: motivation, knowledge of and impact of U.S. legislation, social influence, social connections, website trust and participant vulnerability. This paper is exploratory in nature and will address these issues based on depth interviews with older and college youth online gamblers.

Introduction

The passage of the Unlawful Internet Gambling Enforcement Act (UIGEA) of 2006 by the U.S. Congress has implications for U.S.-based consumers who wish to gamble in an online environment. The law criminalizes the acceptance of funds from bettors by operators of most online gambling Websites. The U.S. Government’s intent with this legislation is to prevent or limit fraud, money laundering, and gambling especially to vulnerable groups such as youth, the elderly or the poor in the expanding Internet entertainment services environment. The impact of the law for U.S. consumers engaged in Internet gambling however remains uncertain.

Besides Internet casinos, online gambling activities may also consist of other forms of web-based gambling such as lotteries, sports betting (including horse racing), and poker. Estimates for the global online gambling market vary, but seem to amount to at least $8 billion per year, offered on some 1500 different websites. U.S. bettors were estimated to represent anywhere from fifty to seventy percent of this market (Christiansen 2005; Kearney 2005). Reliable estimates of current market size are unavailable since the Unlawful Internet Gambling Enforcement Act of 2006 has driven most operators and bettors “underground.”

There is a limited but growing amount of literature that covers regulatory aspects of online gambling business, which includes legislation, jurisprudence and enforcement, and their economic and marketing implications for users, operators, and public policy makers. Specific concerns include issues such as concerns about addictive behavior, underage gambling, Internet advertising, and casino marketing (AGA 2006; Clarke and Dempsey 2001; Eadington 2004; Korn, Gibbins, and Azmier 2003; Netemayer et al. 1998; Parke and Griffiths 2004; Watson et al. 2004).

On-Line Gambling Behavior

Preliminary inquiries with current online gamblers have led the investigators to realize that serious online gamblers are not going to be thwarted in their attempts to gamble online. There is a limited but increasing level of academic published research for online gambling. Much of the research that has been published either uses online gambling as a context – a tool to study satisfaction and retention (Jolley, Mizerski, and Olaru 2006) or looks at the legal implications and difficulty in enforcement (Clarke and Dempsey 2001; Dorey 2003; Parke and Griffiths 2004; Wijnholds and Little 2007).

As with any behavior that can potentially be addictive, it is important to understand the underlying psychological, behavioral, and social variables which lead someone to continue gambling online (Ladd and Petry 2002). Some contend that college-age youth are a vulnerable group especially to the highly popular forms of online gambling, e.g., poker and betting exchanges. One United Kingdom study found a high level of problem gambling among student online poker players. The study concluded that the “acquisition of poker player behavior” is more likely with college students (compared to the general population) because of accessibility, social influence, and financial payoff (Wood, Griffiths, and Parke 2007). More recently, Cotte and Latour (2009) have examined online gambling as a consumption experience that can be accessed from the home in an unregulated online environment as contrasted with casino gambling, however, this study focused on older gamblers.

Social Influence

Given the recent prevalence of networking websites such as Facebook and LinkedIn, as well as the continued
use of chat rooms, listserves and discussion boards, it is likely that referral networks are forming and being actively used within the community of online gamblers. According to a report published by Nielsen Media, the most popular social networking sites are used extensively by both younger and older consumers. Facebook is most popular among those 25–34, LinkedIn is most popular among those 35–49, and Reunion.com is most popular among those 55–64. While consumers 25–49 are leading the use of online social networking, there is certainly steady growth among older consumers (Bausch 2008). Brown and Reingen (1987) offer some of the initial insight into a word-of-mouth (WOM) referral network. They found that strong ties were more often used as sources of information than weak ties and also found to be more influential than weak ties. The investigators in this research are interested in how WOM and referral networks are being used by online gamblers to share recommendations regarding gambling websites and to share tips and suggestions for funding one’s online monetary account (after the passage of UIGEA in 2006).

Methods and Analysis

As this research is exploratory in nature, data was collected using a combination of qualitative research approaches. A subset of the data was collected using depth key informant interviews while the rest was collected using focus groups. Due to the private nature of online gambling, there are challenges in recruiting participants for research studies. The first key informant was an acquaintance of one of the researchers. This participant was interviewed by two of the researchers using an interview guideline. This interview guideline provided structure to the interview (thus allowing comparisons across research techniques) while still allowing for the flexibility and depth of responses associated with qualitative data collection. This key informant then referred the researchers to an additional source which subsequently led to the third key informant. The second and third sets of data were collected using a focus group format. Participants were recruited using flyers placed on two prominent mid-Atlantic university campuses as well as announcements made in classes at those same two universities. All focus group participants were males from 20–28 years old, either undergraduate or MBA students, all with similar demographic profiles and all with their introduction to gambling beginning in their early teens.

Findings and Conclusion

While previous researchers have expressed a concern over the vulnerability of college students with respect to gambling online (Wood, Griffiths, and Parke 2007); this investigation does not support that conclusion. Certainly, college students are gambling online, but they have clearly identified the risks and work hard to make sure it does not negatively impact other aspects of their lives. Similar to the older participants, they actively discuss their online gambling with both those close to them and acquaintances, and they lead productive lives with respect to grades and various social aspects.

An area where we did find differences between the younger and older consumers concerned their respective perceptions of social connectedness through online gambling. Interestingly, the younger consumers felt a strong sense of community and social connectedness through their online gambling, with their online gambling even leading to social connections in the offline world. The older consumers preferred offline gambling experiences, at least for social reasons, even though they clearly identified that the monetary costs of gambling offline are higher.

In summary, the authors were able to explore various motivations to gamble online, how and why consumers trust gambling websites, as well as consumer use of social networking and WOM. There are many other themes we plan on investigating surrounding a topic that is obviously quite different than its offline counterpart and equally controversial. Some of these issues are: assessing consumer support for the legalization of online gambling in the U.S., potential public policy issues and recommendations, differences in betting patterns between experienced and novice gamblers, and a deeper investigation of the themes identified in this paper. References are available upon request.

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HOW VALUE-INDUCED COMMUNITY IDENTIFICATION NURTURES ENGAGEMENT AND RECOMMENDATION IN THE ONLINE GAME COMMUNITY

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SUMMARY

Introduction

To many marketers, online community building has been recognized as an effective marketing program for its influence on the adoption of products and services. A stream of research has documented the nature and social interactions of virtual communities (e.g., Bagozzi and Dholakia 2002), yet some noteworthy issues are still left unaddressed.

The purposes of this research are twofold. First, through the lens of network externality, we describe both positive and negative consequences of community engagement on a community member’s intention to recommend. We argue that in addition to the positive impact of community engagement, negative reactance is likely to occur by virtue of the social influence in terms of normative pressure and hence restrains the network externality. Second, we address how the perceived values in online communities enhance community members’ community identification and engagement. We suggest that the perceived values will influence how members view themselves and their volitional contributions to it.

Literature Review and Hypotheses

Customer Perceived Value and Community Identification. Based on prior researches (e.g., Algesheimer, Dholakia, and Herrmann 2005), this study defines online community identification as “a sense that people come to view themselves as belonging to the online community and feel emotionally connected with other community participants.” We then identify three preceding types of perceived value: purposive value, entertainment value, and sociability value. We believe that the instrumental value, hedonic benefits, and social interconnectivity that customer perceived are all likely to engender emotional attachment and a shared consciousness. \( H_1, H_2, \) and \( H_3 \) were thus developed.

Antecedents and Consequents of Community Engagement. The current research defines online community engagement as members’ intrinsic motivation to participate in joint activities and to dedicate efforts to things beneficial to the online community or its individual members. We suggest that the social identity would influence the intention to participate in collective activities and even organizational altruism. \( H_4 \) is thus inferred to describe the relationship between community identification and community engagement.

Notably, researchers have shown the positive consequence (i.e., pro-social behaviors) of engagement (Saks 2006). Highly engaged people are believed to play the role of recruiters in a community (Algesheimer et al. 2005); hence, this study contends that they are more likely to make product or brand recommendation. Besides, the time and effort they spent in community affairs are sunk cost that increases their continuance commitment and loyalty. Accordingly, we developed another three hypotheses, \( H_5, H_6, \) and \( H_7 \), to explain the relationships among community engagement, intention to recommend, and brand loyalty.

Notwithstanding, an opposite social influence shall also be taken into account when considering the net effect of community engagement. Highly engaged members may perceive higher normative pressure or expectations from the belonged community in view of their leadership role (Algesheimer et al. 2005). Once they feel their personal time is squeezed, reactance could emerge due to the desire to regain control of freedom (Brehm 1966), which then lower the intention to recommend. Thereby, \( H_8, H_9, \) and \( H_{10} \) are posited to demonstrate the negative consequences of community engagement.

Methodology and Results

This study employed the PLS Graph v3.0 program to test the conceptual model and used the two-stage approach comprising of both measurement model and structural model. Overall, these statistics (i.e., CRs and AVEs) reveal that our measurements for the constructs are sufficiently strong to enable the subsequent structural model estimation. We also found support for our conceptual framework using an online game community, World of Warcraft, as the research sample.

Our results suggested that the purposive, entertainment, and sociability value perceived by consumers would influence their community engaging behaviors through
an increase in community identification. As we predicted, highly engaged customers would propagate the product/brand that the community advocates, which is believed to contribute to network effect. Usually, they incline to have higher loyalty accompanied by stronger intention to recommend new members. Yet they are also subject to a potential negative effect caused by normative pressure that is likely to elicit reactance and in turn restrain the recommendation intention. Thus, network externality of a product is limited.

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FAIRNESS PERCEPTIONS OF COMBINED-CURRENCY PRICES UNDER CONDITIONS OF PRICE INCREASES: CONCEPTUALIZATION AND EXPERIMENTAL ANALYSIS

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SUMMARY

Recent years have seen an increase in customer loyalty and reward programs used by companies in the consumer marketing arena. In contrast to the popularity of such programs, research shows only limited effectiveness (Bolton, Kannan, Bramlett 2000; Liu 2007). However, it is now estimated that half the U.S. population is enrolled in at least one loyalty reward program (Kivetz and Simonson 2003). With these developments, alternative and novel currencies have been created, e.g., “miles” or “payback-points.” These alternative exchange media supersede or complement as fiat money existing currencies used in the economy. Especially reward points associated with airline loyalty programs, i.e., frequent flyer miles, are nowadays ubiquitous: the cumulative amount of such miles which had not been redeemed in 2002 amounted to $8.5 trillion (spread out over around 100m participants in such programs). In fact, these miles have become the second largest currency in the world behind the U.S.-dollar (Drèze and Nunes 2004).

With more and more artificial currencies being introduced into the value perception of customers regarding a wide range of offerings, pricing issues become increasingly complex. While multi-dimensional price components are nothing new (e.g., $139 regular price, now 30% off), the introduction of a second, and novel, currency into prices contributes to the opaqueness regarding cost issues. The increased complexity relates both to pricing design decisions by companies, but also to cost and value considerations by customers. Further complications are due to the fact that more and more combinations of different currencies are used to price certain offerings, i.e., in the U.S. around 20m products and services were offered based on a combined U.S.-Dollar and different bonus mile pricing (Drèze and Nunes 2004). Such combinations are especially prevalent as redemption offers, i.e., when a consumer wants to exchange his reward points or miles for a product or service. Redemption offers are becoming more widely available, with reward points being accepted even outside the core loyalty programs. For example, the European high-street fashion department store Peek&Cloppenburg accepts part-payment of any item in their stores with reward points from the Star Alliance airline loyalty program. This option of paying with a combination of points or miles, as well as the normal legal tender has been termed combined-currency prices (CCP) in the literature (Drèze and Nunes 2004).

While CCP becomes more and more a routine marketing instrument, price management research has so far neglected this specific phenomenon. Besides the study by Drèze and Nunes (2004), we know of no other research focusing on this issue. We contend that this is an astonishing omission, especially because loyalty and reward programs and their associated artificial currencies carry significant economic risk (Bolton, Kannan, Bramlett 2000). For example, the necessary loyalty effects often do not materialize, resulting in lower than expected or even negative returns on investment. The impact of CCP needs to be analyzed in more detail as pricing perceptions are an important aspect of customers’ value considerations. Specifically issues around price fairness of CCP in comparison to single currency prices (either as a classical currency, or exclusively as reward miles) need to be understood to assess the utility of the price instrument of CCP. This issue becomes even more pertinent in situations of price increases. While most research has focused on the effects of price reductions on fairness perceptions, the impact of increasing prices has not been researched to the same extent (Vaidyanathan and Aggarwal 2003).

Our research contributes to the knowledge about CCP by linking the practice of combining different currencies (of which one has the character of an artificial currency) as part of price management. We also frame our analysis within the context of price increases as such offensive price management remains an important tool with direct bottom line effect for firms which are faced with increasingly reduced opportunities for cost-cutting. Issues of price fairness of CCP are therefore analyzed both in a static (i.e., constant prices) as well as dynamic environment (i.e., price increases).

Knowledge about how customers perceive such artificial currencies, e.g., with regard to their price fairness, is of pivotal importance for marketing managers. Further-
more, how these artificial currencies can be combined into multi-dimensional prices is of interest to the practical marketing management, especially for pricing decisions. Our research represents only the second study which focuses on issues of combined-currency pricing and therefore contributes important findings to the understanding of the impact of this new pricing tool. Overall, our study shows that CCP has a positive effect on perceived price fairness. This result holds true for a static situation and well as for situations with price increases.

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THE SUITABILITY OF WTP MEASUREMENT APPROACHES FOR PRICING DECISIONS

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SUMMARY

Gauging consumers’ willingness to pay (WTP) is essential for making pricing decisions. An exact knowledge of consumers’ WTP is important for the implementation of pricing tactics such as bundling, nonlinear pricing, one-to-one pricing, and target promotions. Given the importance of this concept, it is necessary to determine consumers’ WTP as precisely as possible. For these reasons, different approaches have been developed to measure consumers’ WTP. These approaches differ in whether they measure WTP directly or indirectly and whether they determine either consumers’ hypothetical or actual WTP. In addition, WTP can be determined from past transaction data as well.

In the direct approach, the researcher asks consumers, for example in an open-ended question format (OE), to explicitly state their WTP for a specific product. If the researcher applies the indirect approach (e.g., conjoint analysis; CA), then she calculates a consumer’s WTP based on her preferences in alternative product profiles, which vary in price and other product attributes. WTP measurement approaches can also be differentiated between methods that determine consumers’ hypothetical or actual WTP. In applied market research, WTP measurement usually focuses on consumers’ hypothetical willingness to pay (HWTP). Since the corresponding HWTP measurement instruments do not require the respondents to actually buy the product, the elicited HWTP may deviate from consumers’ actual willingness to pay (AWTP). This deviation is known as “hypothetical bias.” AWTP can be determined using past transaction data (REAL) or incentive-aligned approaches such as lotteries (e.g., the BDM mechanism) or incentive-aligned conjoint analysis (IACA).

Prior studies analyze the suitability of the various approaches to determine consumers’ WTP and their external validity. However, the literature fails to show clear results whether direct or indirect approaches are significantly different from each other and if HWTP methods are really inferior to AWTP methods. Furthermore, prior studies mainly focus on mean differences between the different approaches. To our knowledge there is no study that analyzes if the mean biases are managerially relevant biases in a marketing context. After all, it is the resulting WTP distribution from these methods that serves as a basis for pricing decisions, not the mean WTP. Therefore, prior studies tend to miss the core issue relevant for applied market research, that is, how suitable are the different methods to measure consumers’ WTP for making pricing decisions.

These research deficits provide a promising research opportunity which we address in our study. More specifically, we compare these different approaches in an empirical study among 1,124 consumers with regard to their ability to capture consumers’ mean WTP. This makes our study the first in a marketing context which compares these different WTP measurement approaches in terms of their external validity to real purchase data that we collected in a realistic online shopping environment. Further, we propose managerially relevant criteria to assess the suitability of these approaches for making pricing decisions. In addition to the common mean analysis in the prior literature, we take further measures into consideration such as the resulting WTP distribution, the demand curve, and the economic outcome of a real pricing decision that is based on the elicited WTP data. By doing so, we provide guidance to practitioners on how they may choose among different WTP measurement approaches in order to arrive at good pricing decisions.

Our results indicate that both hypothetical methods show significantly biased mean WTP values, whereas incentive-aligned methods show mean WTP values that were not different from the benchmark. Analyzing mean WTP, however, may only give limited insights into the true validity of the various approaches. Hence, we expanded the current practice of analysis by comparing the resulting WTP distributions and demand curves. By comparing WTP distributions using the KS-test, we found results similar to those in our mean analysis, which indicated a significant bias for hypothetical methods. The KS-test, however, does not allow us to compare the different approaches with true purchase data. Thus, we applied an LR-test and compared demand curves that are generated based on the elicited WTP data. The results showed that hypothetical approaches, at least OE, may indeed be able to capture consumers’ true demand. Additionally, we analyzed if the different approaches can guide
managers to good pricing decisions. Interestingly, we found that all approaches are able to forecast the profit-maximizing price and quantity.

Our study proposes several routes for future research: First, our results need to be generalized to other products in other product categories. Second, it would certainly be interesting to know whether directly stated HWTP approaches yield unbiased WTP distributions in other cases as well. Third, in our study, CA showed the least favorable results in terms of external validity. It remains the question if this holds in the case of other stimuli. Further, our study has several implications for applied market research and can provide guidance for practitioners to select an appropriate WTP measurement instrument. Our results indicate that the hypothetical approaches may result in mean WTP estimates that are significantly different from AWTP. Biased mean WTP values, however, does not necessarily imply that the elicited WTP data guides the manager to wrong pricing decisions. As we showed, hypothetical approaches can lead to demand curves that are no different from real demand. Further, both hypothetical approaches lead to business decisions that were not significantly different from the benchmark. Second, if an existing product prototype is already available, market researchers are advised to measure consumers’ WTP using incentive-aligned methods. This is especially the case when the underlying product is rather inexpensive and the costs of fulfilling the actual buying obligation during the incentive-aligned mechanism are low. If the researcher does not have an existing prototype available, she is required to measure consumers’ hypothetical WTP using either OE or CA.

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INFORMATION VALUE AND INFLUENCE OF PRICE ON QUALITY PERCEPTION: INSIGHTS FROM CUE UTILIZATION THEORY

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SUMMARY

A significant amount of research indicates consumers utilize price as a signal of unobservable product quality (Jacoby et al. 1971; Rao and Monroe 1989; Volckner and Hofmann 2007). Several theoretical explanations have been offered to explain the existence of this positive price-perceived quality relationship (see Rao (2005) for a discussion). However, existing models fail to fully capture the complexity of the phenomenon. While key studies involving the price-perceived quality relationship have drawn insight from cue utilization theory, most research employing this framework overlooks the complex nature of price and other potential quality cues by failing to capture the distinctive influences of cue confidence and predictive values. Given this, we describe a cue utilization framework for investigating the complex nature of cues, focusing specifically on the price-perceived quality relationship.

Conceptual Framework

Cue utilization theory (Cox 1967; Olson 1972) argues that firm and product attributes serve as cues, or signals, for consumers when making quality inferences. Olson and Jacoby (1972) describe predictive value (PV) as the degree to which a consumer associates a cue with product quality. On the other hand, confidence value (CV) is described as the degree to which a consumer is secure in his ability to accurately perceive and judge the properties of that cue. PV and CV jointly determine the information value of a cue through an interactive effect. Thus, a consumer would not use price as a determinant of product quality if he/she believed the price to have no association with product quality or if the consumer had no confidence in his/her ability to evaluate prices for the particular product.

In this study, the price-quality relationship is examined in a consumer-to-consumer (C2C) exchange setting. In contrast to findings in traditional retail settings, we argue that aspects of the C2C environment diminish the information value consumers assign to the price. Since the seller is an individual instead of an organization, consumers may be more skeptical of price signals, thereby lowering the predictive value they assign to the price cue. Thus,

H1: Price will not be heavily utilized for product quality assessment in consumer-to-consumer exchange settings.

A basic tenet of cue utilization theory is that information value should reflect how heavily utilized a cue will be in the quality perception process. Thus, when consumers assign a high amount of information value to the price cue, there should be evidence that price is being utilized more heavily in the quality perception process. On the other hand, when consumers assign a low amount of information value to price, there should be little evidence of price being utilized in quality perception. Formally,

H2: There will be a significant interaction between price and information value such that when consumers assign a high (low) information value to price the direct effect between price and quality will be stronger (weaker).

Method

A total of 133 undergraduates (juniors and seniors only) from a southwestern university participated in the experiment for course credit. Participants were asked to imagine they were in the market for a new handheld camcorder, and that they had found a product similar to the one they were thinking about purchasing on one of their favorite websites. Participants were randomly assigned to one of three experimental conditions, low selling price ($119), moderate selling price ($329), or high selling price ($549) and provided with descriptive information about the product and the seller.

The hypotheses were tested using ANOVA with price and information value included as independent variables and quality perception as the dependent variable. Information value was calculated by multiplying the predictive and confidence values that each person assigned to price together. A median split was performed to create low (n = 66) and high (n = 67) price information value groups. Consistent with H1, the direct effect of price on quality perception was insignificant ($F(2,127) = 1.55, p > .20). Consistent with H2, there was a significant interaction between price and information value ($F(2,127) = 4.52, p < .05). The relationship between price and quality
perception ($Q$) is much more direct when individuals assigned a high information value to price ($Q_{\text{low}} = 4.31$; $Q_{\text{mid}} = 4.76$; $Q_{\text{high}} = 5.04$) than when they assign low information value to price ($Q_{\text{low}} = 4.81$, $Q_{\text{mid}} = 4.26$, $Q_{\text{high}} = 4.60$).

**Discussion**

A primary contribution of our study is the application of a framework involving two distinct dimensions of cues (PV and CV) to develop deeper understanding of the relationship between price and product quality. Results of our study suggest PV and CV function together to determine price cue information value, which in turn, drives price cue utilization in the quality perception process. Follow up studies should evaluate the present price cue utilization framework in more traditional retail settings. Results also suggest that price may not be a generally effective product quality signal in the C2C context.

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AN EXPERIMENTAL ANALYSIS OF CONSUMER PREFERENCE FOR SALES PROMOTIONS FORMATS

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SUMMARY

Sales promotions are becoming an increasingly integral part of many marketing plans especially given recent changes in consumer behavior in response to the economic decline. Sales promotions such as coupons and rebates are common price discounting tools used to motivate consumers to purchase the product, but they differ in the timing of rewards. Coupons offer immediate net benefits (instant savings) while rebates provide delayed net benefits that are delivered at a future time, as Soman (1998) notes. A central premise in this paper is that this delay in delivery of the reward may impact consumer preference for a particular sales promotion tool. Thus, this study seeks to explore consumer preference for sales promotions formats. We assume that consumer choice of sales promotions formats differ by price, and hence we examine consumer preference for sales promotion formats for both high and low-priced products.

Changing the duration of delay of a reward impacts the choices that consumers make. Rational choice theory assumes that delay discounting of rewards is exponential in nature, where for one unit of delay there is a fixed discount rate over time of the reward (Bickel and Marsch 2001). In reality, individuals tend to use a hyperbolic discounting procedure whereby the reward value is discounted at an increasingly smaller proportion over time (Herrnstein 1990; Bickel and Marsch 2001). Thus, Mazur (1987) proposed that the hyperbolic discount function takes the form of the following equation:

\[ V = \frac{A}{1 + kD} \]  

(1)

where \( V \) = present value of a delayed reward, \( A \) = amount of delayed reward, \( k \) = constant proportional to the degree of discounting or sensitivity to delayed discounting, and \( D \) = delay between choice and reward. This is in stark contrast to the exponential form where the reward is discounted at a constant rate over time as follows:

\[ V = A e^{-kD} \]  

(2)

In this study, this tendency to hyperbolically discount delayed rewards is incorporated in two hypotheses about preference for sales promotion formats, assuming that behavior may be guided by the price of the product. Research in the consumer behavior literature shows that at any price, net purchases for the product, chocolate bars, were higher for a matching sales format (instant opportunity to get one bar free for each bar purchased) than for a comparable rebate format (Davis and Millner 2005). However, does the delay to the reward have an impact on preference for the sales promotion? To answer this question, we test the following hypotheses that differentiate products based on price:

H1: For a high-priced product (laptop), the delay discounting function will have a hyperbolic form rather than an exponential form.

H2: For a lower-priced product (cell phone), the delay discounting function will have a hyperbolic form rather than an exponential form.

Roughly, one half of respondents were randomly assigned to an online survey condition in which coupon values were presented as absolute amounts (n = 97) and the rest were assigned to an online survey condition where coupon values were presented as percentages (n = 100). The study applied a procedure similar to that used by Rachlin, Raineri, and Cross (1991). For the higher-priced product (a laptop priced at $2000), participants were presented with 10 concurrent choices between an instant savings coupon (choice A with 10 options – $1000 now, $900, $800, . . . $100 now) and a constant amount for the rebate (choice B – $1000 in three weeks). These choices were presented again in two subsequent scenarios. The only exception was that the delay to the rebate was increased from three to five weeks (for the second scenario) and to eight weeks (for the third scenario). A similar procedure was applied for the lower-priced product (a cell phone priced at $200), except that the rewards were made much more realistic given the price of the product (choice A for coupons – $100 now, $90, $80, . . . $10 now). Respondents assigned to the percentage condition saw the same scenarios as described above for both the higher-priced and lower-priced products. The only exception was that the coupon rewards were listed as percentages of the price of the product. For example, for the higher-priced product, choice A for the coupon was listed as 50 percent instant savings now, 45 percent, 40 percent, . . . 5 percent instant savings now.

Neither the hyperbolic nor exponential functions fit the data well for the lower priced product. However, for the higher-priced product, the hyperbolic function showed
a better fit than the exponential function. This finding held when the coupons were presented as absolute dollar amounts and as percentages. As per Mazur’s (1987) hyperbolic function, the perceived value of the reward decreased at an increasing rate, rather than at a constant rate as in the case of the exponential function. Thus, for higher priced products, consumers seemed willing to wait for the later, larger reward (the rebate) for a very short period of time, beyond which they drastically discount the rebate value, and do so at increasing rates. They exhibit sensitivity to the delay, and eventually prefer the smaller, time-wise quicker reward (the coupon). The critical implication here is that sales promotion tools should be used with careful consideration of any delay in the reward for the consumer. It can be inferred that consumers’ motivation to buy using coupons for higher-priced products will be greater when the delay to the reward increases, making coupons more of an incentive to purchase the product. However, if the delay to the reward decreases, then rebates may be optimal given consumers’ preference for this format for shorter delay periods. The paper discusses limitations of this study and avenues for future research. References are available upon request.

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ENGAGING CONSUMERS IN SUSTAINABLE CO-PRODUCTION: 
THE ROLE OF COMPROMISE AND CONFIDENCE

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SUMMARY

The Service Dominant Logic (Vargo and Lusch 2004) proposes that all economic exchange is based on the exchange of knowledge in a relational context where the consumer is always a co-producer. As scholars advance the service-dominant logic it has been suggested that we must look beyond the benefits at the micro-exchange level to examine the larger macromarketing implications and societal impacts of marketing decisions. A macromarketing approach recognizes that the marketer may bear a higher social responsibility in the marketing exchange than the consumer, even though the two are co-creating value together (Laczniak 2006). One area that the firm may willingly and effectively co-produce with the consumer is in the area of sustainable business practices. In the context of the value creation, we must think of consumers not as receptors for the firms’ sustainability efforts, but instead as active participants in the process of sustainability. This paper bridges this gap by providing a theoretical model of consumers’ motivations to become co-producers in firms’ sustainability efforts.

Sustainability in Services

The recent surge in the use of the phrase “sustainability” in management and marketing literature might be attributed to the fact that it means different things to different people (Cairncross 1991). The fact that sustainability is a nebulous concept however, may be a large part of its appeal, as it allows flexibility in its application. Among the wide range of approaches to sustainability there is a fundamental premise that describes some sort of persistent system (Costanza and Patten 1995). This notion of persistent systems typically encompasses the environmental (ecological), social (ethical), and financial (economic) dimensions of business practice (Bridges and Wilhelm 2008; DesJardins 2007). For the purposes of this paper sustainable business practices are defined as the actions of a firm that value financial continuity and take into account concern for the natural environment and social issues.

Understanding the role that sustainable practices play in consumers’ brand and product evaluations is central to encouraging consumers to be co-producers of sustainability, and requires that we explore the literature on how consumers behave toward sustainable practices.

Research in this domain is represented by four overarching approaches: socio-demographic segmentation (Newell and Green 1997); values, attitudes, and environmental consciousness (Schlegelmilch et al. 1996); social norms (Goldstein et al. 2008) and knowledge; and situational factors (Peattie 2001). Individually these approaches tend to fall short in explaining consumers’ willingness to participate in sustainable practices. The proposed model suggests that the elements of compromise and confidence (McDonald and Oates 2006; Peattie 2001), along with an individual’s psychographic characteristics, will play an important role in informing an individual’s motivations and willingness to coproduce sustainable practices.

Co-Production

As we look to bridge co-production with sustainable business practices, we must recognize that the market is changing and that consumers are no longer passive vessels for products, but instead are intent on participating in co-creation (Firat et al. 1995). If consumers are no longer seen as simply targets of marketing products and messages, then it is important that firms open up a dialogue with customers and involve them in the creation of experiences. Marketers must co-opt customer competencies, create an open dialogue, mobilize user communities, and ultimately co-create personalized experiences (Prahalad and Ramaswamy 2000). It is argued that customers are no longer prepared to simply accept pre-fabricated experiences but want to shape those experiences themselves. From this postmodern perspective co-production may be more than a means of creating wealth or improving efficiencies, it may actually be a necessary condition of competing in an evolving market. Products are no longer the core dimensions of marketing; instead they are seen as the artifact that personalized experiences take place around, with the value found in the experience not the artifact (Prahalad and Ramaswamy 2004; Vargo and Lusch 2004). Customer oriented firms who are concerned with the marketing concept and addressing customer’s needs must therefore invariably address the manner in which they can involve customers in varied dimensions and roles in the service delivery process.

This paper forms a bridge between two distinct research streams: services and sustainability. As marketers begin to employ sustainable practices as a management tool, they must recognize that the joint factors of confidence and compromise will impact the success of these
activities in attracting consumers. Recognizing the role that consumers can play in delivering sustainable services provides firms with the prospect to gain the benefits of sustainable practices (i.e., image, brand awareness, loyalty) with the consumer bearing some of the risks, costs, etc. While at the same time, consumer participation will likely engender more positive impressions of the firm’s sustainable practices.

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EXAMINATION OF THE EFFECTS OF JOB-RELATED FACTORS ON TURNOVER INTENTION AMONG MALE AND FEMALE SERVICE EMPLOYEES

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SUMMARY

Minimizing the turnover of skilled employees is desirable because the experienced and knowledgeable employees help the organization in developing mutually beneficial customer-employee relationships and building customer satisfaction and loyalty. In addition, employee turnover is costly as expense due to recruiting, training, lost productivity, and administrative efforts devoted to substandard employees can be excessive. The literature in organization and psychology indicated that male and female employees may well have difference levels of attitudes and behaviors on the job (e.g., Allen and Rush 2001; Eagly 1987). Consequently, there may be difference in the determinants of turnover between male and female service workers due to the different levels of job attitudes and behaviors they face. As typical service frontline employees are occupied by both men and women, it is critical for service managers to understand the difference and adopt various strategies to reduce turnover among male and female service employees. The objective of this study presented here is (1) to examine the relationships between turnover intention and job-related factors, including role conflict (RC), role ambiguity (RA), job satisfaction and organizational citizenship behaviors (OCBs), (2) to contrast the difference level of these relationships across male and female workers within two service industry in Taiwan, and (3) to predict the indirect effects of these constructs on turnover intention. In our full paper, we briefly review the literature. Then, a model of relationships between previous identified constructs is proposed, followed by the methodology of this study. Finally, empirical results are provided and discussed their implications for service industry management theory and practice.

The sample of the current study was drawn from two service industries: full-service restaurants and retail stores in Taiwan. The reason for choosing these two service industries is that these two industries represent the largest two service industries in terms of number of employees in Taiwan. More importantly, we choose these two service industries to represent broad categories of services because these two services are same tangible in nature but different in people processing (full-service restaurants) and possession processing (retail stores) as categorized by Lovelock and Wirtz (2007, p. 34). The invariance test that examines the factor structures across two industry samples by comparing results of a confirmatory model was conducted. The factor structure (i.e., factor loadings, factor variances, covariances, and item error loadings) are equal across two service industries, and it’s suitable for us to combine these two samples to examine our hypothesized model. In addition, we tested whether the factor structure were invariant across gender before comparing the difference among construct relationships between male and female sample. The fit indices for baseline model were acceptable and fit indices for the model that all factor loadings were constrained to be invariant were also acceptable. The difference in fit between baseline model and the other models were not significant. The results support us to examine the gender-based difference because the factor structures are fully equal across gender.

The nested structural equation model is conducted to test seven hypotheses in our study. Results of nested structural equation models indicate that job satisfaction affects male employees’ propensity to leave more strongly than it does female’s and OCBs have stronger effects on turnover intention among female service employees. In addition, the direct, indirect, and total effects of RC, RA, job satisfaction, OCBs on turnover intention are reported in this study. It is very interesting to note that the total effect of RC on turnover intention is greater strongly than the effect of RA among male and female samples. These results suggest that employees have higher level of turnover intention when they experience the role conflict whether they are men or women. References are available upon request.
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MODELING CUSTOMERS’ LOYALTY: THE IMPACT OF OVERALL CUSTOMER SATISFACTION AND THE MEDIATING ROLE OF TRUST AND COMMITMENT

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INTRODUCTION

The main objective of relationship marketing is an increase in customers’ loyalty and customers’ consumption through interactive relationship marketing programs. In modern business environments, relationship marketing tactics play an increasingly important role because of the growing importance customers attach to the quality of interactions with suppliers (Crosby, Evans, and Cowles 1990; Dorsch, Swanson, and Kelley 1998). Although academics recognize the importance of relationship marketing practices (Berry 1995; Dwyer et al. 1987; Hennig-Thurau, Gwinner, and Gremler 2002), empirical evidence on the nature and extent of the impact of relationship tactics on relationship quality is scarce (Gwinner, Gremler, and Bitner 1998). Moreover, there is no clear consensus in the literature on the set of dimensions that relate to the construct of “relationship quality” (Bejou, Ennew, and Palmer 1998; Dorsch et al. 1998; Kumar et al. 1995; Hennig-Thurau, Gwinner, and Gremler 2002).

The importance of the relationship between satisfaction and trust as indicators of the higher-order construct of relationship quality has been stressed by various authors (Crosby et al. 1990; Dwyer et al. 1987; Hennig-Thurau 2004; Shamdasani and Balakrishnan 2000). Other researchers have added relationship commitment as a dimension of relationship quality (Dorsch et al. 1998; Hennig-Thurau et al. 2002; Hennig-Thurau and Klee 1997; Hewett, Money, and Sharma 2002; Leuthesser 1997; Roberts et al. 2003). In the same context, DeWulf et al. (2001) assumed that the better relationship quality is, the more it is accompanied by greater satisfaction, trust, and commitment. All by accepting that these latter three attitudinal constructs are distinct, it worth to be noted that consumers tend to “lump” them together (Crosby et al. 1990; DeWulf et al. 2001). Thus, considering these three core variables (satisfaction, trust, and commitment) as interrelated (Hennig-Thurau et al. 2002), the present study therefore examines their interdependence and their effect on loyalty as a relationship outcome. Moreover, by drawing on the research work of Cooil et al. (2007) and Mittal and Kamakura (2001), asserting the moderating effect of respectively the length of the relationship with the supplier and costumer’s sex upon the impact of satisfaction upon loyalty, we aim to test for the moderator effect of these latter variables upon the influence exerted by the overall satisfaction upon loyalty.

While relationship marketing has received empirical evidence in the filed of industrial and channel marketing (Doney and Cannon 1997), systematic research on relationship marketing in a consumer environment is still lacking (Beatty, Coleman, Reynolds, and Lee 1996). For instance, in the services’ sector, the hairdresser service providers sector has not been previously addressed by studies in the field. As a result, this research aims to address this gap in the literature and provide insights into the drivers of retention using data from hairdresser service providers.

Resuming, the objectives of our research are three-fold: (1) to summarize the existing evidence about the behavioral sequences of relationship marketing at the individual consumer level, (2) to report the results of an empirical study examining the relation between overall satisfaction, trust, commitment and customers’ intentions in the field of hairdresser service providers, and (3) to explore the moderator role of the length of the relationship with the service supplier and costumer’s sex on the impact exerted by the overall satisfaction upon loyalty.

As it follows a framework of the pertinent literature in the field is presented along with the formulation of the research hypotheses. Afterwards, the description of the research methodology and the hypotheses’ test are exposed. Finally, the conclusion, the discussion of results, and the managerial implications of the research are reviewed along with the main limits and the future research avenues.

CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESES PROPOSITION

Customer Loyalty: Repurchase Intentions and Advocacy Intentions

Customer loyalty is most commonly defined as patronage behaviors expressed over time and patterns of repurchase (Dick and Basu 1994; Olsen 2002). Several
researchers emphasize that true customer loyalty should also encompass a positive attitude and a sense of commitment to the organization (Dick and Basu 1994; Ganesh et al. 2000). Dick and Basu (1994) defined customer loyalty as the relationship strength between a customer’s attitudes and repurchase intention. Hesket et al. (1994) suppose that repeat purchase or repurchase intentions could be used as a measurement index of the loyalty of brand or service.

Another group of scholars think that the measurement standard of customer loyalty should adopt the preference and public praise that customers thought of their dealing companies (Rust, Zahorik, and Keiningham 1995; Zeithaml, Berry, and Parasuraman 1996). Dick and Basu (1994) argue that loyalty should not be regarded as mere repurchase behavior. Increasingly, researchers are paying attention to customer advocacy as an important variable in relationship marketing (Fullerton and Taylor 2002; Fullerton 2005). Practitioners also recognize the importance of customers who are willing to recommend brands to other customers (Reichheld 2003).

To understand the complexity of customer loyalty, it is important to understand the evaluations, attitudes, and intentions that affect behavior (Oliver 1999). We focus on four prominent drivers of retention in the marketing literature: overall customer satisfaction, trust, affective and continuance commitment.

**Satisfaction as a Precursor of Trust**

On the basis of relational theory, it is widely agreed in the literature that trust and commitment are key variables in influencing customer loyalty in successful relational exchanges (Morgan and Hunt 1994). However, there is a gap in the literature with respect to the possibility that trust and commitment reflect the level of relationship satisfaction, rather than driving it. Chumpitaz and Paparoidamis (2007) recently provided evidence from a B2B study, on the influence of overall satisfaction on trust. Aiming to highlight the antecedent role of overall satisfaction in the B2C context, the following hypothesis is therefore proposed:

H1: Customer satisfaction has a positive impact on trust.

**Customer Satisfaction as a Driver of Loyalty**

Customer satisfaction is defined as an overall evaluation based on the customer’s total purchase and consumption experience with a good or service over time (Anderson, Fornell, and Mazvancheryl 2004; Fornell 1992). Multiple interpretations of satisfaction emanate from differences such as: the type of response (cognitive or affective); the time of evaluation (immediate to an encounter or retrospective of past consumption); the object of evaluation (e.g., a transaction, a firm, an attribute); and the psychological process used to construe the response (e.g., disconfirmation of expectations, attribution, equity perceptions). In this study we focus on customers’ retrospective and cumulative evaluations of satisfaction with a service provider. Recently, this has been an arena of increasing research attention for academics. Bolton (1998, p. 45) proposed that cumulative satisfaction “serves as an anchor that is updated with new information obtained during service experiences.” Consequently, satisfaction must be measured and monitored continuously in order to assess the current performance of the product, the service or the firm in the eyes of customers.

An important conceptual difference between customer satisfaction and the commitment dimensions is that satisfaction is “backward looking,” whereas the commitment dimensions are more “forward looking.” Satisfaction is a function of performance to date, whereas affective and continuance commitment capture the strength of the relationship and the resultant commitment to proceed forward (Fullerton 2005; Gustafsson et al. 2005).

This overall cumulative satisfaction has a strong positive effect on customer loyalty intentions across a wide range of product and service categories (Boulding et al. 1993; Fornell 1992; Fornell et al. 1996). Thus, we expect that:

H2: Customer Satisfaction has a positive impact on customer loyalty.

**Trust as a Driver of Commitment**

Moorman et al. (1993) defined trust as a willingness to rely on an exchange partner in whom one has confidence. More specifically, Ganesan (1994) proposed that a key component of trust is the extent to which the customer believes that the vendor has intentions and motives beneficial to the customer and is concerned with creating positive customer outcomes. Ganesan (1994) found that long-term orientation is affected by the extent to which customers and vendors trust their “channel partners.” Trust is therefore a major determinant of relationship commitment (Morgan and Hunt 1994), and exists when there is confidence in a partner’s reliability and integrity. Thus, it is hypothesized that:

H3: Customer trust has a positive impact on commitment.

**Commitment as a Driver of Loyalty**

The relationship marketing literature recognizes relationship commitment as a potential driver of customer loyalty (Bendapudi and Berry 1997; Morgan and Hunt 1994). Drawing on the organizational behavior literature (Meyer and Allen 1997), marketing scholars have variously
defined commitment as a desire to maintain a relationship (Moorman, Deshpandé, and Zaltman 1993; Morgan and Hunt 1994), a pledge of continuity between parties (Dwyer, Schurr, and Oh 1987), the sacrifice or potential for sacrifice if a relationship ends (Anderson and Weitz 1992), and the absence of competitive offerings (Gundlach, Achrol, and Mentzer 1995).

These various sources create a “stickiness” that keeps customers loyal to a brand or company even when satisfaction may be low. The relationship management literature emphasizes two different dimensions of relationship commitment that drive loyalty: (1) affective commitment, as created through personal interaction, reciprocity, that has its roots in identification, shared values and attachment, and (2) continuance commitment, as created through switching costs (Bendapudi and Berry 1997; Fullerton 2003; Hansen, Johnson et al. 2001; Sandvik and Selnes 2003).

Continuance commitment is the colder, or more rational, economic-based dependence on product benefits due to a lack of choice or switching costs (Anderson and Weitz 1992; Dwyer, Schurr, and Oh 1987; Heide and John 1992). Affective commitment is more emotional factor that develops through the degree of reciprocity or personal involvement that a customer has with a company (Garbarino and Johnson 1999; Morgan and Hunt 1994).

Moorman et al. (1993) suggest that customers committed to a relationship might have a greater propensity to act because of their need to remain consistent with their commitment. Previous studies have shown that continuance commitment has a weak but positive impact on customer retention (Anderson and Weitz 1992; Gundlach et al. 1995). However, a number of studies have shown a uniformly positive and strong impact of affective commitment on customer retention and on customer willingness to recommend the partner (Fullerton 2003; Garbarino and Johnson 1999). Customers tend to purchase brands with which they identify and to which they feel attached (affectively committed). Thus, it is hypothesized that:

**H4**: Continuance commitment and affective commitment have a positive impact on customer loyalty.

**The Moderator Role of the Length of the Relationship and Consumer’s Sex**

There is a stream of research that recently suggested that several customer characteristics moderate the relationship between satisfaction and behavioral outcomes. Such examples are age, income, education, sex (e.g., Baumann, Burton, and Elliott 2005; Cooil et al. 2007; Keiningham, Perkins-Munn, and Evans 2003; Mägi 2003; Mittal and Kamakura 2001). However, also several situational characteristics, such as the tenure of relationship (Homburg, Giering, and Menon 2003), consumer’s price orientation (Kim, Srinivasan, and Wilcox 1999; Mägi 2003), etc. have been found to condition the relationship between satisfaction and customer behavior.

In this study, we investigate the moderator role of one demographic variable, namely the sex, and one situational variable, namely the tenure of the relationship. Prior research has emphasized that each of them moderate the impact of satisfaction upon customer loyalty. For instance, Bryant and Cha (1996) analyzed data from American Customer Satisfaction Index and they found that satisfaction ratings are 10 percent higher among women than among men. They did not consider the moderator role of the sex upon the relationship satisfaction – repurchase behavior. This relationship was explored by Mittal and Kamakura (2001), and they stressed the fact that for equal levels of rated satisfaction, women register higher repurchase rate than man. Thus, we propose that:

**H5a**: The impact of satisfaction on loyalty is higher for women than for man.

The relationship existing between firms and customers are evolutionary, and adjusting over time (Cooil et al. 2007). They consist in developing bonds, which are reinforcing customer loyalty (Anderson and Sullivan 1993; Anderson and Weitz 1989) because satisfied customers are more forgiving over time (Anderson and Sullivan 1993). Prior research supports this finding. For instance Homburg, Giering, and Menon (2003) found that the impact of customer satisfaction on customer loyalty is weaker when the relationship between the buyer and seller is longer. This same finding has been confirmed by the study of Cooil et al. (2007). Thus, we propose that:

**H5b**: The impact of satisfaction on loyalty is lower when the relationship between the consumer and the service provider is longer.

**METHODOLOGY**

The measuring tool is a questionnaire containing 22 items, assessed on a 5-point scale, ranging from 1 (totally disagree) to 5 (totally agree). The items considered evaluate the following constructs (see Table 1): cumulative satisfaction (4 items), consumers’ trust (2 items), continuance commitment (3 items, Fullerton 2005), affective commitment (4 items, Fullerton 2005), repurchase intentions (3 items, Zeithaml, Berry, and Parasuraman 1996), advocacy intentions (4 items; Zeithaml, Berry, and Parasuraman 1996), frequency of visits (1 item) and duration of the relation (1 item). This questionnaire has been administered by face-to-face on a sample of 204 customers, interviewed in December 2006.

The procedure followed for data treatment and analysis considered a first exploratory factor analysis where we
verified that indicators fall under the dimensions anticipated. A second analytical stage considered the application of a confirmatory factor analysis using Lisrel 8.5.

The significance of the relationship between indicators and latent variables has been verified; and the internal coherence for each latent variable has been evaluated through Cronbach’s alpha (α reported in Figure 1). Likewise, using Fornell and Larcker’s method (1981), discriminant validity checks have been carried out.

**MAIN RESULTS**

Figure 1 demonstrates the structural model extracted (in Table 1 the measurement model associated to the structural model drawn in Figure 1 is presented). The

### TABLE 1

**Measurement Model**

<table>
<thead>
<tr>
<th>Overall Satisfaction</th>
<th>Lambda</th>
<th>T-Student</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall satisfaction with this hairdressing salon.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I continue to go to this hairdressing salon because other salon aren’t good.</td>
<td>0.59</td>
<td>8.61</td>
</tr>
<tr>
<td>I think I did the wrong thing when I decided to cut my hair in this salon.</td>
<td>0.62</td>
<td>9.08</td>
</tr>
<tr>
<td>I’m satisfied with JLD brand.</td>
<td>0.86</td>
<td>13.66</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trust</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>In my experience JLD, JD… is very reliable.</td>
<td>0.67</td>
<td>8.73</td>
</tr>
<tr>
<td>The feeling of security provided by Brand JLD.</td>
<td>0.51</td>
<td>6.94</td>
</tr>
</tbody>
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<thead>
<tr>
<th>Affective Commitment</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I care about the long-term success of this Brand.</td>
<td>0.67</td>
<td>10.03</td>
</tr>
<tr>
<td>I’m proud to belong to this brand.</td>
<td>0.89</td>
<td>15.31</td>
</tr>
<tr>
<td>I feel emotionally attached to this brand.</td>
<td>0.78</td>
<td>12.51</td>
</tr>
<tr>
<td>JLD has a great deal of personal meaning for me.</td>
<td>0.71</td>
<td>11.14</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Continuance Commitment</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>It would be very hard for me to switch away from JLD right now even if I wanted to.</td>
<td>0.96</td>
<td>18.57</td>
</tr>
<tr>
<td>My life will be disrupted if I switched away from JLD.</td>
<td>0.88</td>
<td>15.67</td>
</tr>
<tr>
<td>It would be too costly for me to switch from JLD right now.</td>
<td>0.73</td>
<td>11.79</td>
</tr>
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<table>
<thead>
<tr>
<th>Repurchase Intentions</th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>I plan to come back to this hairdressing salon.</td>
<td>0.83</td>
<td>13.13</td>
</tr>
<tr>
<td>The next time I need an haircut, I’ll go to JLD.</td>
<td>0.73</td>
<td>11.36</td>
</tr>
<tr>
<td>I regard this hairdressing as my first choice to make me cut the hair.</td>
<td></td>
<td></td>
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<thead>
<tr>
<th>Advocacy Intentions</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>If I need to cut my hair and I’m not in my city, I will go to another salon from JLD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I would say positive things about JLD to other people.</td>
<td>0.86</td>
<td>15.13</td>
</tr>
<tr>
<td>I will recommend JLD to someone who seeks my advice.</td>
<td>0.89</td>
<td>15.78</td>
</tr>
<tr>
<td>I will encourage friends and relatives to do business with JLD.</td>
<td>0.90</td>
<td>16.31</td>
</tr>
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<table>
<thead>
<tr>
<th>Goodness of Fit:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square = 217.23; df = 103; p-value = 0.0001; RMSEA = 0.074; NFI = 0.95; CFI = 0.97</td>
<td></td>
<td></td>
</tr>
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</table>
goodness-of-fit indices are satisfying (RMSEA < .10; NFI > .90; CFI > .90; Bentler 1990; Bentler and Bonett 1980; Steiger 1990).

The results highlight a significant positive influence of consumers’ overall satisfaction over consumers’ trust (H1 validated) and the two dimensions of loyalty namely repurchase and advocacy intentions (H2 validated). Trust has a significant and positive influence upon consumers’ commitment to the hairdresser (H3 validated). Our fourth research hypothesis, assuming a positive and significant impact of consumers’ commitment upon loyalty has been only partially validated. While the continuance commitment has a positive and significant impact upon consumers’ both measures of loyalty: advocacy and repurchase intentions, the impact of the affective commitment upon loyalty is non significant.

In order to test for the moderator role of customer’s sex and the length of the relationship upon the impact of overall satisfaction on loyalty, we applied the method suggested by Chumpitaz and Vanhamme (2003). These authors have suggested that in order to assert the moderator role of one variable, one should assert as well the direct influence of this variable upon the dependent one. By this mean, one can be sure that a real moderator role exists and the influence is not due to only the direct effect of the moderator or the explicative variable upon the dependent one. Thus, we realized (Ordinary Least Squares) regression analysis with SPSS 17.00 by using the latent variables’ estimations. The results suggest that for similar levels of global satisfaction, the impact of global satisfaction on repurchase intention is higher for women than for man (standardized regression coefficient = .58 for women vs .32 for man). This result confirms the finding of Mittal and Kamakura (2001) and partially validates our Hypothesis H5a. While the sex plays a moderator role on the relationship between overall satisfaction and repurchase intention, no influence is exerted upon the relationship existing between overall satisfaction and advocacy.

Hypothesis H5b asserted that the impact of satisfaction on loyalty is lower when the relationship between the consumer and the service provider is longer. This research hypothesis has been partially supported. The impact of the overall satisfaction on advocacy is stronger for older clients. In other words, older satisfied clients are more likely to defend their hairdresser provider than more recent clients characterized by similar levels of overall satisfaction (.25 vs .00).

FIGURE 1
Structural Model

<table>
<thead>
<tr>
<th>Satisfaction</th>
<th>Trust</th>
<th>Commitment</th>
<th>Loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall satisfaction</td>
<td>Trust</td>
<td>Commitment</td>
<td>Loyalty</td>
</tr>
<tr>
<td>α = 0.70</td>
<td>α = 0.80</td>
<td>α = 0.90</td>
<td>α = 0.91</td>
</tr>
<tr>
<td>0.70 t = 6.57</td>
<td>0.59 t = 6.74</td>
<td>0.02 t = 2.63</td>
<td>0.67 t = 8.55</td>
</tr>
<tr>
<td>R² = 79%</td>
<td>R² = 79%</td>
<td>R² = 79%</td>
<td>R² = 79%</td>
</tr>
</tbody>
</table>

Goodness of fit:
Chi-square = 293.97; df = 111; χ²/df = 2.65; RMSEA = 0.09
NFI = 0.94; CFI = 0.98; GFI = 0.88; AGFI = 0.85

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DISCUSSION

This paper attempts to understand the process though which consumers become loyal to a service provider. A model of the impact of satisfaction, trust and commitment upon loyalty in a B2C sector has also been proposed. We recall that loyalty has been assessed through consumers’ advocacy and repurchase intentions. This model has been tested on a sample of consumers of hairdresser services.

Results sustain the relevance of taking into account the overall satisfaction in addition to commitment when investigating the drivers of loyalty, since overall satisfaction has a strong direct and positive influence on both dimensions of loyalty considered in our study: hairdresser services advocacy and repurchase intentions. It is worth being noted that overall satisfaction is the main determinant of loyalty. Customers’ overall satisfaction is an important driver of customer retention, even though commitment continuity plays as well a role in retention. Both R2 values of repurchase and advocacy intentions support the quality of the structural model proposed. The T-values pertaining to the impact of satisfaction on both advocacy and repurchase intentions certify the explanatory power of satisfaction on loyalty.

Moreover, the study provides strong empirical evidence addressing a gap in the literature with respect to the causality between trust and commitment and satisfaction, supporting the antecedent role of cumulative satisfaction and its direct positive impact on trust. The findings provide no evidence on the direct impact of “backward” looking satisfaction on “forward” looking commitment. The mediating role of trust provides grounds for justifying this matter, since trust not only mediates the relationship between satisfaction and commitment, but it also has a positive influence on both affective and continuance commitment. Finally a strong positive impact of satisfaction on trust was reported.

Overall satisfaction is the main determinant of loyalty, assessed through repurchase and advocacy intentions. It worth to be noted that with similar levels of overall satisfaction, women are more likely to defend and buy again services from the same hairdresser than man. This result may be explained by the fact that more relational variables like the trust or the commitment are likely to prevail in their case for determining loyalty. Our results also suggest that when older clients are satisfied they stand for defending their service provider.

These results have specific implications in terms of resource allocation for retention objectives. Indeed, effective relationship marketing strategies vary considerably depending on which factors are driving retention. Surprisingly, the link between affective commitment and advocacy intentions is only marginally significant and not significant with repurchase intentions. This can be partially explained by the short-term relational horizon of the specific service setting from the customer’s point of view. This implies that professionals in the specific industry need to invest more on driving the “forward looking” mechanisms of customers following tactics that will mirror the future dynamics of the relationship rather than focusing on the episodic outcome of a specific encounter (e.g., hairstyle, haircut, nail style, etc.).

These results point out the need for further research to be carried out in the specific domain of services’ consumption. Consumers in service setting do not seem to consider themselves as hostages of the service provider. They perceive as important the continuance of the relationship with their service provider and are ready to recommend their hairdresser to friends and relatives. However, their repurchase intentions and advocacy intentions are not really based on a strong affective attachment to the service provider.

Although this research presents interesting implications, some limitations must be put into light and call for further research development. First of all, future research should replicate this survey with other services types, so it could be checked if the type of relationship (direct or indirect) between overall satisfaction and brand loyalty as well as the mediating effect of trust and commitment vary according to the type of services. Secondly, for the moderator effects’ test by means of multi group’s analysis, it would be suitable to carry out the checking of groups’ invariance (Steenkamp and Baumgartner 1998). The replication of the study on a bigger sample, more balanced in terms of male and female respondents, “young” and “old clients” responding our questionnaire are also some other possibilities seriously envisaged for the future development of our research.

REFERENCES


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FOREIGN BRAND PREFERENCE IN THE LESS AFFLUENT WORLD: AN INTEGRATIVE MODEL AND RESEARCH PROPOSITIONS

Thi Ho, Wayne State University, Detroit
Attila Yaprak, Wayne State University, Detroit

INTRODUCTION

Perhaps the latter half of the 20th century can best be characterized by the economic and social transformations that the confluence of globalization and information technology has unleashed. This transformation has brought about an opportunity for the growth of global consumer segments that associate similar meanings with certain places, people, and things (Alden et al. 1999). In the emerging world, such as Southeast Asia, the Indian subcontinent, and all of Africa, this process has been a gradual but major drive in economic and societal development. Labeled the Less Affluent World (LAW) by Ger and Belk (1996), these markets now represent greater opportunities for marketers than the More Affluent World (MAW) markets, since they possess a rising middle class composed of billions of consumers who demand many products and services that the MAW consumers have come to enjoy during the past four decades. Further, compared to their MAW counterparts, these markets’ consumers appear to be more sophisticated in the attribute bundles that compose products and seem to demand the best value their new-found incomes can command. Yet, research on the behavior of these consumers remains scant. This is an especially acute problem since these markets are likely to grow with increasingly voracious appetites for consumers goods, especially marketed by the MAW producers (Global Trends 2025). Thus, further study of the likely purchase behavior of the LAW consumers should lead to increased insight into how these consumers might confirm, supplant, or refute our theories and paradigms about consumer behavior in the MAW markets and lead to a deeper understanding of how that behavior might influence consumer purchases in these markets.

While research on this topic remains scant, we do have some pioneering work in this area. For example, Alden et al. (1999), Batra et al. (2000), and Steenkamp et al. (2003) have explored various elements of the likely purchase behavior of the LAW consumers in Asian countries. These studies have suggested a paradox; while some consumers in these markets have shown ethnocentric purchase behavior; other consumers have expressed a preference for MAW products and brands, even at the cost of foregoing basic survival necessities. This is a fascinating phenomenon that would call for greater study; yet marketing scholars have not paid sufficient attention to it. Ironically, while the international marketing literature is replete with studies on consumer ethnocentrism (see the excellent review by Shankarmahesh 2006) and country of origin effects in foreign product purchases (see the excellent review by Papadopoulos and Heslop 2003), studies on the foreign product/brand preference of the LAW consumers remains scant. Thus, the purpose of this paper is to contribute to the extant literature in international marketing by addressing this phenomenon through a critical review of the existing literature, proposing an integrative model that proposes antecedents of and consequences to MAW product preference, and offering propositions for its deeper study.

Our paper is organized as follows. We first introduce a model that integrates groups of antecedents to foreign product preference and underlines a group of constructs that might mediate and/or moderate the relationship between this preference and purchase likelihood consequences (Figure 1). We then offer research propositions that underscore likely relationships among these constructs. We conclude with suggestions for future research.

RELEVANT LITERATURE AND PROPOSITIONS

Antecedents of Foreign Product Preference

In this section, we outline the antecedents of foreign product preference based on the extant literature. Following in the tradition established in that literature (Shankarmahesh 2006), we group these into four categories: socio-psychological, economic, demographic, and political/historical antecedents. We now discuss these in turn.

Socio-Psychological Antecedents

Country of Origin (CO). CO has been one of the most frequently researched constructs in international consumer behavior (see Papadopoulos and Heslop 2003 for a review). This literature has shown that a product or brand’s CO serves as an extrinsic cue that enhances the use of intrinsic cues, such as perceived performance, in leading to purchase intent. Batra et al. (2000) have shown that in the emerging markets this cue can have greater influence on consumers’ evaluations of a brand’s desirability for status-enhancing reasons, in addition to suggesting positive overall quality. Other research corroborates this finding. For instance, Ger et al. (1993) find that in Romania status goods are associated with foreign
lifestyles that bring status to their owners; and that consumption of foreign products in Turkey is a highly desirable activity due to the synonymity of Westernization progress. In a similar vein, Sklair (1994) comments about China that everything foreign has an automatic cachet there. Given these findings in the literature, we propose that:

P1: A MAW CO cue will exert a positive influence on foreign brand preference in the LAW markets.

**Perceived Quality.** There is an expanding body of literature arguing that the perceived non-localness of a product creates consumer perceptions of brand superiority and, thus, preference for foreign brands, even when quality and value are not objectively superior (Kapferer 1997). Steenkamp et al. (2003) find that perceived brand non-localness tends to be positively related to both perceived brand quality and prestige, and through them, to increased purchase likelihood. In a similar vein, Holt et al. (2004) find that perceived quality can have a significant direct association with foreign brand preference. Thus, we propose that:

P2: Perceived brand non-localness will be associated with higher quality in the LAW markets and will lead to increased preference for foreign brands.

**Reference Group Influence.** The impact of reference group influence on purchase behavior has been

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**FIGURE 1**

The Integrative Model of the Preference for Foreign Brands/Products

(+): the relationship with the main construct is known to be positive.
(-): the relationship with the main construct is known to be negative.
known in marketing for some time. Park and Lessig (1977) have argued that three types of reference group influence may affect the purchase decision: (1) informational influence (it is internalized when perceived as enhancing one’s knowledge of the environment); (2) utilitarian influence (under which one is expected to comply with a group by realizing the award or the punishment); and (3) value-expressive influence (under which one enhances his self-concept to associate or disassociate himself with the referents). In addition, Bourne (1957) has proposed that reference group influence on product and brand decisions is a function of two forms of conspicuousness: exclusivity (necessities vs. luxuries) and place (public vs. private). Based on Bourne’s framework, Bearden and Etzel (1982) found that the influence of reference groups on products and brands that are luxuries are stronger than on those that are necessities. As the MAW brands and products are usually associated with superiority and luxury in emerging markets, there should be a strong reference group influence on the consumers’ preference for foreign brands and products in the LAW. Batra et al. (2000) argue that the kinds of consumers who place a premium on a brand’s non-localness largely because of the status benefits should be those who are more sensitive to what their reference groups think of them. Thus, we propose that:

P3: Reference group influence should exert a positive impact on foreign product and brand preference in the LAW markets.

Cultural Interpenetration. Ger and Belk (1996) discuss cultural interpenetration as a special phenomenon in the LAW. They theorize that when the LAW consumers see globalization at work in their own cities, reflected, for instance by copies of American shopping malls, they take pride in that and try to adapt to this new environment by altering their behavior. The result is an evitable change in consumer culture, one that endorses capitalism and Western values with which it is associated. This process leads to a preference for foreign brands and products which is then spread out in the LAW market. Thus, we hypothesize that:

P4: Cultural interpenetration will exert a strong positive influence on foreign product and brand preference in the LAW markets.

Global Identity. There are at least three constructs that have been found to explain global identity: world mindedness, cultural openness, and internationalism/cosmopolitanism. Rooted in political sociology, world mindedness is a geocentric state of mind in which consumers use humankind as their reference point (Rawwas et al. 1996). The negative relationship between world mindedness and consumer ethnocentrism has been supported empirically by Rawwas et al. (1996). Cultural openness is the willingness to interact with people from other cultures and experience some of their artifacts (Sharma et al. 1995). Howard’s work (1989) has found a negative relationship between cultural openness and consumer ethnocentrism. A related construct, internationalism, focuses on one’s concern about other nations’ welfare and reflects empathy for the people of other nations (Balabanis et al. 2001). A similar construct, cosmopolitanism, is a value orientation that fosters openness to other cultures and lacks of bias when processing foreign cultural experiences (Cannon and Yaprak 2002). These authors propose that the more cosmopolitan a consumer is, the more broadly she/he looks for standards of excellence and eschews local people and culture in favor of perceived global standards. This implies that internationalism/cosmopolitanism has a positive relationship with the preference for foreign brands/products. Indeed, Holt et al. (2004) view the famous MAW brands as one of the key symbols to create an imagined global identity, paralleling Cannon and Yaprak’s (2002) thesis. Thus, we propose that:

P5: Components of global identity, both independently and in concert, will exert a positive influence on foreign product/brand preference in the LAW markets.

Economic Antecedents

A number of studies have suggested that the economic context in which the marketer operates can be an antecedent to the preference for certain types of products. Schuh’s framework (1994) proposes that during the early stages of transition from a state controlled economy to a market economy, foreign products will be preferred because of good quality and novelty, status perceptions and curiosity motives. However, as the economy moves to the intermediate stage of transition, nationalistic motives become more dominant. When an economy is in a developed stage reflected by the presence of MNCs, the preference for foreign brands/products tends to grow strong again. This hypothesis is supported by Good and Huddleston’s work (1995) in Russia and Poland, and by Batra et al.’s work (2000) in India. Thus, we propose that:

P6: The level of economic development in an emerging market will show a U-shaped relationship with foreign product preference, where the correlation will be positive in the earlier phases of market openness, followed by a negative association, but then followed by a positive relationship again in the later phases of market liberalization.

Demographic Antecedents

Hypotheses about the demographic antecedents of foreign product preference can be gleaned indirectly from
the studies on consumer ethnocentrism (Shankarmahesh 2006). These studies have shown mixed findings. For example, while there appears to be generally a positive relationship between age and favorable foreign product evaluation, some studies show a negative relationship, others show a U-shaped relationship or an inverted U-relationship. Studies on income generally show a positive relationship between consumers’ purchasing power and their preference for foreign brands (Yaprak et al. 2007). Urban consumers are found to be more likely to prefer foreign brands when compared to rural consumers, though this relationship appears to be weak, and the relationship between level of education and foreign product preference is mixed, sometimes showing a positive, at other times a negative trend (Yaprak et al. 2007). Zarkada-Fraser and Fraser (2002) find that minorities in a market will likely be more favorable toward foreign products than majority ethnic groups in that market. Batra et al. (2000) support this view. Thus, we propose that:

P7: Demographic variables defining consumers will generally be positively linked to foreign product preference, but age and education are likely to show a U-shaped pattern.

Political/Historical Antecedents

Ger et al. (1993) point out that the demand for foreign goods is likely to go up when a society goes through a period of lowered confidence or self-esteem. Examples are provided by the trends that Eastern and Central Europe experienced after the defeat of communism and statism. Indeed, Batra et al. (2000) argue that after being colonized by foreign rulers for several centuries, Indians may still suffer from an inferiority complex and a desire to imitate foreign products and people, with the transfer of status and yearning to consume scarce Western brands. On the other side is the argument advanced by Klein and associates (1998, 2002) that animosity, or the remnants of antipathy related to previous or ongoing military, political, or economic events between two specific countries (e.g., Japan’s invasion of China during the second world war) may have a negative influence on preference toward that specific country’s products. Thus, we propose that:

P8: Foreign brand preference will be impacted positively by the market’s former colonization experience, but negatively by the animosity of one market toward another.

Consequences of Preference for Foreign Brands/Products

As an outcome variable, the preference for foreign brand/product purchase can be operationalized in at least three ways: (1) attitude toward buying foreign products (Sharma et al. 1995), (2) purchase intentions (Han 1988), and (3) willingness to buy foreign products (Klein et al. 1998). Whatever measure is used, this outcome needs to be viewed through the lenses of direct consequences, and outcomes achieved through mediating and moderating influences.

Direct Consequences

A direct consequence is the loss of confidence and pride in local goods and the associated disregard for local products (Ger and Belk 1996). Batra et al.’s study (2000) shows a positive relationship between the perceived non-localness of the brand and attitude toward the brand in India. The findings of a related study by Steenkamp et al. (2003) reveal that the perceived non-localness of a brand is positively related to its perceived brand quality which subsequently affects the purchase likelihood of foreign brands positively. Another consequence is that a perceived non-local brand appears to lead to a perceived higher price, hence leading to a negative influence on purchase likelihood (Ozsomer and Altaras 2008). We therefore propose that:

P9: Consumers’ preference for foreign brands/products will lead to (a) a loss of confidence in local brands, with a corresponding (b) positive attitude toward foreign brands, (c) positive purchase intentions, and (d) perceptions of higher price.

Consequences through Mediators

Consumer Ethnocentrism (CET) Shimp and Sharma (1987) define consumer ethnocentrism (CET) as “the beliefs held by consumers about the appropriateness, indeed morality, of purchasing foreign-made products.” Ethnocentric consumers see it as their patriotic duty to support local manufacturers, believing that it is wrong to buy imported products as this can cause unemployment and harm the local economy. Contrarily, consumers who are non-ethnocentric tend to assess products based on the product’s attributes. In extreme cases, foreign products may be preferred simply because they are foreign. In this context, Olsen et al. (1993) find perceived equity, empathy, costs, and responsibility as possible mediators between CET and willingness to buy foreign products. Negative attitudes against foreign brands/products caused by CET have been found in studies by Sharma et al. (1995) and Zarkada-Fraser and Fraser (2002). Klein et al. (1998) also found strong statistical evidence for the direct negative link between CET and willingness to buy foreign products. Zarkada-Fraser and Fraser (2002) found a negative relationship between CET and support for foreign retail outlets.

Animosity. Typically displayed against a specific country rather than all foreign countries, animosity is found to negatively affect foreign product purchase.
behavior (Klein et al. 1998). It is possible that some consumers generalize their animosity toward several foreign countries, e.g., countries perceived to be in the Middle East, and refrain from purchasing brands originating in that region.

**Nationalism/Patriotism/Economic Nationalism.** Nationalism is expressed by feelings of rivalry between two countries, thus, willingness to boycott products from the rival country. Nationalism is also reflected by the resistance to global forces (Ger and Belk 1996). Nationalism encompasses views that one’s country is superior and should be dominant (and thus implies a denigration of other nations) (Balabanis et al. 2001). Patriotism refers to strong feelings of attachment and loyalty to one’s own country without the corresponding hostility toward other nations (Balabanis et al. 2001). Several authors argue that patriotism acts as a defense mechanism for the in-group (Sumner 1906). Empirical evidence for the positive relationship between nationalism/patriotism and consumer ethnocentrism has been found by Han (1988), Sharma et al. (1995), and Klein et al. (1998), which implies that patriotism exerts a negative effect on foreign product purchases. Economic nationalism (EN), a construct that is an extension of nationalism, is discrimination in favor of one’s own nation as a matter of policy. It also includes discrimination in favor of national workers and rejection of foreign products; political and economic nationalism are intertwined (Baughn and Yaprak 1996). This construct is also likely to exert a negative influence on foreign product purchases.

**Conservatism.** Conservative consumers “show a tendency to cherish traditions and social institutions that have survived the test of time and to introduce changes only occasionally, reluctantly and gradually” (Sharma et al. 1995). A positive relationship between conservatism and CET has been found by Sharma et al. (1995). Hence, conservatism can diminish the preference for foreign brands/products.

**Dogmatism.** Dogmatism is a personality characteristic to see the world as black or white (Caruana 1996). Less dogmatic consumers have more favorable attitudes toward foreign products than more dogmatic consumers (Anderson and Cunningham 1972). Caruana (1996), and Shimp and Sharma (1987) find a positive relationship between dogmatism and CET, implying a negative relationship between dogmatism and preferences for foreign brands/products.

**Collectivism.** Collectivists tend to reveal more intensive ethnocentric tendencies than those with individualistic goals (Sharma et al. 1995). Positive relationships between collectivism and CET have been found by Sharma et al. (1995), which implies a negative relationship between collectivism and preference for foreign brands/products. We therefore propose that:

**P10:** Consumer ethnocentrism, animosity, nationalism/patriotism/economic nationalism, conservatism, dogmatism, and collectivism will exert a mediating influence on the relationship between the preference for foreign products and attitudes and purchase intentions toward purchasing foreign products.

**Consequences Through Moderators**

Batra et al. (2000) identify four factors that exert moderating effects on the attitudes toward foreign brands/products: a brand’s perceived degree of non-local origin, admiration for economically developed countries (i.e., the MAW), susceptibility to normative influence, and product category familiarity. Their work involving a large national sample collected in Bombay and Delhi underscores these hypotheses.

Times of transition and social mobility have also been found to affect the relationship between preferences for foreign brands/products and purchase intentions in that they magnify the tendency to claim differential status through the brands one consumes (Luckmann and Berger 1964). Ozsomer and Altaras (2008) suggest that product categories affect the purchase intention for foreign brands/products. Batra et al. (2000) find that for product categories rating higher on conspicuous consumption, the effect of perceived non-localness of the brand on brand attitude becomes more positive.

Ozsomer and Altaras (2008) also concentrate on two moderators that they consider significant to a model of foreign brand attitude and purchase likelihood: self-construal and cosmopolitanism. The authors propose that the more interdependent self-construal a person has, the more perceived brand non-localness and brand authenticity formed in his mind that will positively affects foreign brands/products’ purchase likelihood. In a similar vein, Holt’s (1998) framework proposes that cosmopolitans tend to acquire goods that are high in cultural capital to preserve their social status. Canon and Yaprak (2002) argue that cosmopolitans do not need to be active seekers of cultural capital; they view cultural diversity as a fact of life. Ozsomer and Altaras (2008) propose that cosmopolitanism moderates the effect of non-local brand authenticity on global brand credibility, hence leaving a positive effect on the purchase likelihood of foreign brands/products. Based on these arguments and research findings, we propose that:

**P11:** Several consumer behavior constructs, ranging from product category familiarity to susceptibility...
to normative influence and from the brand’s perceived degree of non-localness to the consumer’s self-construal and cosmopolitanism will likely moderate the relationship between foreign product/brand preference and attitudes and intentions toward the purchase of foreign products. Some of these will exert a positive, others a negative, influence on purchase intentions.

DISCUSSION AND CONCLUSIONS

During the last decade or so, emerging market economies have been rapidly liberalizing their economic policies and outlook, unleashing the demands of their billions of consumers for consumers’ goods. This transformation has created vast opportunities for marketers from the MAW to create products that address the unique needs of these consumers and do so with the highest perceived value. This requires a thorough understanding of the psychological and sociological make-up of these markets consumers. Yet studies focusing on this important issue remain scant in the literature. With this paper, we attempted to contribute to filling this gap in the extant literature. We did so by constructing an integrative framework and offering propositions for future work to address. Our model of foreign product preference in the LAW is composed of the antecedents and the purchase intention consequences we envision, including the mediators and moderators we surmise will affect attitudes and purchase intentions toward foreign products.

Our work is significant in both practical and theoretical contexts. From a practical viewpoint, our model should help international marketing managers develop appropriate strategies for their brands/products in the LAW market. For instance, our model should help marketing managers assess the likelihood of standardizing their product, pricing, distribution, and promotional strategies in these markets. Our model should also facilitate the design of effective targeting, segmentation, and positioning strategies that might be more appropriate in emerging markets. Two examples underscore the merit of this argument (Ozsomer and Altaras 2008): (a) while communicating the cultural capital of the brand may be more productive when a target consumer group rates higher on the independent self-construal, it may be more effective to target a popular foreign brand at consumers who rate higher on the interdependent self-construal; and (b) for cosmopolitan consumers who have a tendency to consume goods high on cultural capital and authenticity, positioning strategies that reflect these tendencies are likely to be more effective.

Our work is also significant to marketing researchers because it paints a comprehensive picture to help us better understand the process that leads to attitudes toward and the purchase likelihood of foreign brands/products in the LAW markets. It also helps us identify the gaps in the literature, suggesting future research paths. For instance, given that there are multiple antecedents and consequences of the construct we have labeled foreign product preference, a single theory may not be capable to sufficiently describe or explain the nature of this construct. We may need a combination of theories to explore and explain this construct. Ozsomer and Altaras’s recent work (2008) in which they integrate consumer culture theory, signaling theory, and the associative network memory model to explain global brand purchase likelihood may be a good starting point. Further, viewing our model from multiple perspectives, such as from the perspectives of the firm and society, in addition to the consumers’ perspective, should help us develop a deeper understanding of the elements of foreign product purchase intentions.

Additionally, our work opens many other research paths. First, future research can empirically test the mediating and moderating roles played by the mediators and moderators envisioned in this paper. Second, the construct of foreign brand/product preferences in this paper is explored from the perspectives of the LAW consumers. Future researchers can also study the construct from the perspectives of the MAW consumers and how different the communication strategy should be. Third, except for the CET construct that has been studied and measured frequently, the literature is barren in measures to use in gauging foreign product preference. Future research can focus on finding the measurements for these constructs so that we can have greater psychometric rigor in our model and other similar models. Fourth, more empirical studies can be conducted with a wider variety of countries in different settings of cultures, politics, economies, and societies to validate the model and increase the generalizability of this model. Finally, future research can look more into the cultural aspects embedded in this construct, e.g., the cultural interpenetration process and the endorsement of new values, lifestyles and belief systems which are typically associated with foreign brands/products. We hope that our work in this paper will inspire new research in these and many other dimensions of foreign product/brand preference.

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HOW DO COUNTRY SPECIFIC IMPLEMENTATION DECISIONS
INFLUENCE INTERNAL CORPORATE BRAND MANAGEMENT?

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SUMMARY

A strong corporate brand can contribute to an enduring differentiating positioning of firms, business units and products. It is not only beneficial to the relationship with external stakeholders; it can also unite and motivate internal stakeholders. As products become increasingly similar, the employees as ambassadors of the organization become important in order to differentiate among competitors. Baker and Balmer (1997) suggested that the corporate brand has an ‘internal signaling of unity’ function. It reminds employees of their organizational membership and thus creates identification with the organization. Summing up the findings of former studies, it has been observed that the most powerful ways to influence the external reputation of a company is to influence the internal organization (e.g., Dutton and Dukerich 1991; Balmer 1995). The increased importance of the internal organization has raised awareness of the role that employees play in the brand building process. Nevertheless, in literature and managerial practice the focus often lies on customers (e.g., Keller 1993; Kowalczyk and Pawlish 2002; Steenkamp, Batra, and Alden 2003), whereas employees have only been rarely examined (e.g., Harris and De Chernatony 2001; King and Grace 2005).

Contributing to this field, we focus on the moderating effect of culture and brand implementation decisions on internal corporate brand management. Our research is based on a worldwide employee survey, conducted in 30 countries. A total of 286 employees working in corporate communication and human resources took part in the survey. Referring to the GLOBE study (Gupta, Hanges, and Dorfman 2002), the five country cluster Germanic Europe, Eastern Europe, Anglo Cultures, Latin America, and Far East were formed. Secondly, to cluster the countries according to their respective corporate brand measures, they are divided up into those countries, that implemented the whole communication palette, including office equipment, external presentation, exhibitions, internet, brochures, sponsoring, and employee communication, and into countries that used only a part of those instruments (i.e., only office equipment, employee information, sponsoring, and internet). Thirdly, countries were also clustered into two groups regarding the relationship between number of affiliated companies and persons responsible for communicating the corporate brand companywide. The first group contains those with a higher number of affiliated companies than number of persons responsible for communication. The remaining countries build the second group. By applying a multi-group partial least squares approach, we are able to characterize the moderating effect of culture and brand implementation decisions.

In our research model, commitment, corporate reputation, and job satisfaction are identified as key factors for analyzing the effectiveness of corporate brand management as what concerns employees. Examining their influence on employee loyalty, we are at the same considering internal communication and leadership as their antecedents and key instruments for internal corporate branding. Furthermore, it is assumed that culture and brand implementation decisions have a moderating effect on the cause-and-effect relationships stated. We are relying on social identity theory to explain the perception of internal corporate branding (Ashforth and Mael 1989).

In detail results show, that commitment is perceived as important for employee loyalty in all country clusters. Although job satisfaction shows a stronger influence in Eastern Europe, it also significantly influences employee loyalty in Anglo Cultures and Latin America. Corporate reputation again influences employee loyalty in each cluster. In Germanic and Eastern Europe corporate reputation is more important than commitment, which might be due to the closeness to the home country of the brand. Regarding the antecedents, differences in path coefficients comparing country cluster are revealed, especially for the antecedents determining commitment. The influence of leadership on commitment is stronger in Anglo Cultures compared to Germanic Europe and Eastern Europe, but even stronger influences commitment in Latin America and Far East compared to Anglo Cultures.

Analyzing the moderating role of implementation decisions, we cannot clearly say that an extensive implementation of corporate brand actions is a requirement for higher loyalty of employees. Corporate reputation is more important for employee loyalty when the extensive range of brand action was implemented, whereas commitment is important in the other group, which nevertheless points out the strengthening effect the action has on reputation. Job satisfaction influences all variables stronger in the
second group. As what concerns the antecedents, internal communication is more influential in the second group, whereas leadership is crucial for the first group.

Finally it is found to be more effective when the number of persons is higher than the number of affiliated companies. Employee loyalty rises with the number of persons responsible for the communication of the brand.

In the course of this study, we analyzed the effect of a corporate brand on employees and identified significant cross-national variations of the influence of commitment, corporate reputation, and job satisfaction on employee loyalty, resulting from different effects of their antecedents. Our study provides guidance for corporate brand managers responsible for planning and implementing internal corporate branding internationally. Generally, in line with the growing internationalization, managers have to assess the transferability of management practices across culturally different countries and should adapt the most effective instruments for implementing the corporate brand. This means that approaches regarding corporate brand management that work for example in Germanic Europe cannot be necessarily transferred to Far East countries without adaptation. Thus, this study shows managers that success of international corporate brand management is dependent on the cultural predetermination of their employees. Further, it has been shown, that different corporate brand implementation decisions are perceived differently by employees across various cultures and that the number of persons responsible for communicating the corporate brand is essential for employee loyalty. References are available upon request.

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THINK REGIONALLY, ACT REGIONALLY? AN EMPIRICAL STUDY OF INTERNATIONAL ADVERTISING STANDARDIZATION IN THE MERCOSUR

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SUMMARY

According to the theory of regionalization (Rugman and Verbeke 2004), multinational enterprises (MNEs) operate successfully at a regional rather than global level, hence making the study of regional strategies topical and imperative. This paper contributes to the limited existing research on regional advertising standardization by studying the influence of a set of macro- and micro-environmental factors on advertising standardization at the regional vs. the broader international level. It does so using data gathered from subsidiary managers in the Latin American trading bloc MERCOSUR and by taking a novel, process-oriented perspective to standardization measurement based on how standardization is implemented rather than planned.

Conceptually, this paper follows calls for research on the implementation of advertising campaigns (Taylor 2002) and develops, based on past literature (see, for example, Peebles, Ryans, and Vernon 1977; Onkvisit and Shaw 1987; Harris 1994), a typology of alternatives for implementing standardization strategies. These alternatives are termed advertising transference (i.e., the transference of a national advertising campaign to other markets), pattern standardization (i.e., the central definition of campaign components as guidelines to be used in local campaign executions) and international campaign development (i.e., the centrally coordinated development of full campaigns to be used in more than one country). Taking Boddewyn and Grosse’s (1995) depiction of standardization as both a process and a state, the three alternatives share the same outcome, i.e., the state of standardization, but differ in the processes employed to achieve it.

The paper then introduces hypotheses related to, firstly, the influence that two macro-environmental factors, economic integration, and cultural similarity, have on the practice of standardization. In addition, the influence of the micro-environmental factor, subsidiary size, on both standardization and the implementation option chosen to achieve standardization is studied. The hypotheses on macro-environmental factors seek to contribute to the body of knowledge by being tested in a new substantive domain. In contrast, the study of the implementation of standardization strategies in general and the relationship between implementation and subsidiary size in particular are issues that, to our knowledge, have so far never been considered in the literature. Moreover, the consideration of standardization in a single study at different geographic levels simultaneously, i.e., the regional vs. the broader international level, is a further aspect of this study that we believe makes it unique.

The methodology section describes the wide range of efforts needed to secure responses from managers in the four developing countries of the MERCOSUR. These efforts first included a small scale survey of experts conducted with the aim of gathering advice on how to increase the likelihood of success for this study. This survey was necessary since the main study proposed would constitute the first multi-country study of Latin-American subsidiary managers in the standardization area. Secondly, and based on the conclusions drawn from the experts survey, a range of top universities in Latin America was contacted with a request for help in contacting managers who either currently were or had been enrolled as executive MBA students. The outcome of these efforts to strengthen the methodology of the study prior to conducting the research was a total of 266 responses from subsidiary managers in the four Mercosur countries. This successful outcome appears especially important in light of the several recent calls for more research on emerging markets in general and Latin America specifically in both the marketing (Burgess and Steenkamp 2006) and advertising areas (Fastoso and Whitelock 2007; Okazaki and Mueller 2007).

Results are in line with the theory of regionalization, as companies are standardizing advertising more often in the Latin American region than at the broader international level. Surprisingly, however, while culture seems to influence the level of standardization practiced in Latin America, economic integration does not – a finding that stands in contrast to earlier research in the European Union (EU). Thus, MNEs are pursuing standardization more frequently in Latin America in general than in the MERCOSUR specifically. Finally, this study found no association between subsidiary size and standardization. However, it did find that subsidiary size is associated with the way in which standardization is implemented. Thus, large subsidiaries tend to implement standardization in a way that offers them some degree of freedom to include localized elements in their campaigns (i.e. through pattern standardization), while small subsidiaries imple-
ment standardization in a less flexible way (i.e., through international campaign development). The paper concludes by presenting several avenues for future research in the international advertising standardization area.

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CONFIDENCE IN ORDINAL JUDGMENTS: ROLE OF CONSUMER METACOGNITION AND IMPLICATIONS FOR BAYESIAN UPDATING

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SUMMARY

Consumers often make ordinal judgments regarding product performances based on product ranking and rating information from third party sources. Such information is ubiquitous in the marketplace, ranging from stock rating by financial institutions, movie rating by film critics, product rating by consumer reports, product safety rating by government agencies to product ratings posted online by individual consumers (Jadad and Gagliardi 1998).

This research examines how consumers might process such information about product rating and source accuracy, how their judgment updating might be influenced by the data format, and whether their updated judgments would be consistent with a normative Bayesian framework. Prior research reports contradictory results regarding whether consumers might update their judgments consistent with the normative Bayesian theory, when processing sequential numerical data. Some studies (e.g., Kahneman and Tversky 1972) came to the conclusion that people are not at all Bayesian. In contrast, another line of research (e.g., Gigerenzer and Hoffrage 1995), using an evolutionary psychology perspective found that under certain conditions (e.g., frequency data), people can be intuitively Bayesian. Yet a third line of research approached a middle-ground, and suggested that people do update their beliefs in a fashion that are directionally consistent with Bayesian predictions, but the extent to which people update their beliefs are conservatively in comparison to the predictions by Bayes’ theorem (see, e.g., Edwards 1968; Rust et al. 1999). Using a model based on consumer metacognition (e.g., Gollwitzer and Schaal 1998), we identify conditions under which participants might update their product beliefs to an extent that is consistent with Bayesian theory, as well as conditions under which they will update their beliefs in a way deviating from Bayes’ theorem. We propose that when the numerical information is easy to compute mathematically (e.g., for percentage format), consumer judgments are likely to be conservative than the Bayesian predictions, since an averaging rule will be applied. For difficult-to-compute frequency data (e.g., Consumer Reports has been correct 121 out of 173 times in its ratings), consumer judgments are likely to be in line with the Bayesian prediction.

As mentioned earlier, we use a consumer metacognition framework to examine processing of difficult-to-compute data (e.g., percentage data) versus difficult-to-compute data (e.g., percentage data). Metacognition theory would predict that a consumer would utilize the optimal amount of cognitive resources to process any mathematical information (Garafo and Lester 1985). This implies that a consumer would regulate their cognitive processing in the most efficient manner.

Therefore, applying the averaging algorithm for the processing of numerical data would depend on the processing fluency involved in the task (Schwarz 2004). One key distinction between easy-to-compute percentage versus difficult-to-compute frequency data is that sequential data presented in the former format is relatively easier to compute mathematically (Dehaene 1992, 2001; Waters et al. 2006; Sloman 1996). In other words, it is relatively easier to apply the averaging algorithm in the case of percentage data than it is for frequency data. Hence, when evaluating a sequence of percentage data, consumers are likely to average out the information. In contrast, with the computational difficulty of applying the averaging algorithm in the case of frequency data, consumers are likely to apply a different type of algorithm. Specifically, we propose that for frequency data, with the difficulty of applying the averaging algorithm, consumers would have very little incentive to allocate cognitive resources to such an algorithmic task. Instead, consumers are likely to form an overall impression or hypothesis of the given information (e.g., Product B is better than Product A), and use subsequent sequential information to test that hypothesis.

In Study 1, we found support for our hypothesis that consumers would have greater degree of belief updating and judgments consistent with Bayesian predictions for difficult-to-compute frequency data than for easy-to-compute percentage data. Study 2 showed that highlighting data distinctiveness enhances belief updating for percentage data, but does not make a difference in the case of frequency data. Finally, Study 3 showed that the results of Study 1 hold when the data are presented in
consistent frames, but not in alternate frames. That is, when the data are presented in consistent frames, participants have updated judgments consistent with Bayesian predictions. However, for data presented in alternate frames, updated judgments for frequency data get conservative than the Bayesian predictions, while for percentage data, judgments are conservative than Bayesian predictions irrespective of data presentation frame. References are available upon request.

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NEGATIVITY BIAS IN CONSUMER PRICE RESPONSE TO SUSTAINABILITY INFORMATION

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SUMMARY

Current discussions on corporations’ sustainability goals often include the assumption that consumers are willing to reward environmentally and socially sustainable enterprises. This contribution investigates consumers’ concrete willingness to pay (WTP) and identifies a negativity bias in consumers’ price response by applying a novel approach to identify this bias.

Research has emphasized that consumers expect sustainable behavior, view a firm’s sustainability as important (Creyer and Ross 1997), and prefer products produced in a socially and environmentally sustainable manner (Mohr and Webb 2005). More concretely, it has been shown that sustainable product features increase consumers’ willingness to pay (Bang et al. 2000; Elliott and Freeman 2001; De Pelsmacker, Diersen, and Rayp 2005). When consumers are exposed to such sustainability information (SI), I subsequently hypothesize (H1) that consumers’ WTP increases in response to positive sustainability information.

Prior research has indicated that consumers’ WTP increases less with positive SI than it decreases with negative SI (Folkes and Kamins 1999). This stems from a negativity bias (e.g., Kanouse 1984) which is based on humans’ likeliness to over weigh negative information relative to positive information when combining both (Skowronski and Carlston 1987). In order to identify the negativity bias I suggest a measure based on a comparison of an individual’s stimuli response in WTP as a subjective measure and in price expectation (PE) as an objective measure. Compared to the common approach that compares collective responses to positive and negative stimuli of equal strength, the suggested approach (a) allows an individual attribution of the bias, (b) enables an evaluation of the bias independent of standardized stimuli, and (c) identifies the bias within the more realistic reference price system of the consumer. This is based on the assumption that a consumer’s PE reflects the price decision that the consumer would expect from someone (a company) with complete information, i.e., with awareness of the actual production conditions. Hence, PE after stimulus exposure will reflect the perceived strength of the stimulus. Expecting a negativity bias in response to SI, I hypothesize (H2) that WTP response is stronger than PE response for negative stimuli and that (H3) WTP response is weaker than PE response for positive stimuli.

Hypotheses were tested based on an experiment with 315 business major freshmen. Participants were presented a pair of athletic shoes and a mobile phone with a short product description and were asked to quantify their WTP and PE (indexed 1). For each product, respondents were then given an excerpt regarding SI and were asked to name their WTP and PE again (indexed 2). One hundred sixty-two students responded to a positive social SI about athletic shoes combined with negative environmental SI about the production of mobile phones as experimental manipulations (Set A). One hundred fifty-three students received the inverse stimulus set (Set B). Finally, demographic information was collected and respondents were informed that the stimuli displayed purely fictitious information.

Consumers’ WTP and PE were measured as absolute price figures in Euro. When exposed to the sustainability stimulus, PE as well as WTP changed significantly. The positive SI led to increases of 27 percent in PE and 19 percent in WTP for athletic shoes and 10 percent in PE and 11 percent in WTP for mobile phones. Thus, the data indicates that consumers are willing to reward positive sustainability performance with positive SI leading to an increase in WTP. All findings are significant at a level of p < 0.001; hence, hypothesis 1 is supported. The negative SI caused decreases of 8 percent in PE and 41 percent in WTP for shoes and 6 percent in PE and 23 percent in WTP for mobile phones.

For the evaluation of a potential bias, a price response quotient PRQ was calculated as compound relative price measure with \( PRQ = (WTP_2/WTP_1)/(PE_2/PE_1) \). PRQ below 1 indicates the occurrence of a negativity bias. The sample reveals a mean PRQ of 0.81 for mobile phones and 0.62 for athletic shoes, i.e., the decrease in WTP exceeds the relative decrease in PE as an expected external reference by 19 percent and 38 percent respectively. This indicates the presence of a substantial negativity bias and supports hypothesis 2. When exposed to the positive stimulus, respondents have a mean PRQ of 1.06 for both products. Deviating only insignificantly from 1, this indicates that respondents have no significant bias in their evaluation of positive stimuli, and hypothesis 3 is rejected.

By using the price response quotient for measuring negativity bias, a novel measure has been applied. This approach provides methodological advantages. The price response quotient can be attributed to a single consumer’s product evaluation. This enables an explanation of the
bias through consumer or product characteristics. Moreover, PRQ is a measure within the consumer’s price perception, measured in Dollar or Euro, and is thus a part of the same reference system as WTP and PE. Hence, the measure is more realistic than a rather abstract Likert type measure. Additionally, as the logic of PRQ is built on two price figures that reflect one subjective and one objective price evaluation, the application of PRQ does not rely on the comparability of positive and negative stimuli. Hence, its application does not require pretests and manipulation checks.

Regarding the practical implications, the results suggest considering consumers’ perception of products’ or corporations’ sustainability in strategic decisions. The results show that not being below a sustainability threshold is, financially spoken, more important than being significantly above. Finally, for those companies which outperform in sustainability, the results also suggest communicating their good sustainability performance at the point of sale as this information increases consumers’ WTP on average. Future research may consider variables influencing consumers’ price response such as involvement or social attitudes. This study makes a contribution by presenting an approach that enables the attribution of the negativity bias to a specific consumer. References can be found at [http://www.moosmayer.com/amareferences2009].
RESPONSE BIAS EFFECTS AND RELATIONSHIPS WITH CONSUMER
TRAIT MEASURES AND PERSUASION OUTCOME VARIABLES

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SUMMARY

In their effort to reflect on the potency of common method biases in behavioral research, Podsakoff and colleagues (2003) argue that common method variance (CMV) is among the main sources of systematic measurement error which threaten the validity of conclusions regarding important relationships between measured variables. Method variance generally refers to “variance that is attributable to the measurement method rather than to the construct of interest” (Bagozzi and Yi 1991), and regardless of its source, may substantially confound empirical results, often leading to wrong conclusions (Campbell and Fiske 1959). We seek to provide additional insights regarding the role of social desirability and response styles as sources of common method variance in consumer research.

Briefly, socially desirable responding (SDR) is a much investigated and yet, perhaps the most controversial source of common method bias (Mick 1996). SDR generally refers to both, a chronic tendency to shape responses purposely to reflect a positive social image and a temporary tendency to do so as a response to contextual demands (e.g., potential for public disclosure of responses, time constraints). According to Paulhus’ widely accepted conceptualization (1991, 1998), SDR consists of self-deception and other-deception components. “Self-deception” (i.e., self-deceptive enhancement, SDE) represents an unconscious process to deny psychologically threatening thoughts and feelings reflective of psychoanalytic conflicts; and, “other-deception” (i.e., impression management, IM) represents conscious distortion toward self-enhancement (Paulhus 1991). In the consumer behavior literature, SDR has been associated with a number of “dark-side consumer variables,” such as compulsiveness and materialism (see Mick 1996 for review).

Response styles are “respondents’ tendencies to select specific subsets of response options disproportionately in favor of the positive side (acquiescence response style, or ARS), the negative side (disacquiescence response style, or DRS), the extremes (extreme response style, or ERS), or the middle of the scale (midpoint response style, or MRS)” (Weijters, Schillewaert, and Geuens 2008). These response styles threaten the validity of empirical findings by contaminating respondents’ answers to substantive questions in a systematic manner. Specifically, Baumgartner and Steenkamp (2001) identify two key adverse effects of response styles: (1) contamination of observed responses by either inflating or deflating respondents’ scores on measurement instruments and (2) effects on conclusions about the relationship between scales by either inflating or deflating the correlation between respondents’ scores on measurement instruments. In the present research, we attempt to examine the impact of response styles (i.e., ARS, DRS, ERS, and MRS) on important consumer trait scores, as well as the influence of the respective biases on relationships between individual trait scores and several persuasion-related outcome measures. While Mick (1996) offers an insightful discussion of issues related to SDR, we extend his work by examining other response biases along with SDR in the important context of persuasion.

Methods and Results

The data were collected from 145 undergraduate study participants (79 females) as part of a multi-phase study using personal computers in a behavioral laboratory. In phase 1, study participants were exposed to three new product advertisements presented in random order. Following each advertisement, a series of product and evaluation items regarding each advertisement and promoted product were obtained. These measures enabled tests of response bias effects on a series of consumer outcome measures, in addition to relationships among consumer trait measures (e.g., materialism). In phase 2, following several demographic questions and an unrelated filler task, study participants completed items used to assess materialism (Richins 2004), self-esteem (Rosenberg 1965), compulsiveness (Faber and O’Guinn 1992), self-actualization (Jones and Crandall 1986), susceptibility to normative interpersonal influence (Bearden, Netemeyer, and Teel 1989), and persuasion knowledge self-confidence (Bearden, Hardesty, and Rose 2001). These latter measures were presented in random order. Participants also responded to 20 items from the Paulhus BIDR response bias battery of items with 10 items each randomly selected to assess self-deceptive enhancement (SDE) and impression management (IM) (Paulhus 1991).

Consistent with the findings of Mick (1996), we find both dimensions of SDR (i.e., SDE and IM) to be negatively associated with such chronic traits as materialism.
and compulsiveness, and positively associated with self-esteem and self-actualization. Our additional findings imply that consumers with a stronger desire to appear in a more positive light to others tend to indicate lower susceptibility to interpersonal influence and lower persuasion knowledge; those more prone to self-deception also report lower susceptibility to interpersonal influence, but higher persuasion knowledge. As such, we provide evidence to suggest that persuasion-related trait measures are prone to SDR biases and encourage future research addressing this issue.

Further, the intercorrelations between the response style measures were generally consistent with previous findings (see Baumgartner and Steenkamp 2001). Interestingly, we also find that individuals who tend to appear in a more positive light to self (i.e., exhibit higher SDE), are also more susceptible to yea-saying (ARS) and extreme responding (ERS), while avoiding mid-point responses (MRS). Alternatively, those who are more concerned with being perceived positively by others (i.e., exhibiting higher IM), appear to be more susceptible to nay-saying (DRS), while also avoiding mid-point responses.

We also examined participants’ reactions to three innovative consumer product advertisements and their associations with trait measurement scores. Interestingly, SDR appeared not to affect participants’ reactions to products and advertisements in a systematic manner. Future research will need to investigate the specific relationships of interest in more depth.

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IMPLEMENTED DEFAULT OR INDUCED EMOTIONS: WHAT REALLY HELPS TO OVERCOME THE INNOVATION BIAS?

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SUMMARY

Innovations remain a critical challenge for managers, since customers often reject innovations even if they are objectively superior. This problem is referred to as the innovation bias. The phenomenon explains that customers irrationally overvalue products they already possess and underestimate the new benefits offered by innovations. Therefore, innovative companies have to be aware of this innovation bias and develop strategies to prevent innovation rejection.

Individuals’ tendency to display exaggerated preference for the current state of affairs is referred to as status quo bias in behavioral decision theory. Accordingly, it is not sufficient to offer innovations with a relative advantage compared to existing products. Therefore, it is the aim of this study to investigate customers’ status quo bias with regard to new product adoption and to identify instruments to prevent innovation rejection. One strategy proposed to overcome the innovation bias is to eliminate the overvalued existing alternatives and to implement the innovation as a default. As the default the innovation becomes the standard version in the respective product category. Defaults, therefore, can simplify customers’ decision making. However, innovative companies may not always be in the position to implement their new product as the default of the product category and have to create a customer pull to successfully sell their innovation. Since customers may exhibit irrational behavior in the innovation adoption process, emotional scenarios such as joy of innovation adoption or regret of innovation rejection in new product communication may be more effective than rational arguments. In this regard, communication messages induce either positive emotions by presenting benefits gained from product use or negative emotions by pointing to the benefits lost from not using the product.

In our experiment participants were asked to imagine a scenario in which they decided to buy a new digital camera that was available either with traditional lithium-ionic rechargeable batteries or with the new USB cells. The USB cells are batteries for mobile devices that can be recharged simply by being plugged into a USB port. The relative advantage compared to regular rechargeable batteries is that no recharging device is needed. The participants were randomly assigned to one of the five experimental conditions. Participants assigned to the first group, which was also the control group, were told that they had only made positive experiences with traditional rechargeable batteries in the past (performance satisfaction). Participants in the second group were told that they had made rather bad experiences with the status quo (performance dissatisfaction). In the third group, the innovation was implemented as the default (implemented default). In this group we described a scenario in which the digital camera would automatically be delivered with the new USB cells unless the test person actively asks for a traditional rechargeable battery. In group four and five we manipulated the test persons’ emotions by either pointing out the regret customers would feel after having chosen the status quo or by emphasizing the joy customers would feel after having adopted the innovation (induced emotions).

With our experimental study we considerably add to existing research on the status quo effect in an innovation context. Firstly, we found that about 70 percent of the participants that were very satisfied with the status quo stuck to the old product and rejected the objectively superior innovation. Secondly, we identified instruments to overcome the innovation bias. When the innovation was offered as a default, 90 percent of the participants chose the innovation. Similarly, the probability of innovation rejection decreased significantly when customers imagined a situation where they enjoyed having chosen the innovation or where they regretted having chosen the status quo. Thirdly, by including latent variables into the discrete choice model, we were able to further explain customers’ decision making within the innovation adoption process. In this regard, we found that implementing the innovation as default as well as induced emotions significantly increased the expected value of the innovation and decreased the perceived risk of the innovation.

In addition, we showed that the innovation bias is also influenced by customer characteristics, such as novelty seeking and risk aversion. Customers’ novelty seeking increases the probability of choosing the innovation. Likewise, customers who show high novelty seeking evaluate the innovation more positively in terms of perceived value and risk. With regard to risk aversion, we observed a significant positive effect on the status quo choice. Furthermore, customer characteristics show moderating effects on the relationships between the manipulated group variables and the innovation bias. Firstly,
customers who are dissatisfied with the status quo evaluate the innovation more positively in terms of perceived risk when they show high novelty seeking. Moreover, the status quo regret scenario helps to overcome the innovation bias when customers show risk aversion.

Our findings have important implications for innovation management. Innovation managers have to accept that customers are irrational in the innovation adoption process and overrate products they already possess. A plausible solution to this problem appears to be the elimination of the status quo. The implementation of the innovation as default can be achieved by horizontal and vertical cooperation. Often, however, the innovative company is not in the position to implement its innovation as default. Then, induced emotions in new product communication promise to be very effective in reducing the innovation bias. Since the occurrence of the innovation bias also depends on customer characteristics, innovation managers should take our results as a starting point for customer segmentation during market launch. References are available upon request.

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DEVELOPMENT OF MARKETING CAPABILITIES THROUGH MULTINATIONAL-BUYERS: AN EMPIRICAL INVESTIGATION IN A TRANSITION ECONOMY

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ABSTRACT

Drawing on the resource-based theory, we examined how the quality of business relationships contributes to the transition economy supplier’s marketing capabilities and business performance. Using data collected from 201 Chinese suppliers, we found that marketing capabilities mediate the associations between business relationship quality and business performances.

INTRODUCTION

The resource-based view (RBV) of firm has grown in popularity since its original conceptualization by Wernerfelt (1984). Grounded on the economic models of imperfect competition, the RBV theorists suggest that organizations achieve sustainable competitive advantage by possessing certain key assets and capabilities (Barney 1991; Peteraf 1993).

As an extension of the RBV, the relation-based view maintains that the relational resources embedded in the social ties are useful for facilitating business operations and therefore leads to superior performance (Baker 1990; Burt 1992; Coleman 1990). Although the positive influence of relational resources on organizational performance has been acknowledged in the strategic management literature, how it is being transformed into superior performance is yet to be answered.

Relational resources have been found to affect firm performance in the transition economies (e.g., Gu, Hung, and Tse 2008; Luo 2003; Park and Luo 2001). The economic life in the transition economies (TEs) is being transformed by a policy shift in favor of markets and away from central planning in the past decades. Although the progress of transformation varies across these economies, reform policies in general have stimulated private efficiency and growth domestically and created opportunities for trade and investment internationally (IMF 2000).

Unlike the days of central planning, markets in TEs are changing from seller’s market (where market demand is greater than supply) to buyer’s market (where market supply is greater than demand). With the liberalization of trade and opening of markets to foreign imports, TE consumers are becoming better informed about product choices and more demanding in terms of product quality and value for money (Tsang, Nguyen, and Erramilli 2004). Merely finding a desired good can no longer satisfy customers in TEs (Springer and Czinkota 1999). As the level of market competition intensifies in TEs, domestic companies are motivated to upgrade their production and marketing capabilities.

In a buyer’s market, advanced production and marketing capabilities enable firms to produce products that better satisfy customer wants and needs, and ultimately improving business performance. In terms of production capabilities, foreign technology embodied in capital equipment and machinery, is widely recognized as being essential to the upgrading process and has been the focus of much scholarly interest (Chuang and Hsu 2004; Feinberg and Majumdar 2001; Ivarsson and Alvstam 2005; Wright et al. 2002; Young and Lan 1997).

While the importance of marketing in TEs are evidenced in recent research (e.g., Akimova 2000; Ellis 2005; Hooley et al. 2000; Sonobe, Hu, and Otsuka 2004; Golden et al. 1995; Fahy et al. 2000), TE firms were found to be lacking the marketing-related capabilities (Siu 2005). TE managers therefore have a need to learn and develop marketing capabilities to adapt to the changing market environments. However, very few studies to date have explicitly examined the question of how TE firms develop marketing capabilities.

As TEs are characterized by the inflow of foreign investments, TE suppliers have many opportunities to learn marketing capabilities from their multinational buyers who are also operating in the same TE market. In terms of learning, various relational factors were found to affect learning in the organizational learning literature (Buckley, Clegg, and Tan 2006; Ghoshal and Bartlett 1988; Hutchings 2005). Such findings hint on the possibility that the quality of business relationships with multinational buyers, as a firm’s social capital, may affect the learning of marketing capabilities of the TE suppliers.

In this study, we seek to address this research gap by examining the quality of the business relationships linking TE suppliers and their multinational buyers. Our
LITERATURE REVIEW AND HYPOTHESES

Marketing Capabilities

The term *marketing capabilities* stems from the resource-based theory in the strategic management and marketing literature. The major assumption of the resource-based theory is that the more resources a firm has in relation to its competitors, the greater will be its performance (Grant 1991).

Day (1994, p. 38) describes capabilities as the “complex bundles of skills and collective learning, exercised through organizational processes, that ensure superior coordination of functional activities” and proposed that market-driven organizations are featured with distinctive capabilities. Based on Day’s (1994) conceptual work, marketing capabilities are commonly defined as the integrative processes designed to apply the collective knowledge, skills and resources of the firm to the market-related needs of the business, enabling the firms to develop superior goods and services, adapt to market conditions and meet competitive demands (e.g., Tsai and Shih 2004; Vorhies 1998; Vorhies and Harker 2000; Weerawardena 2003; Zou, Fang, and Zhao 2003). Marketing capabilities is thus broadly defined in this study as a set of skills relevant to the delivery of desired products and the formulation of effective marketing activities that outperform competitors.

Relationship Quality and TE Supplier’s Marketing Capabilities

Customer relationships are viewed as an important firm resource (Bendapudi and Berry 1997; Srivastava, Fahey, and Christensen 2001). Relationship quality, as a firm’s relational resource, is defined as an overall evaluation of the strength of a relationship (De Wulf, Odekerken-Schröder, and Iacobucci 2001; Kaufman et al. 2006). Buyer-seller relationships are ubiquitous but may be especially important in settings where transactions are inadequately protected by institutional safeguards (Redding 1993). Consequently a rich stream of research has emerged connecting various relationship characteristics and outcomes (Crosby et al. 1990; Hewett, Money, and Sharma 1993). Consequently, a rich stream of research has emerged connecting various relationship characteristics and outcomes (Crosby et al. 1990; Hewett, Money, and Sharma 1993).

Adapted from the channel management and organizational learning literature, four facets of the inter-organizational relationship that broadly influence the supplier’s suspicions and evaluations of its relationship with the buyer are considered: (1) the overall trust on the buyer, (2) the supplier’s overall satisfaction with the relationship, (3) its suspicions of buyer’s opportunism, and (4) its expectations of continuity with the buyer. All four aspects are widely examined in the extensive literature on inter-organizational relationships and are often recognized as critical aspects of successful buyer-seller relationships (e.g., Crosby et al. 1990; De Wulf et al. 2001; Dwyer and Oh 1987; Jap 2007; Johnson, Sakano, Cote, and Onzo 1993; Johnson, Sohi, and Grewal 2004; Jap 2007; Kaufman et al. 2006). Trust and opportunism provide insight into the supplier’s fundamental assumptions about the buyer’s behavior and motives in the relationship. Overall satisfaction with the relationship is a key performance outcome, and continuity expectation points to future exchange intentions.

Trust exists when a party has confidence in an exchange partner’s reliability and integrity (Jap 2007). By developing trust, suppliers and buyers can take advantage of their complementary skills to reduce transaction costs (Kumar 1996). As a key aspect of the relational embeddedness of business transactions, trust facilitates transactions by reducing perceived risk (Kaufman et al. 2006; Morgan and Hunt 1994). A high level of trust between the TE supplier and multinational buyer may promote the learning of marketing capabilities via the confidence held in the other party’s future actions (Morgan and Hunt 1994). Trust may be of particular importance in TEs where inadequate institutional and legal safeguards increase the risk of opportunism. Suppliers will doubt the credibility of the information provided by the buyers who they distrust and, hence, will be less inclined to learn from them; conversely, in knowledge transfers embedded in high-trust relationships are more likely to promote supplier-learning.

Opportunism is defined as “self-interest seeking with guile” (Williamson 1975, p. 6). Opportunism has received increasing attention in recent years (Brown, Dev, and Lee 2000; Jap 2007; Jap and Anderson 2003; Wathne and Heide 2000) and has the same meaning as misrepresentation, cheating, and deception, subsuming a range of (mis)behaviors, such as adverse selection, moral hazard, shirking, subgoal pursuit, agency costs, and free riding (Jap 2007; Williamson 1996). In contrast to distrust, which is a broad, meta-construct with many facets and levels, opportunism is more delimited and behavioral in nature as compared to trust (Jap 2007). Since opportunistic buyers are perceived less cooperative (Luo et al. 2004),
TE suppliers may therefore have less opportunity to learn from them. Furthermore, it is less possible for an opportunistic buyer to share information with the TE suppliers. In contrast, TE suppliers who perceive their multinational-buyers as less opportunistic may have higher accessibility to the information owned by such buyer. Consequently, they may be more motivated to learn from such business partners and result in superior marketing capabilities.

Satisfaction is an indicator of equity in an exchange (Frazier 1983; Ganesan 1994). In contrast with opportunism, which is an assessment of current exchange behavior, satisfaction may be defined as an overall favorable assessment of past exchange behavior. Nonetheless, satisfaction with past experiences promotes confidence that each exchange party is concerned about the other’s welfare in the relationship. TE-suppliers who are dissatisfied with their buyer-relationships may be inclined to distant themselves from such buyers thus impeding the learning of marketing capabilities from such buyers.

Continuity Expectation reflects the supplier’s perspective on the long-term viability of the relationship (Jap 2007). When a supplying firm does not expect a business relationship to continue in the future, it may adopt a short-term focus and refuse to engage in activities that do not pay off quickly and with certainty (Jap 2007; Williamson 1993). On the contrary, when a firm expects that the relationship will continue into the future, it is more willing to engage in learning about the business processes and making investments that will enhance the relationship in the long run (Anderson and Weitz 1989; Heide and Miner 1992). Consequently, the TE-supplier will develop marketing capabilities. Thus:

H1: In the context of exchange relationships linking TE-suppliers and multinational-buyers, there is a positive relationship between relationship quality and suppliers’ marketing capabilities.

The Mediating Role of Marketing Capabilities

Previous studies on business relationship quality suggest that such relational resource improves firm performances (Crosby, Evans, and Cowles 1990; De Wulf, Odekerken-Schröder, and Iacobucci 2001; Hewett, Money, and Sharma 2002; Kaufman et al. 2006; Luo et al. 2004; Yli-Renko et al. 2001). Yli-Renko et al. (2001) even found a positive relationship between the relationship quality and inter-firm knowledge transfer. We therefore contend that marketing capabilities may mediate the relationship between business relationship quality and business performance.

Marketing capabilities, as indicated from its definitions, means a bundle of capabilities that describe managers’ abilities to understand customer needs and to deliver superior products compared to those offered by competitors (Day and Wensley 1988; Greenley and Oktengil 1997; Porter 1980). Based on this definition, distinctive marketing capabilities enable firms to outperform competitors by better satisfying target customers. Additionally, in the strategy literature, the RBV of firms advocates that certain key assets and capabilities provide competitive advantage to firms (Barney 1991; Day 1994). Because a firm’s marketing capabilities are relatively firm-specific, and less easy to be imitated, substituted, or transferred between competitors, it could be considered as an idiosyncratic organizational resource, which could be deployed by an organization to improve performance (Barney 1991; Fahy et al. 2000; Grant 1996; Tsai and Shih 2004; Wernerfelt 1984).

Past empirical studies have tested the linkages between marketing capabilities and different types of firm performance such as profitability (Chang 1996), joint-venture performance (Song et al. 2005), and overall business performance (Tsai and Shih 2004; Vorhies and Morgan 2005). Most of the past studies have examined the individual effects of different marketing-related capabilities instead of the overall effect of marketing capabilities. The findings reported in the literature are mixed. This is possibly a consequence of the loosely defined marketing capabilities construct in the past. A recent study by Vorhies and Morgan (2005), using a sample of 230 firms in the U.S., were among the first to empirically identify a group of capabilities that could be grouped as marketing capabilities. The eight dimensions included in this marketing capabilities construct developed by Vorhies and Morgan (2005) include pricing, product development, channel management, marketing communication, selling, marketing information management, marketing planning, and marketing implementation capabilities. Their study has also provided empirical evidence for the positive relationship between marketing capabilities and business performance.

In an attempt to extend the resource-based theory and Vorhies and Morgan’s (2005) research examining the relationship between marketing capabilities and business performance in a TE setting, we will examine the mediating effect of marketing capabilities, as a higher-order factor, in the relationship between the business relationship quality and three types of business performances, namely market performance, product performance, and overall business performance. Hence:

H2: Marketing capabilities mediate the associations between business relationship quality and (a) market performance, (b) product performance and (c) overall performance.

The complete conceptual model is shown in Figure 1.
RESEARCH DESIGN

Sample and Data Collection

Questionnaire data was collected via personal inter-
views with a sample of indigenous Chinese manufactur-
ers. Interview-administered surveys are preferred to mail-
surveys owing to the typically low response rate gener-
ated for mail surveys in China (Siu 1996; Ellis and Davies
2006). Owing to the difficulties associated with getting
access to managers, target respondents were identified in
twenty-five major exhibitions held in Guangzhou,
Shenzhen, and Hong Kong during August to December in
2008. Screening questions were asked to identify eligible
respondents and interviews were conducted on site if the
managers agreed to participate in the survey. The target
respondents were then asked to think of one foreign
customer who has business operation in the same TE
market which, they perceived as the most important one to
their company. Those who have knowledge about their
firm’s marketing strategies and the business relationships
with their most important foreign customer were our
target respondents. Out of the 507 firms interviewed, 254
firms were identified as eligible and 201 useable re-
sponses were obtained yielding a response rate of 79.13
percent.

Measurement

Where possible, measures for all constructs were
taken from the literature. Marketing capabilities was
measured as a higher-order factor consisting eight dimen-
sions developed by Vorhies and Morgan (2005). Confi-
matory factor analysis (CFA) results suggest that this
higher-order factor was marginally acceptable (CFI =
.888; RMSEA = .069, χ² = 1085.056, 552 d.f., p < .000).
Following the tradition of the interfirm relationship litera-
ture, relationship quality was measured as a second-order

Control Variables

A number of variables which may affect TE supplier’s
learning and performance are controlled during analysis,
including firm size, firm age, export experience, owner-
ship type (state-owned/collective-owned/private enter-
prise), business type (ODM% and OBM%), export inten-
sity, foreign customer’s dependency (total and the most
important one), foreign customer’s nationality, relation-
ship age, competitive intensity, and some demographic data including gender, education level, and position of respondents in the firm. Descriptive statistics and coefficient alphas for the multi-item scales are provided in Table 1.

RESULTS AND DISCUSSION

Relationship Quality and Marketing Capabilities

To test H1, the correlation coefficient between relationship quality and marketing capabilities was studied (Table 1). The correlation between relationship quality and marketing capabilities was highly significant \( r = .68, \) \( p < .01 \). To investigate the amount of variance in marketing capabilities that was being explained by relationship quality, hierarchical regression analysis was performed and the results are reported in Table 2.

Relationship quality was positively regressed on marketing capabilities \( \beta = .32, p < .001; R^2 = .10, p < .001 \), lending support to H1. Furthermore, the correlations presented in Table 1 suggest that relationship quality not only enhances a firm’s marketing capabilities in general, but also enhances all individual marketing-related capabilities in a transition economy setting. These findings are in line with those reported in the learning literature, which also found positive relationships between various relational factors and the effectiveness of learning (Almeida, Song, and Grant 2002; Bresman, Birkinshaw, and Nobel 1999; Buckley, Clegg, and Tan 2006; Hutchings 2005; Ghoshal and Bartlett 1988). A higher quality relationship

| TABLE 1
| Descriptive Statistics, Scale Reliability and Correlation Matrix |
| Variables | Mean | Standard Deviation | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| Relationship Quality | 5.66 | .58 | .80 |
| Marketing Capabilities | 5.49 | .71 | .33 | .92 |
| Pricing | 5.46 | .75 | .27 | .68 | .74 |
| Product Development | 5.63 | .99 | .22 | .75 | .52 | .88 |
| Channel Management | 5.83 | .77 | .28 | .76 | .43 | .54 | .85 |
| Marketing Communication | 5.27 | 1.00 | .26 | .84 | .53 | .58 | .56 | .87 |
| Selling | 5.40 | .88 | .33 | .82 | .51 | .48 | .53 | .70 | .89 |
| Marketing Information Management | 5.80 | .70 | .28 | .79 | .51 | .54 | .62 | .55 | .59 | .81 |
| Marketing Planning | 5.13 | 1.05 | .26 | .86 | .47 | .52 | .58 | .68 | .73 | .63 | .90 |
| Marketing Implementation | 5.37 | .94 | .22 | .86 | .45 | .57 | .59 | .66 | .66 | .69 | .80 | .89 |
| Market Performance | 4.92 | 1.08 | .17 | .55 | .30 | .49 | .36 | .46 | .43 | .42 | .50 | .48 | .86 |
| Product Performance | 5.46 | .99 | .15 | .54 | .28 | .55 | .36 | .44 | .38 | .41 | .48 | .49 | .72 | .85 |
| Overall Performance | 4.76 | 1.22 | .18 | .39 | .18 | .29 | .29 | .37 | .35 | .28 | .36 | .34 | .66 | .55 | .72 |

n = 201; correlations greater than .14 are significant at the p < .05 level (2-tailed); Cronbach’s alphas are reported in the diagonal.
would create a better environment for learning such as more open and frequent communication and information flow. Thus, our study has contributed some empirical evidences to the marketing capabilities literature, of the positive relationship between relationship quality and marketing capabilities in a TE context. In terms of managerial contributions, TE-managers are advised to foster a high quality business relationship with their multinational-buyers located in the same TE market, as this will possibly facilitate their learning and development of marketing capabilities.

The Mediating Effect of Marketing Capabilities

Does marketing capabilities mediate the relationship between relationship quality and three types of business performances? We conducted three hierarchical multiple regressions to test $H_2$ to $H_4$, following the steps suggested by Baron and Kenny (1986). As shown in Table 3, after regressing each of the three performances variables on the control variables in step 1, we entered relationship quality in step 2. Relationship quality was found to be positively related to market ($\beta = .16, p < .05; \Delta R^2 = .02, p < .05$), product ($\beta = .16, p < .05; \Delta R^2 = .02, p < .05$) and overall performances ($\beta = .19, p < .01; \Delta R^2 = .03, p < .01$). As relationship quality was also found to have significant effects on marketing capabilities (Table 2), the first two criterion of conducting a mediation tests were both satisfied. In step 3, we entered the marketing capabilities in the regressions to evaluate (1) their impact on the dependent variables and (2) their impacts on the coefficients associated with relationship quality. Table 3 shows that marketing capabilities have moderate to strong effects on market performance ($\beta = .56, p < .001$), product performance ($\beta = .48, p < .001$) and overall performance ($\beta = .36, p < .001$). Compared with the model 2 of the respective performance measures in Table 3, the effects of relationship quality on all three performance measures became statistically insignificant when marketing capabilities were entered into the equations. Taking these results together indicate that $H_2$, $H_3$, and $H_4$ are supported. Marketing capabilities was the full mediator in the relationships between relationship quality and three types of performances.

These findings echoed those reported by Vorhies and Morgan (2005), where the general effect of marketing
TABLE 3
Regression Results for the Positive Effects of Marketing Capabilities on Performances

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Market Performance</th>
<th>Product Performance</th>
<th>Overall Business Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
<td>Model 3</td>
</tr>
<tr>
<td>Variables</td>
<td>B</td>
<td>t</td>
<td>β</td>
</tr>
<tr>
<td>Control</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm size</td>
<td>.02</td>
<td>.23</td>
<td>.04</td>
</tr>
<tr>
<td>Firm age</td>
<td>-.05</td>
<td>-.47</td>
<td>-.06</td>
</tr>
<tr>
<td>Export experience</td>
<td>.13</td>
<td>1.21</td>
<td>.12</td>
</tr>
<tr>
<td>Ownership type</td>
<td>-.08</td>
<td>-.81</td>
<td>-.07</td>
</tr>
<tr>
<td>ODM %</td>
<td>.05</td>
<td>.51</td>
<td>.06</td>
</tr>
<tr>
<td>OBM %</td>
<td>.13</td>
<td>1.30</td>
<td>.12</td>
</tr>
<tr>
<td>Export intensity</td>
<td>-.08</td>
<td>-.90</td>
<td>-.08</td>
</tr>
<tr>
<td>Foreign customer dependency (total)</td>
<td>.04</td>
<td>.48</td>
<td>.05</td>
</tr>
<tr>
<td>Foreign customer's nationality</td>
<td>-.05</td>
<td>-.66</td>
<td>-.05</td>
</tr>
<tr>
<td>Foreign customer dependency (most important one)</td>
<td>.03</td>
<td>.31</td>
<td>.00</td>
</tr>
<tr>
<td>Relationship age</td>
<td>.05</td>
<td>.55</td>
<td>.05</td>
</tr>
<tr>
<td>Competitive intensity</td>
<td>.11</td>
<td>1.47</td>
<td>.09</td>
</tr>
<tr>
<td>Gender</td>
<td>.01</td>
<td>.11</td>
<td>.01</td>
</tr>
<tr>
<td>Education level</td>
<td>-.09</td>
<td>-.17</td>
<td>-.09</td>
</tr>
<tr>
<td>Position</td>
<td>-.16</td>
<td>-2.12*</td>
<td>-.16</td>
</tr>
<tr>
<td>Independent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship Quality</td>
<td>.16</td>
<td>2.15*</td>
<td>-.02</td>
</tr>
<tr>
<td>Independent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mediator</td>
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<td></td>
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<tr>
<td>Marketing Capabilities</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
| n = 201; * p < .05; **p < .01; ***p < .001
capabilities was found to be positively related to overall firm performance. The results reported in this study have therefore extended the resource-based theory by providing empirical evidence that a firm’s relational resource (i.e., a high quality business relationship) can only be capitalized through the development of marketing capabilities by the TE suppliers. This idea is supported by the full mediating effect of marketing capabilities in the relationship between the quality of business relationship and business performances. Furthermore, this study has extended the marketing capabilities literature by demonstrating the positive associations between marketing capabilities and three types of business performances in a TE setting. We therefore encourage TE suppliers to develop marketing capabilities and deploy such capabilities to improve business performance. Marketing capabilities is demonstrated to be one of the key capabilities for the firms not only in the matured, but also in the economies in transition such as China. Without marketing capabilities, the relational resource of a firm is impossible to improve business performance.

CONCLUSIONS

Based on the data collected from 201 indigenous Chinese manufacturer-suppliers, we conclude that a high quality business relationship with the multinational buyers who are operating in the same TE market promotes the TE supplier’s business performance, and this association is mediated by the TE supplier’s marketing capabilities. Moreover, our assessment of the effect of marketing capabilities on various types of business performances shows that marketing capabilities exerts strong effects on market and product performances, and moderate effect on overall business performance.

Our study has extended the resource-based and relational-based theory by revealing the mechanism for capitalizing a high quality business relationship for superior business performance. A high quality business relationship with the multinational buyers, as a firm’s relational resource, facilitates the learning of marketing capabilities by the TE suppliers. Advanced marketing capabilities of the TE suppliers, in turn, improve their market, product and overall business performances. Moreover, the full mediating effect of the marketing capabilities emphasizes its importance in the TE markets. Without marketing capabilities, the positive effect from a high quality business relationship on various business performances may be vanished.

However, the limitations of this study (results generalizability; cross-sectional research design and likelihood of common method variance) indicate that future work is needed to add credence to the conclusions drawn here. Since the organizational learning process takes time, a longitudinal research design may provide further insights into the mechanism for the transformation of a firm’s relational resources into its marketing capabilities.

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LINKING MARKETING CAPABILITY AND ORGANIZATIONAL LEARNING TO FINANCIAL PERFORMANCE

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SUMMARY

Marketing accountability continues to be a key area of concern for marketing academia and practitioners as demonstrated by the Marketing Science Institute 2008-2010 research priorities (MSI 2008, pp. 2–3). Undoubtedly, this area of research has received attention and has mainly embedded in marketing-finance stream of research. However, the great majority of research investigates marketing accountability from resource perspective (see for an extensive revision Srinivasan and Hanssens 2009) without paying special attention to the role of capability perspective.

This article focuses on the accountability of marketing capability (MC). In extant literature, MC is studied either from the Day’s (1994) rationale about “market sensing and customer linking” (e.g., Krasnikov and Jayachandran 2008) or from the process that connects “marketing activities to sales” (e.g., Dutta et al. 1999). Moreover, the majority of empirical research only studies the direct link between MC and financial performance (e.g., Ramaswami et al. 2008; Song et al. 2007) and quite a few pay attention to the mechanisms by which capability enhances financial performance (Narasimhan et al. 2006; Zott 2003). Our study extends prior research by (1) studying MC as the process that links “marketing activities to marketing intangibles” in line with theorization about marketing chain and organizational capability (Keller and Lehmann 2003; Rust et al. 2004; Winter 2000); (2) considering the role of learning as a mechanism through which MC improves financial performance; and (3) studying the moderator role of the market conditions (in terms of stationary and evolving markets) in the relationship among MC, learning and financial performance.

We define marketing capability as the superior and distinctive process to convert marketing resources (e.g., advertising and promotion) into customer value (e.g., brand equity and customer satisfaction) by developing, nurturing, and leveraging relationships with and perceptions held by customers. This concept is in line with Collis (1994), Day (1994), Keller and Lehmann (2003), Rust et al. (2004), Srivastava et al. (2001), and Winter (2000) among others. We conceive learning in the spirit of “search” of Nelson and Winter (1982, p. 246). The mechanisms of learning can be systematic or unsystematic (Winter 2000; Zollo and Winter 2002). Systematic learning is evolving because it deviates permanently from previous level (Dekimpe and Hanssens 1995). Winter (2000) recognizes that systematic learning makes a capability to become dynamic and unsystematic learning makes a capability to become ordinary. Thus, MC under systematic learning is a dynamic marketing capability (hereafter DMC) and MC under unsystematic learning is an ordinary marketing capability (hereafter OMC). DMC can be exemplified by a firm that adapts its marketing processes through a relatively stable activity dedicated to persistent process improvements, and OMC by a firm that adapts its marketing processes through disjoined process improvements (Zollo and Winter 2002).

Zollo and Winter (2002) put forward that systematic learning mechanisms allow firms to generate and modify their capabilities and pursue improved performance. Systematic learning allows firms to search constantly and permanently for customers’ latent needs and expectations and consequently to adapt resource costs and resource produced-value. In this sense, we hypothesize that DMC creates more operational performance than OMC because of persistent process improvements.

We also hypothesize that a DMC is capable of creating more incremental future benefits than OMC. We ground this hypothesis on the financial information content theory (Jacobson and Mizik 2008; Mizik and Jacobson 2008). DMC will show a larger impact on future benefits than OMC because systematic learning permit firms to be perceived by capital market as firms that constantly seize marketing opportunities and adapt marketing resources (Teece 2007) and as firms that potentially creates future benefits.

We hypothesize that in evolving markets DMC will reveal a larger impact on operational performance than OMC. Since evolving markets are constantly changing, firms need to make efforts in systematic learning in order to seize commercially viable market opportunities, and in turn obtain higher level of operational performance. In addition, in evolving markets, DMC will lead firms to obtain better future potential profits than OMC. This is so because systematic learning will permit firms to, at least, maintain relative market position. We base this hypothesis on Srinivasan and Bass (2000) and Fernandez (2002).
We employ intertemporal Data envelopment analysis (DEA) bootstrap for measuring MC. DEA permits to capture the central idea of capability as “the process to transform resources (inputs) into customer value (outputs)” (Charnes et al. 1978; Collis 1994). Management and marketing literature suggests the use of frontier methods (such as DEA) to measure capabilities (Dutta et al. 1999, 2005) because the higher the capability a firm possesses, the more efficiently it is able to deploy its inputs to achieve its outputs (Dutta et al. 1999). We employ unit root test (URT) based on Augmented Dickey Fuller (ADF) to measure systematic/unsystematic learning and evolving/stationary markets. DMC is the product of MC times systematic learning and OMC the result of MC times unsystematic learning. We employ cash flow as a measure of operational performance and Tobin’s Q as measure of forward-looking performance. We follow the work of Dechow et al. (1998) for measuring the impact of DMC and OMC on cash flow, and the work of Jacobson and Mizik (2008) to estimate the effect of DMC and OMC on Tobin’s Q. To test the hypotheses, we employ panel corrected standard errors controlling for serial correlation and heteroskedasticity.

We focus our research on U.S. firms. The recollection of marketing, financial, and control data covers seven consecutive years up through 2006, i.e., 2000–2006. Because we merge data from different data sets and each data set has some missing values, our sample size was reduced. As a result we have 93 complete observations across the firms from 2000 to 2006.

The key findings of our research are that (1) DMC has a larger and more consistent effect on operational performance (e.g., cash flow) than OMC, (2) this effect remains the same in evolving markets, (3) DMC has also a larger and more consistent effect on forward-looking performance (e.g., Tobin’s Q) than OMC, and (4) this effect continues to be the same also in evolving markets. After running different models to check for robustness of estimates of MC under systematic/unsystematic learning and evolving/stationary markets, we find that our results are consistent and valid.

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THE ADOPTION OF MARKET ORIENTATION FROM AN INSTITUTIONAL THEORY PERSPECTIVE

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SUMMARY

The extant literature provides contrasting theoretical arguments with regards to the adoption of market orientation in an organizational context. The objective of this paper is to propose a framework that incorporates elements from both the cultural and behavioral aspects of market orientation in efforts to provide a better understanding of the market orientation adoption process. Specifically, we conceptualize the market orientation construct as having two complementary components: implementation of behaviors and internalization of values and norms. We define the implementation of market-oriented behaviors from an organizational learning perspective as the generation and dissemination of market information, and responsiveness to it (e.g., Kohli and Jaworski 1990). As such, market orientation implementation concerns explicit, tangible, and observable organizational behaviors and activities that enhance the market information-processing capabilities of the firm (Baker and Sinkula 1999; Sinkula 1994). The internalization of market-oriented values and norms capture the cultural aspects of market orientation (e.g., Narver and Slater 1990). Market orientation internalization ensures a common understanding of and adherence to market-oriented values and norms, which emphasize an organization-wide commitment to the creation of superior value for customers.

In this paper, we propose that the implementation and internalization of market orientation can be arrayed on a continuum from low to high to form a 2 by 2 matrix that juxtaposes the two components of implementation and internalization. Then, using an institutional theory perspective we develop and describe four different forms of market orientation represented by our matrix (i.e., comprehensive, ceremonial, emergent, and inactive market orientation). Using the matrix, we also demonstrate how the proposed market orientation adoption process model complements previous approaches in the extant literature. The paper concludes with a discussion of research and managerial implications.

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INTERNATIONAL NEW VENTURES: A CONCEPTUAL REVIEW OF NEW INTERNATIONALIZATION PATTERNS

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SUMMARY

Traditionally the internationalization process of the firms has been conceived as a gradual process with incremental stages during a long period of time (Johanson and Vahlne 1977, 1990). However, during the last years, an increasing number of firms had followed the tendency to involve in international markets from their creation, questioning the gradualist conception of internationalization. These firms do not follow the traditional incremental and gradual international expansion patron, and some of them are born with a world perspective being characterized by an instant internationalization. Such a research gap could be well filled by the emerging topic in International Entrepreneurship (IE) which focuses on International New Ventures (INVs) (Madsen and Servais 1997; Oviatt and McDougall 1994, 1997) which are, by theoretical definition, international at inception.

The purpose of this article is to give an insight into the literature of INVs by providing an updated review and synthesis of the literature that has emerged during the last fifteen years, from 1993 up to 2008, in relation to the accelerated internationalizing activities of new, entrepreneurial SMEs. In addition this article identifies directions for future research aimed at developing improved theories and advancing knowledge of this phenomenon. In this paper, 47 studies that deal with INVs are identified, fully examined and critically assessed as a basis for obtaining an adequate view of the state-of-the-art of this increasingly important research field of IE. The methodology used for this synthetic review allow us to analyze a number of recent, chosen studies that are systematically compared according to the main objective and type of research; framework of reference; methodology and key research findings.

As a result of this literature review, a critical assessment follows in which the most relevant benefits and contributions as well as potential drawbacks in the research activities conducted so far are discussed. Only a minority of studies can be considered to be highly-conceptual, often including a future research agenda related to the behavior of these firms (Knight and Cavusgil 1996; Madsen and Servais 1997; Oviatt and McDougall 1994, 1999; Zahra and George 2002). Building upon existing internationalization theories and recent developments in the field of Strategic Management and Entrepreneurship, Oviatt and McDougall (1994, 1999) have established a theoretical framework and types of INVs. This theoretical framework identifies unique resources as the differentiator element and necessary condition of INVs. Therefore, based on Barney’s (1991) argument that sustainable competitive advantage for any firm requires that its resources be unique and imperfect imitable, the possibility to develop INVs studies from the resource-based view perspective is evident. Therefore, INVs share unique intangible resources and capabilities based on knowledge management from the very beginning.

According to this perspective the management commitment of INVs presents a global vision from inception based on the high degree of previous international experience on behalf of managers. The market knowledge and market commitment is reinforced with the use of personal and business networks. These characteristics facilitate INVs with a high value creation through differentiated technology products to target narrowly-defined customer groups with a customer orientation and close customer relationships. References are available upon request.

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THE CONSUMER PERCEIVED VALUE SCALE: REPLICATION, VALIDATION, AND DEVELOPMENT OF A SHORT SCALE

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Louise M. Hassan, University of St Andrews, United Kingdom

SUMMARY

The construct of consumer perceived value continues to attract attention within marketing and retailing research. This attention is reflected in a growing body of research, which suggests that consumer perceived value is associated with customer satisfaction, trust, and loyalty (Lee et al. 2002; Parasuraman and Grewal 2000; Sirdeshmukh, Singh, and Sabal 2002; Yang and Peterson 2004) and is hence relevant to researchers in retailing as well as retail managers. Zeithaml (1988, p. 14) defines consumer perceived value as a “consumer’s overall assessment of the utility of a product (or service) based on perceptions of what is given.” There is surprisingly little agreement on how to best measure consumer perceived value. Several measures exist that treat perceived value as a unidimensional construct (e.g., Steenkamp and Geyskens 2006; Yang and Peterson 2004). Sweeney and Soutar (2001) developed and tested a consumer perceived value (hereafter referred to as PERVAL) scale using Australian data and comprising four dimensions: quality, price, emotional, and social value. Sweeney and Soutar (2001) subjected their PERVAL scale to extensive validation procedures and tested it in two high-involvement durable goods contexts – furniture and car stereo. The PERVAL scale has since been adapted and used in the mobile internet context in a cross-cultural (Korea and Japan) study (Lee et al. 2002), as well as in the securities service context (Wang et al. 2004). However, beyond the original Sweeney and Soutar (2001) study, the 19-item scale has yet to be cross-validated in terms of the psychometric properties of this scale, and little is known about its relationship to important consumer constructs such as customer satisfaction, trust, and loyalty. Our investigation of the PERVAL scale contributes to the retailing literature in numerous ways. We test the PERVAL scale in two contexts firstly, replicating and validating the scale in the context of furniture and secondly, cross-validating our findings in an education-services context. In line with recent research calling for more parsimonious measurement instruments (e.g., Richins 2004), we extend previous research by developing and validating a short form (PERVAL-Short) of the 19-item PERVAL scale.

A sample of 345 respondents completed a questionnaire in a large furniture store in the U.K. in October 2008. Respondents were asked to participate in the survey by two trained interviewers as they entered the store display area. PERVAL was measured using the statements provided in Sweeney and Soutar (2001) using a 7-point response format with the end-points “strongly agree” and “strongly disagree.” Additionally two of the three items used by Sweeney and Soutar (2001) to assess the relative importance of the PERVAL dimensions in predicting relevant behaviors were also utilized. These relate to “not expecting problems with items from” and “willingness to recommend” the store. Data was also collected from 97 Masters students undertaking a marketing program at a large metropolitan university in the U.K. in order to validate the PERVAL-short scale. Confirmatory factor analysis and multiple regression techniques were employed to analyze the data collected.

The PERVAL scale performed adequately in terms of reliability and validity with high alpha values (> .8) for each subscale across the contexts. The predictive validity of the scale was lower than that reported in the original (Sweeney and Soutar) study with R-sq value of .32 for the dependent variable “not expecting problems” and R-sq value of .46 for “willingness to recommend.”

Furthermore we conducted three separate regression analyses in which we regressed each of three additional dependent variables (customer satisfaction, trust and loyalty). All except one of the beta coefficients between the subscales and the outcome variables are significant (p < .05). The beta coefficients range from .11 (between price value and loyalty) to .38 (between emotional value and loyalty) with R-sq values between .40 and .55. We find that the quality dimension of the PERVAL subscale does not explain loyalty. Overall we conclude that the PERVAL scale possesses good psychometric properties and hence can be recommended for use by academics and practitioners alike. Further, its ability to explain a large proportion of important outcome variables makes it important to develop a more useable shortened form.

Based on the procedures and criteria for reducing scale length employed by Richins (2004), we reduced the 19-item scale to a 12-item scale with three items per dimension. Our analysis suggests that the PERVAL-Short scale performs well in terms of reliability and possesses good psychometric properties in regards to the four dimensions across the two contexts. Finally nomo-
logical validity is established for this PERVAL-Short scale with similar results.

The results of this research provide initial evidence of the universality of PERVAL, at least in two western countries, Australia and the UK. The PERVAL scale was developed specifically for durable goods. In this study, the PERVAL scale was successfully applied to a service context however the sample was small and future research should aim to explore the role of perceived value fuller in service contexts by modeling antecedents and consequences.

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Our study is important for managers in light of our findings where emotional and social values show strong relationships with desirable outcomes of customer trust and loyalty. Whereas quality and emotional values are found to underpin customer satisfaction. Finally, for managers, the PERVAL-Short scale appears well-suited to gather benchmark data regarding levels of customers’ perceived value as well as to conduct periodic “checks” to measure improvements in one of the areas reflected in the scale. References are available upon request from the authors.
HOW THE INTRODUCTION OF THE INTERNET CHANNEL CAN HARM BRICK-AND-MORTAR RETAILERS

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ABSTRACT

Managers often believe to enhance customer satisfaction and loyalty by changing channel strategy from single to multi channel retailing. However, it is not clarified yet whether adding a new Internet channel only creates positive effects. We reveal unfavorable effects for retailers who announce the introduction of an additional Internet channel.

INTRODUCTION

How does the introduction of the Internet as an additional channel of distribution affect retailer’s customer satisfaction and loyalty? It is widely recognized that retailing in the 21st century is faced with an enormous business trend of firms adding the Internet as a new shopping channel to become multi channel retailers. The strong development of online sales and the competition from “pure play” Internet retailers have put pressure on traditional brick-and-mortar retailers in particular to consider the employment of an Internet channel (Bendoly et al. 2005).

Marketing research deals with multi channel retailing and the introduction of new Internet channels in different ways. Besides the antecedents and motives of on- and offline channel usage (e.g., Kaufmann-Scarborough and Lindquist 2002; Noble, Griffith, and Weinberger 2005) as well as customers search and purchase behavior in different channels during the shopping process, so called “research-shopper” phenomenon, (e.g., Balasubramanian, Raghunathan, and Mahajan 2005; Verhoef, Neslin, and Vroomen 2007) also the consequences of a multi channel environment have been analyzed.

Studies demonstrate that changing channel strategy from a single to a multi channel system mainly has positive consequences for the retailer and its customers. To use an additional channel may imply more service outputs, convenience, time savings and reliability for customers (Van Birgelen, De Jong, and De Ruyter 2006). In line with this result, Wallace, Giese, and Johnson (2004) argue that multi channel retailing including an offline, mail and Internet channel can be a useful strategy to build customer loyalty. Additionally, several studies demonstrate that adding an Internet channel does not seriously cannibalize offline sales (Deleersnyder et al. 2002; Dholakia, Zhao, and Dholakia 2005).

We challenge the research question whether introducing the Internet channel has only positive impacts for brick-and-mortar retailers. Therefore, our research concentrates on the negative effects of retailer’s announcement of introducing the internet as an additional distribution channel. This approach is based on studies which show that a multi channel system including an Internet channel might erode loyalty due to little human contact (Neslin et al. 2006). Ansari, Mela, and Neslin (2008) demonstrate that the employment of the Internet channel could lead to a negative long-term association between Internet usage and sales. Moreover, the behavioral loyalty to the Internet channel is decreasing over time (Gensler, Dekimpe, and Skiera 2007).

Our research attempts to extend existing literature about adding the Internet as an additional channel in retailing concerning the following issues: We show possible risks of changing retailer strategy from single to multi channel besides cannibalization and loyalty erosion. We identify a negative effect of telling long-term customers who believed to shop at a pure brick-and-mortar retailer that their retailer has already introduced the Internet as an additional channel. This negative effect occurs at the effect chain between satisfaction and loyalty.

Furthermore, our research implies strong managerial implications to retail managers that are planning the announcement of an additional Internet channel. Although we question that employing the Internet channel is an appropriate instrument to enhance satisfaction and loyalty of long-term customer, we propose communication instruments that can reduce the resulting negative effect.

In order to answer our research question we choose a two-step approach: First, we develop a core model that regards antecedents to and consequences of the satisfaction with retailer’s service offerings. Second, based on this core model we execute a multi-group analysis. We separate our sample into a group (1) with customers of brick-and-mortar retailers and another group (2) with customers who assumed to shop at brick-and-mortar retailers and didn’t know that their retailer had already introduced an Internet channel. After presenting group (2)
the novel information that their retailers have an Internet channel, we compare the responses of both subsamples. In this way, we simulate the announcement of the introduction of the pretended new channel for those customers who believed to shop at a pure brick-and-mortar retailer. By doing so, we demonstrate a negative moderating effect of the announcement of a new Internet channel on the effect chain between satisfaction with service offerings and its antecedents and consequences. We explain this negative effect with the concept of schema incongruity and show that information about a new Internet channel contradicts the existing store shopping schema.

**CONCEPTUAL BACKGROUND**

Our core model is based on the assumption that distribution channels as well as store and sales services are categories of retailers’ service offerings. Retail services are activities and programs that make the shopping experience more rewarding and increase the value customers receive from the merchandise (Levy and Weitz 2001). Despite services potential to create competitive advantage, this topic has been given little interest in marketing research (Homburg, Hoyer, and Fassnacht 2002). Already Berry (1986, p. 3) stated that “retail businesses are services businesses” but not until the nineties retail services were spotlighted in the field of retail marketing.

Marketing research predominantly deals with retail services in the context of the SERVice QUALity approach adapted to retail conditions. Dabholkar, Thorpe, and Rentz (1996) develop a measurement instrument for service quality in retailing with 28 items distributed to five dimensions. The researchers show that the dimensions physical aspects, reliability, personal interaction, problem solving and store policy are important to customer’s perception and evaluation of the whole retail store experience and therefore indicate a high level of service quality. Within these dimensions several single service offerings can be identified. The dimension personal interaction includes a lot of service aspects directly related to the sales staff just like friendliness, helpfulness and politeness. Furthermore, the dimension store policy covers the services plenty of parking space, convenient operation hours, acceptance of most major credit cards and offering own credit cards. Other services (returns and exchanges) are introduced within the dimension problem solving.

Gagliano and Hathcote (1994) divide retailer services into store services and sales services that are derived from Grönroos (1984) two service quality dimensions. The first service category is called store services and leans on technical quality aspects that reflect what the customer receives in the service encounter. Services like in-store credit, returns, exchanges and adjustments belong to this category. Sales services are the second category and refer to functional quality aspects. They represent customers’ perceptions of the interactions that take place during the service delivery and include services like competence and friendliness of the sales staff. Gagliano and Hathcote (1994) point out that classifying retailers’ services into the two divisions on an aggregated level enables retailers to focus either on the improvement of store service policy or sales service aspects.

To sum up, two categories of services in literature can be identified: (1) services that are related to the sales staff and (2) additional services that simplify the shopping process. For the purpose of this study, we extend this existing view and introduce distribution channels as a third service category in retailing. Distribution channels simplify the access to the merchandise and therefore exceed the fact of just physically allocating the merchandise. A distribution channel as the way how consumers can buy their products (in-store and/or non-store channel formats) is rather a service than a basic task like providing assortments, bulk breaking, and holding inventory (Levy and Weitz 2001). Already Dotson and Patton (1992) mention telephone shopping and mail order as a support service offered by department stores. Both telephone and mail order are channels that allow the customers to choose between several shopping formats to buy their merchandise.

Relating to our research framework of single and multi channel retailing, this implicates that single channel retailers (here: brick-and-mortar retailers) with numerous chain stores only offer one but subdivided distribution channel. Multi channel retailers such as click-and-mortar retailers, however, provide their customers two main options to buy their core offerings. Consequently, we postulate that distribution channels are not the core offering itself but should be considered as a service offering for the customers.

Referring to the arguments above, we base our core model on three service categories. (1) Sales services: In our study we sum up all different sales staff related service aspects and investigate customers’ experiences with the support and assistance by the sales staff in general. (2) Store services: This service category contains all services before, during and after the shopping experience which are not related to a direct sales staff interaction and ease the shopping process. (3) Distribution Channels: The offline channel with its several chain stores and/or the Internet channel form a single service category.

**HYPOTHESES OF CORE MODEL**

Service offerings have been described as important. In addition, retailers recognize that customer satisfaction plays an important role in a successful business strategy (Gómez, McLaughlin, and Wittink 2004). Therefore, we use the satisfaction with service offerings as the main
construct of our core model and analyze its antecedents and consequences. Based on this, we test the interdependencies between selected constructs for moderating effects in terms of the knowledge about the Internet as an additional distribution channel to answer our research question.

As a first antecedent, we believe that satisfaction with sales services is positively associated with satisfaction with the service offerings of the retailer. Several examples demonstrate that customers’ positive feelings toward the sales staff are often transferred to the company (Beatty et al. 1996). Furthermore, Westbrook (1981) argues that the satisfaction with store salespersons, including the helpfulness, friendliness and number of salespeople, is an important influential component of retail satisfaction. Therefore, we state that satisfaction with sales services positively influences satisfaction with the service offerings. Thus,

H1: Satisfaction with sales services increases satisfaction with service offerings.

Second, we assume that satisfaction with store services is an antecedent to satisfaction with service offerings. Store services like parking space, different paying options or accommodating exchange and return conditions add value to retailer’s core offerings. Meyer and Blümelhuber (2000, p. 114) point out that a value-adding service is an “important prerequisite for increasing satisfaction.” Therefore we expect that satisfaction with store services leads to a higher satisfaction with service offerings. Thus,

H2: Satisfaction with store services increases satisfaction with service offerings.

The third antecedent to satisfaction with service offerings is satisfaction with distribution channels. As explained above, also distribution channels are a service category in retailing and therefore influence the evaluation of the service impressions. We find evidence for this assumption in a study conducted by Montoya-Weiss, Voss, and Grewal (2003). The authors show that a positive evaluation of the Internet channel influences the satisfaction with the service provider. In line with this result, we postulate that satisfaction with all distribution channels (store or non-store format) positively affects satisfaction with service offerings. Thus,

H3: Satisfaction with distribution channels increases satisfaction with service offerings.

Besides the antecedents to satisfaction with service offerings, we also take a further look at the related consequences. Retailer’s success depends on customers’ motivation to purchase at the same retailer (Grace and O’Cass 2005). The probability that a customer sticks to a retailer is called repatronage intention and represents the equivalent to the repurchase intentions of products (Jones, Reynolds, and Arnold 2006). Several studies demonstrate that satisfaction with the retailer is an antecedent to this repatronage intention (Chen and Quester 2006; Grace and O’Cass 2005). Based on the importance of services as a factor influencing the evaluation and choice of the retailer (Baker et al. 2002), we assume that repatronage intention is positively influenced by satisfaction with service offerings. Thus,

H4: Satisfaction with service offerings increases repatronage intention.

Also price-related consequences of customer satisfaction need to be considered because they are directly linked to profitability. In line with the result that satisfaction positively influences customer’s willingness to pay (Homburg, Koschate, and Hoyer 2005) we assume that willingness to pay a price premium depends on satisfaction, as well. Thus,

H5: Satisfaction with service offerings increases willingness to pay a price premium.

**Hypotheses of Moderating Effects**

We hypothesize that providing customers who believed to shop at a pure brick-and-mortar retailer the information about the introduction of the new Internet channel during our survey will affect the relationship between satisfaction with service offerings and some of its antecedents and consequences. To explain this negative moderating effect of the announcement of a new distribution channel we refer to the schema concept and its consequences for the retailer.

Schema is a framework of knowledge about a topic or particular stimulus that is stored in memory and guides the processing of new information or objects (Fiske and Linville 1980). Information that is discrepant from schema expectations can influence consumer judgements (Desai and Gencturk 1995). If this so called schema incongruity is sufficiently extreme it will evoke negative affect (Peracchio and Tybout 1996). The frustration in perceiving the non-fit between the object and the schema carries over to the evaluation of the object (Meyers-Levy and Tybout 1989).

Based on these theoretical explanations we expect that customers who are used to shop offline at their retailer and get informed about the channel introduction during the survey perceive a schema incongruity between the store shopping schema and the announcement of the Internet channel. We assume that in the beginning our study design evokes a store shopping schema for all test
persons that only have offline shopping experiences with their retailer. While choosing their favorite apparel retailer from a list these customers think about their past shopping experiences at this retailer. Offline shopping experiences are often characterized by interactions with the sales staff, walking around the store, touching and feeling the products. For this group of test persons, the announcement that the retailer already had introduced an Internet channel evokes certain online shopping cues like product performance and financial risks (Forsythe et al. 2006) or service risks (Lee and Tan 2003). After this new information has been presented, these customers compare the shopping cues related to online shopping with the existing store shopping schema of the retailer. Obviously, they are then faced with an extreme non-fit between the information about the new online shopping option at the retailer and their stored framework about their offline shopping possibility. The perception of the extreme non-fit between the information about the Internet channel and the offline shopping schema leads to a negative evaluation of the Internet channel. Therefore, satisfaction with distribution channels of the click-and-mortar retailer that consists of the evaluation of the offline and Internet channel decreases and this antecedent gets less important for the formation of satisfaction with service offerings. Thus,

H6: The effect of satisfaction with distribution channels on satisfaction with service offerings is weaker for those customers who assumed to shop at a brick-and-mortar retailer at the beginning but got later informed about the new Internet channel than for customers of pure brick-and-mortar retailers.

Moreover, we expect that the negative evaluation of the Internet channel carries over to the perception of the retailer’s service offerings and the relationship with its consequences. For example, Montoya-Weiss, Voss, and Grewal (2003) demonstrate that perceived online channel risk is negatively associated with the satisfaction with the service provider. Therefore, we believe that also satisfaction with service offerings decreases when the customers get informed about the new Internet channel. Furthermore, these customers may worry that the introduction of the Internet channel leads to a reduction of the retailer’s offline engagement in the future. Consequently, an assumed lower offline engagement of the retailer decreases customers’ willingness to pay higher prices and their repatronage intention. Thus,

H7: The effect of satisfaction with service offerings on repatronage intention is weaker for those customers who assumed to shop at a brick-and-mortar retailer at the beginning but got later informed about the new Internet channel than for customers of pure brick-and-mortar retailers.

H8: The effect of satisfaction with service offerings on willingness to pay a price premium is weaker for those customers who assumed to shop at a brick-and-mortar retailer at the beginning but got later informed about the new Internet channel than for customers of pure brick-and-mortar retailers.

**EMPIRICAL ANALYSIS AND RESULTS**

**Research Design and Procedure**

The research hypotheses were tested in a setting of apparel retailing with the help of an online survey. Test persons were asked to choose their favorite apparel retailer from a set of 40 retailers. It was not visible for the test persons if the chosen retailer was a brick-and-mortar retailer or a click-and-mortar retailer. Afterwards test persons were asked if they know the retailers online shop and if they have ever bought online at the retailer. By doing so, we could generate two groups of customers: (1) customers of brick-and-mortar retailers and (2) customers who assumed to shop at a brick-and-mortar retailer and did not know that the retailer had already introduced an Internet channel. Other test persons, who already knew that their retailer has an offline and an Internet channel, have been eliminated from the sample. With this approach we could guarantee that only the test person of group (2) got the new information about the additional online option during the survey.

During the two-week field study time we received a total of 238 usable questionnaires (60% female; 40% male; average age of 26.1 years). Concerning their buying behavior, 66.8 percent of the respondents shop at their retailer longer than three years and 83.6 percent do this several times a year. These results implicate that the test persons are long-term customers of their retailer and have enough experiences to evaluate retailers’ service offerings.

**Measurement Validation**

We used 7-point Likert scales of existing inventories for construct measurement. The satisfaction constructs were operationalized with three items. For both loyalty constructs we decided to choose a single-item construct based on the research of Bergkvist and Rossiter (2007). All fit indices exceed the threshold level. Cronbach’s $\alpha$ (ranging from .90 to .92), explained variance (ranging from .84 to .86) and the factor loadings (ranging from .83 to .91) indicate a high reliability and validity of the construct measurements (Gerbing and Anderson 1988). Discriminant validity is approved by examining all latent constructs with the Fornell Larcker-criterion (Fornell and Larcker 1981). Table 1 illustrates the final construct measurement.
Test of Core Model

To test our hypotheses we used the LISREL approach for structural equation models. The research model is calculated by using the maximum-likelihood estimator. All fit indices are within acceptable intervals, indicating a very good fit of our hypothesized research model ($\chi^2 = 162.25$, df = 71, comparative fit index [CFI] = .98, non-normed fit index [NNFI] = .98, root mean square error of approximation [RMSEA] = .07, standardized root mean square residual [SRMR] = .04). Figure 1 shows the standardized coefficients of the model.

All hypothesized relationships between the variables are supported in our core model. We identify a direct significant impact of satisfaction with distribution channels on satisfaction with service offerings (H3: $\gamma = .19$). This result highlights the relevance of satisfaction with distribution channels besides satisfaction with sales services (H1: $\gamma = .38$) and store services (H2: $\gamma = .43$) for the formation of satisfaction with service offerings. Satisfaction with service offerings in turn has a strong positive effect on repatronage intention (H5: $\beta = .38$) and on willingness to pay a price premium (H6: $\beta = .43$) that indicates the importance of service offerings as performance drivers in retailing.

Test of Moderating Effects

To analyze the moderating effects caused by the knowledge about the additional Internet channel we split our sample into groups: (1) customers of brick-and-mortar retailers ($n = 111$) and (2) customers of click-and-mortar retailers who did not know the online channel in the beginning of the survey but got later informed about it ($n = 127$). Afterwards we checked if both groups were comparable. On the basis of a t-test and a $\chi^2$-test we figured out that there are no differences concerning age, sex, income, family status and relationship-duration between the sub-samples ($p > .1$). In addition, a t-test shows that both groups have no significant differences in their offline and Internet shopping enjoyment (“shopping online/offline at the retailer is interesting/entertaining”). Thus, we assume that our test persons are not biased toward offline channel shopping and that the effect of presenting the new information about the online channel to the group (2) could be isolated.

In a second step, we tested moderating effects through multi-group analysis. Therefore, we first estimated a restricted model. Then, we calculated the effect of the knowledge about the predicted new Internet channel on the different paths separately by setting the respective path free while the remaining parameters were fixed. Finally, we compared the $\chi^2$ change to prove the significance of the moderating effects (Jöreskog and Sörbom 1993).

The results clearly confirm the negative influence of the new information about the additional Internet channel (see Table 2). Except for the linkage between satisfaction

<table>
<thead>
<tr>
<th>Construct</th>
<th>Source</th>
<th>Items</th>
<th>Cronbach’s $\alpha$</th>
<th>Factor Loadings</th>
<th>Explained Variance</th>
<th>Factor Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction with Sales Services</td>
<td>Voss, Parasuraman, and Grewal (1998)</td>
<td>3</td>
<td>.92</td>
<td>.91 – .93</td>
<td>.86</td>
<td>.95</td>
</tr>
<tr>
<td>Satisfaction with Store Services</td>
<td>Voss, Parasuraman and Grewal (1998); Grace and O’Cass (2005)</td>
<td>3</td>
<td>.90</td>
<td>.83 – .91</td>
<td>.84</td>
<td>.90</td>
</tr>
<tr>
<td>Satisfaction with Distribution Channels</td>
<td>Voss, Parasuraman, and Grewal (1998); Grace and O’Cass (2005)</td>
<td>3</td>
<td>.92</td>
<td>.85 – .91</td>
<td>.86</td>
<td>.92</td>
</tr>
<tr>
<td>Satisfaction with Service Offerings</td>
<td>Voss, Parasuraman, and Grewal (1998); Bettencourt (1997); Grace and O’Cass (2005)</td>
<td>3</td>
<td>.90</td>
<td>.84 – .91</td>
<td>.84</td>
<td>.93</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 1 Constructs Measurements</th>
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</thead>
<tbody>
<tr>
<td>Cronbach’s $\alpha$</td>
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<tr>
<td>Satisfaction with Sales Services</td>
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<tr>
<td>Satisfaction with Store Services</td>
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<tr>
<td>Satisfaction with Distribution Channels</td>
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<tr>
<td>Satisfaction with Service Offerings</td>
</tr>
</tbody>
</table>

Repatronage Intention
Willingness to Pay Price Premium

Vázquez, Del Río, and Iglesias (2002)
FIGURE 1
Core Model and Moderating Effects

Satisfaction with Sales Services

\[ H_1 (.38^d) \]

Satisfaction with Store Services

\[ H_2 (.43^g) \]

Satisfaction with Distribution Channels

\[ H_3 (.19^c) \]

Satisfaction with Service Offerings

\[ (r^2 = .64) \]

Repatronage Intention

\[ (r^2 = .15) \]

Willingness to Pay Price Premium

\[ (r^2 = .13) \]

Knowledge about the additional Internet channel

TABLE 2
Moderating Effects

<table>
<thead>
<tr>
<th>Moderated Path</th>
<th>Tested Model</th>
<th>Stand. Coefficients</th>
<th>( \Delta ) df</th>
<th>( \Delta \chi^2 )</th>
<th>RMSEA</th>
<th>NNFI</th>
<th>CFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>H6: Satisfaction with Distribution Channels ( \rightarrow ) Satisfaction with Service Offerings</td>
<td>Restricted</td>
<td>.19(^d)</td>
<td>1</td>
<td>3.23(^c)</td>
<td>.09</td>
<td>.96</td>
<td>.96</td>
</tr>
<tr>
<td></td>
<td>Group (1)</td>
<td>.28(^c)</td>
<td></td>
<td></td>
<td>.09</td>
<td>.96</td>
<td>.96</td>
</tr>
<tr>
<td></td>
<td>Group (2)</td>
<td>.11(^b)</td>
<td></td>
<td></td>
<td>.09</td>
<td>.96</td>
<td>.96</td>
</tr>
<tr>
<td>H7: Satisfaction with Service Offerings ( \rightarrow ) Repatronage Intention</td>
<td>Restricted</td>
<td>.43(^d)</td>
<td>1</td>
<td>5.55(^d)</td>
<td>.09</td>
<td>.96</td>
<td>.96</td>
</tr>
<tr>
<td></td>
<td>Group (1)</td>
<td>.52(^d)</td>
<td></td>
<td></td>
<td>.09</td>
<td>.96</td>
<td>.96</td>
</tr>
<tr>
<td></td>
<td>Group (2)</td>
<td>.23(^c)</td>
<td></td>
<td></td>
<td>.09</td>
<td>.96</td>
<td>.96</td>
</tr>
<tr>
<td>H8: Satisfaction with Service Offerings ( \rightarrow ) Willingness to Pay Price Premium</td>
<td>Restricted</td>
<td>.38(^d)</td>
<td>1</td>
<td>.84 ( ^{ns} )</td>
<td>.09</td>
<td>.96</td>
<td>.96</td>
</tr>
<tr>
<td></td>
<td>Group (1)</td>
<td>.49(^d)</td>
<td></td>
<td></td>
<td>.09</td>
<td>.96</td>
<td>.96</td>
</tr>
<tr>
<td></td>
<td>Group (2)</td>
<td>.38(^d)</td>
<td></td>
<td></td>
<td>.09</td>
<td>.96</td>
<td>.96</td>
</tr>
</tbody>
</table>

\(^1\) Restricted represents the tight replication strategy whereby identical parameter estimates are assumed across the groups. Group 1 (2) represents the moderate replication strategy whereby one path is set free and estimated across both groups. Significant at \( a = p < .1, b = p < .05, c = p < .01, d = p < .001, \) and \( ns = p > .1. \)

with service offerings and willingness to pay a price premium, the harming moderating effect of the knowledge about an additional Internet channel (H6 and H7) can be confirmed. For customers of group (2) who didn’t know the Internet channel of their retailer at the beginning of our survey, the influence of satisfaction with distribution channels on satisfaction with service offerings is weaker than for customers of brick-and-mortar retailers (group (1): \( \gamma = .28 \) vs. group (2): \( \gamma = .11 \)). Moreover, the repatronage intention of group (2) is less determined by
the satisfaction with service offerings (β = .23) than in group (1) (β = .52).

CONCLUSION

To know the risks of introducing an additional Internet channel is of utmost importance for managers of brick-and-mortar retailers. Our study shows that for long-term customers who already have a fixed store shopping schema of their retailer, adding an Internet channel to the existing offline channel and announcing this might erode the effect chain between satisfaction with distribution channels and service offerings as well as between satisfaction with service offerings and repatronage intention. Therefore, the following managerial implications should be considered in the context of planning Internet channel introductions and announcements.

First, the results demonstrate that brick-and-mortar retailers need to clearly define the target group of their channel strategy. The appropriateness of introducing an Internet channel as an instrument to enhance the satisfaction-loyalty link for long-term customers seems questionable. Therefore, retailers should concentrate their channel strategy rather on customer acquisition than customer retention and development. Adding a new Internet channel can attract customers who were previously not served with the primary single channel strategy and therefore an extension of retailer’s market coverage is possible. However, further research is needed to test the effectiveness of introducing and announcing an Internet channel for novice customer or for developing a new customer base.

Second, a communication strategy depending on the target group of the online channel has to be defined. If the online channel aims to address the present customer base, communication instruments have to consider the incongruity between the store shopping schema and the Internet channel. Communication should emphasize how online shopping complements store shopping and how both channels can be combined during the shopping process. Linking store and online shopping connotations could occur when advertising the new channel in a shopping surrounding customers are familiar with (e.g., inside the store). One way to reach the linking of offline and online shopping experiences for retailers is having kiosks, stations for accessing their Web site, within their stores. Retailers can lead their customers to the Internet channel usage by those terminals that allow the customer to explore the online shop or to check availability of desired merchandise in another store.

Limitations of the study, which are avenues for further research, are the examination of only one “high-touch” product category to test our hypotheses. Besides apparel retailing it is also important to analyze whether our results are transferable to other products (e.g., groceries) in retailing. Another starting point for further research is to consider the moderating effect for retailers with basically more than one or two distribution channels. The research question could be if customers of a multi channel retailer with an offline and catalogue channel react in the same way as customers of a brick-and-mortar retailer when adding an additional Internet channel.

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INFLUENCE OF TRUST TRANSFERENCE ACROSS-CULTURES ON PURCHASE INTENTIONS IN THE ONLINE STORE OF A HYBRID RETAILER

Enrique P. Becerra, Texas State University – San Marcos
Chung-Hyun Kim, Sogang University, Korea

SUMMARY

Although there are many reasons why online shoppers may not convert to online buyers, lack of trust beliefs, i.e., lack of expectations that the online store will meet its commitments, is the reason mentioned the most (e.g., Johnson 2007). Trust beliefs may be formed through a transference process where beliefs about a known entity, such as the land-based store, may be transferred to an unknown one, such as the online store (e.g., Doney, Cannon, and Mullen 1998). Drawing from the literature on trust, culture, e-commerce, brand extensions, and consumer behavior, this study develops and tests a framework for understanding the influence of trust on intentions to purchase in online stores of hybrid retailers across cultures. The framework proposes that trust beliefs about the land-based store influence the trust beliefs about the online store of the hybrid retailer, that trust beliefs, in turn, influence attitudes toward the online store, and that these attitudes, in turn, influence intentions to purchase in the online store of a hybrid retailer. Additionally, it proposes that the influence of trust beliefs and attitudes vary across cultures.

The uncertainty avoidance index (UAI), because it deals with risk, is useful in studying purchasing situations perceived as uncertain, risky, and/or vulnerable, such as online transactions, across cultures (Doney, Cannon, and Mullen 1998). Individuals in low UAI cultures, although more willing to take risks, will be less willing to trust others and/or based their trust on others because of the loose relationships in their society and the higher tolerance for dissimilar behavior compared to high UAI cultures (Doney, Cannon, Mullen 1998). In risky situations, trust beliefs in high UAI cultures may have a greater influence on attitudes than in low UAI cultures with the exception of trust beliefs formed through a calculative process (Doney, Cannon, and Mullen 1998). Furthermore, attitudes toward extensions are greater in East Asian cultures than in Western culture (e.g., Monga and John 2007) suggesting that the influence of attitudes on intentions to purchase in the store extension may be greater in East Asian cultures than in Western cultures.

Overall, the results uphold the premise that the influence of trust beliefs and attitudes toward the online store on intentions to purchase in online stores of hybrid retailers vary across cultures. High UAI cultures, such as South Korea, have a greater transference of trust beliefs than low UAI cultures, such as the U.S. Trust beliefs about the online store have a greater influence on attitudes toward the online store in high UAI cultures, and trust beliefs about the land-based store have a greater influence on attitudes toward the online store in low UAI cultures. The results also highlight differences across cultures on the influence of trust beliefs and attitudes on intentions to purchase in the online store of the hybrid retailer. The influence of attitudes toward the online store on intentions to purchase are greater in high UAI cultures than in low UAI cultures, as expected, but the influence of trust beliefs about the online store on intentions to purchase in greater in low UAI cultures than in high UAI cultures, which was not expected. Additionally, in low UAI cultures, trust beliefs about the online store exert a greater influence on intentions to purchase than attitudes toward the online store while in high UAI cultures is the opposite.

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BEYOND BUYING: MOTIVATIONS BEHIND CONSUMERS’ ONLINE SHOPPING CART USE

Angeline Close, University of Nevada, Las Vegas
Monika Kukar-Kinney, University of Richmond

SUMMARY

Electronic shopping carts are virtual spaces that exist on shopping websites and are provided with a similar purpose as traditional carts – to let customers store items for subsequent purchase at that shopping session. Unlike traditional shopping carts, consumers may frequently use their virtual carts as an online browsing or shopping tool rather than an online purchase tool. To fully understand why consumers frequently abandon their shopping carts, it is crucial to understand their motivations to use an online shopping cart in the first place. Thus, the authors focus on investigating online shoppers’ motivations to use their online carts – expanding the functional view of simply considering consumers’ cart use as a necessary precondition to purchasing.

We define electronic shopping cart use as the frequency with which consumer places items in an online shopping cart. To determine what drives online shoppers to use their online shopping carts, motivations for both Internet use and shopping online in general are considered, along with how they may differ for the more specific behavior of online shopping cart use. Motives for using the Internet, in general, are interpersonal utility, information seeking, convenience, and entertainment (Papacharissi and Rubin 2000). Many of these motivations may also apply to consumer online cart use behaviors. Hence, the authors propose a series of seven hypotheses that suggest that how often online shoppers use the virtual cart is dependent upon: intent to make a current online purchase, seeking of an online price promotion, entertainment value of using the cart, intent to organize items of interest, and information-seeking behaviors.

We conducted an online survey to test the conceptual model. The construct measures were based on prior literature or were developed for the present research over the course of two pilot studies. The sampling frame includes adults who have made an online purchase within the past six months. The sample includes 289 online shoppers from forty-four states (52.6% males). Ninety-three percent of respondents visit online stores at least once a month, while 55 percent visit them at least once a week. Participants report purchasing online on average 39 percent of the times they visit the stores. Most informants

![FIGURE 1: Conceptual Model of Consumers’ Electronic Shopping Cart Use](image-url)
intend to purchase in the same Internet session regularly (19%), often (22%), or very often (14%). However, nine percent of the sample never intends to purchase during the online session in which they place items in the cart.

Upon structural equation modeling analyses, findings show that beyond current purchase intent, consumers use the virtual cart as a shopping convenience and organizational tool as well as to take advantage of online price promotions. First (H1), current purchase intent is the strongest predictor of cart placement ($\beta = .52, t = 8.57, p < .01$). As predicted in H2, consumers’ desire to take advantage of price promotions also leads to greater frequency of cart use ($\beta = .14, t = 2.11, p < .05$). We next hypothesized that search for entertainment would lead consumers to more frequently place items in their online carts (H3). However, the data do not support this hypothesis ($\beta = -.21, t = -3.42, p < .01$). H4 predicted that the frequency of electronic cart use would increase along with organizational intent of online cart use. H4 is supported ($\beta = .42, t = 5.32, p < .01$). The last proposed predictor of cart use is research and information search. The research results do not provide support for the hypothesis H5, that research and information search intent are positively associated with frequency online cart use ($\beta = .01, t = .16, p > .10$).

Frequency of online buying after Internet store visit was proposed to be driven by the customers’ current purchase intent (H6) as well as by their frequency of shopping cart use (H7). The results show that an increase in purchase intent is associated with higher frequency of buying ($\beta = .91, t = 13.03, p < .01$), as is the higher frequency of shopping cart use ($\beta = .13, t = 2.67, p < .01$). H6 and H7 are thus supported.

The research advances online consumer theory, theories of motivation, and uses and gratifications. Further, managerial implications include using knowledge of e-shoppers’ motivations to use their cart to enhance e-shopping-to-buying conversion rates and to provide online shoppers with opportunities for virtual shopping cart that transcends utilitarianism. References are available upon request.

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BEHAVIORAL RESPONSES TO ORGANIZATIONAL COMPLAINT RESOLUTION EFFORT

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SUMMARY

This research intends to overcome some major shortcomings of existing research in complaint management by investigating the effects of organizational responses on actual post-complaint customer behavior. Using a combination of repeated survey and customer database information allows to incorporate both, attitudinal and behavioral consequences of critical incidents. Unlike most previous research, a dynamic approach that takes into account prior evaluations of satisfaction and purchase intentions is employed. This addresses several research gaps and contributes to the current state of knowledge in three ways: First, the use of a longitudinal research design, including the analysis of one precomplaint and one post-complaint customer survey, allows to investigate the development of customer attitudes over time. Second, it analyzes the attitudinal and behavioral consequences of customers that have experienced a critical incident and the subsequent recovery process. Third, the effects of several organizational response dimensions on actual post-complaint customer behavior are estimated simultaneously.

The proposed framework comprises five such organizational response dimensions: personnel availability, personnel attentiveness, complaint process characteristics, apology and compensation. These are conceptualized along the three frequently researched perceived justice dimensions in complaint resolution – interactional, procedural and distributive justice - which are considered to be especially important for the goal of linking organizational complaint resolution efforts to customer behavior as “perceived justice is the customer’s feeling or reaction to the organizational complaint response, and should have a major impact on satisfaction and post-complaint customer behavior” (Davidow 2003, p. 247). In order to predict the effects of organizational response dimensions on post-complaint customer behavior, the study builds on existing attitude-behavior prediction models. Both, the relationship quality model (e.g., De Canniére, De Pelsmacker, and Geuens 2009; De Wulf, Oderken-Schröder, and Iacobucci 2001) and the Theory of Planned Behavior (Ajzen 1991, 2002) suggest a path from attitudinal antecedents over behavioral intentions to actual behavior. Accordingly, it is assumed that organizational response dimensions have an effect on service recovery outcomes, i.e., attitudinal and behavioral consequences in the following way: The response dimensions affect the customer’s evaluation of the company’s complaint handling efforts, i.e., the formation of customer satisfaction which acts as an antecedent to the formation of repurchase intentions (Anderson and Sullivan 1993). In turn, repurchase intentions are expected to ultimately influence customer post-complaint behavior. Davidow (2003) suggests the analysis of such a causal chain as an avenue for further research. Besides, the framework includes prior evaluations of satisfaction, purchase intention and spendings as service failures affect a customer relationship differently depending on the initial state of the relationship (e.g., van Doorn and Verhoef 2008).

We use transaction and survey data of a large German retailer. 3SLS was employed in order to jointly estimate the monetary impact of a change in any of the response dimensions, satisfaction and purchase intentions. Overall, the model is strongly supported by the results. When testing alternative regression models fit indices did not improve leading to the conclusion that the proposed model seems to be a good representation of the data. The results show that except from apology all examined organizational response dimensions – i.e., personnel availability, personnel attentiveness, complaint process characteristics, and compensation – are significant drivers of post-complaint purchase behavior. These were found to significantly predict future purchase behavior, even after it was controlled for the previous spending level. Remarkably, the three response dimensions – attentiveness, availability and process characteristics – which comprise some form of human interaction have a higher impact than compensation.

As Davidow (2003) acknowledges “there is a lot of value in investigating overall influences, such as which dimension is the most important one or what is the impact of a dimension on a specific post-complaint customer behavior [. . .]” as the results of this study can provide guidelines for managers when it comes to allocation of resources. References are available upon request.
CONSUMER ENTITLEMENT: CONCEPTUALIZATION AND
RESEARCH PROPOSITIONS

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SUMMARY

Individuals are said to have a sense of entitlement when they expect a particular type of treatment – indeed believe they deserve it. Although the extant marketing literature recognizes a sense of entitlement as tangentially related to consumption (Bernthal, Crockett, and Rose 2005), the literature has only recently begun to analyze and describe the phenomenon of consumer entitlement (CE). Oliver (1997) posits entitlement to be a component of consumer equity perceptions that eventually influence customer satisfaction, and in fact recommends further study to examine the impact of these differing equity perspectives on consumption and satisfaction (pp. 211–212). The present research is an attempt to widen the conceptualization of CE within the services context to better understand its impact on consumer expectations and, by extension, consumer satisfaction/dissatisfaction (CS/D).

The motivation for investigating consumer entitlement derives from three research questions: (1) are there consumers with chronic high levels of consumer entitlement (trait-based CE), (2) how do differing levels of consumer entitlement impact expectations and satisfaction, and (3) might particular firm strategies engender high levels of consumer entitlement (state-based CE)? Consistent with the psychological entitlement literature (Campbell et al. 2004), we define consumer entitlement as a stable and pervasive sense that an individual consumer deserves more and is entitled to more than others in the marketplace. Specifically, the degree to which individuals (1) consider themselves deserving of or entitled to particular outcomes, (2) the impact this perspective has on expectations, and (3) the extent to which these expectations impact (dis)confirmation and satisfaction are all explored. Similar to Nenkov, Inman, and Hulland (2008), this research is not solely focused on the development of the scale to measure CE; the relationship of the CE construct to other consumer traits, as well as services marketing are equally important.

Briefly, we hypothesize that the antecedents of CE include psychological inputs such as narcissism and general psychological entitlement, as well as sociological inputs such as social comparison and equity sensitivity. These particular drivers contribute to the individual’s level of consumer entitlement, eventually leading to measurable outcomes such as idealized expectations and dissatisfaction. Our 11-item Consumer Entitlement scale is uni-dimensional and internally consistent ($\alpha = .91$; $CR = .91$) with evidence of convergent validity (AVE of 0.50) (Fornell and Larcker 1981). Evidence of discriminant validity between the proposed CES measure and the general psychological entitlement measure (Campbell et al. 2004) was provided by a chi-square difference test of 402.71 ($p < .01$, 1 df).

Consumer Entitlement, Expectations, and Satisfaction

Our conceptualization of CE in a services marketing context suggests then that entitled consumers harbor higher standards when postulating what will occur in the marketplace. In other words, consumers high in CE possess atypically high expectations, often not distinguishing between will and ideal expectations. As a result, we expect to find that individuals high in CE will (1) exhibit smaller differences between levels of will and ideal expectations than individuals low in CE, (2) be more likely to experience negative disconfirmation and subsequent dissatisfaction more often than individuals low in CE, and (3) experience a stronger (attenuated) negative (positive) reaction to negative (positive) disconfirmation compared to individuals low in CE. Additionally, we propose that marketing strategy may induce consumers to exhibit temporarily high levels of CE by conveying the consumer’s “specialness” via communications or promotions.

Nomological Validity

Our preliminary empirical findings explore how CE impacts expectations formation, showing that the level of CE significantly predicted the difference between ideal expectations and will expectations ($\beta = -.27$, $t(143) = -2.74$, $p < .01$). Indeed, for participants with high CES scores, the difference between will and ideal expectations were significantly lower than participants with low CES scores ($M_{LOWCE} = 1.73, M_{HIGHCE} = 1.31$) ($t(143) = -2.11, p = .04$).

General Discussion

This research begins an examination of Consumer Entitlement (CE), i.e., the degree to which an individual believes they deserve more and are entitled to more than
others in the marketplace. Although preliminary, we have proposed a parsimonious, uni-dimensional scale instrument and have begun to empirically explore the construct’s implications for consumer expectations and satisfaction/dissatisfaction. Participants high in CE exhibited will expectations close to ideal expectations, while those who were low in CE showed a wider dispersion between will and ideal expectations as predicted in our first research proposition. In other words, consumers higher in CE approach the marketplace with less distinction between what they expect will occur, and what they expect in an ideal situation.

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REPURCHASE AND WORD-OF-MOUTH BEHAVIORS IN THE
HOSPITALITY INDUSTRY: FAILURE SEVERITY AND
RECOVERY LOCUS ATTRIBUTION IMPACTS

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SUMMARY

As an evolving area of academic investigation, service failure and recovery research is particularly relevant in the hospitality field where there is a high frequency of employee interaction with customers (Bitner, Booms, and Tetreault 1990; Mack, Mueller, Crotts, and Broderick 2000) and “a greater propensity to fail due to their intangible or experiential nature, as well as simultaneous production and consumption” (Lee and Sparks 2007, p. 505). The high level of human interaction and reliance on the interpersonal skills of the service provider also add to the difficulty of hospitality firms to provide error-free services (Nikolich and Sparks 1995). Hospitality based firms are unique service organizations (Susskind, Borchgrevink, Brymer, and Kacmar 2000), and “typically require a high level of service-involvement and are normally fully completed and evaluated before payment is rendered and departure from the place of purchase is initiated” (Susskind 2005, p. 151). Yet, service recovery research in the hospitality field is still lacking (Lewis and McCann 2004; Susskind 2004; Thwaites and Williams 2006). This study utilizes a hospitality context to examine the effect of recovery locus attributions and service failure severity on customer word-of-mouth (likelihood the incident will be discussed, social network the incident is discussed with, and the word-of-mouth valence) and repurchase.

Results

The critical incident technique (CIT) in conjunction with a structured self-completion questionnaire was utilized in this study. Respondents ranged in age from 18 to 85 years (mean = 34.6, SD = 13.4), with females making up 53.4 percent of the sample. Of the collected incidents, 377 were directly related to hospitality (i.e., accommodations, travel transportation, restaurants) and were retained for analysis (49.3% satisfactory and 50.7% unsatisfactory). The type of hospitality industry (i.e., accommodations, travel transportation, restaurants) was not found to be statistically related (p > .05) to the reported incident type (i.e., satisfactory or unsatisfactory recovery), so the three industries were combined for subsequent analysis. The majority of respondents (81.9%) indicated that they had discussed their service encounters, and were most likely to share word-of-mouth (WOM) with friends/co-workers; followed by family members, acquaintances, and the service firm.

It was expected that service recovery locus attributions to the customer, service employee or service firm would be differentially related to specific post incident outcomes. For unsuccessful (i.e., dissatisfactory) recovery, the recovery locus attribution was generally not significantly associated with repurchase or WOM behaviors. Empirical findings indicate that, for satisfactory recoveries attributed to a hospitality firm, the customer is more likely to discuss the encounter, share information with a wider social network, have a greater likelihood of making recommendations and convincing others to use the service provider, and are more likely to have repatronized the organization.

Understanding the severity of a service failure is important when determining the appropriate recovery strategy (Hart, Heskett, and Sasser 1990). As the severity of a failure is based on individual perceptions (Mattila 2001), it has been proposed that differentiation of service failure by the degree of severity can provide service organizations with insights into customer response (Bhandari, Tsarenko, and Polonsky 2007). Findings indicate that unsatisfactory incidents are recalled as significantly more serious than satisfactory encounters. In unsatisfactory recovery incidents, correlation analysis indicates that as perceived severity of the initial encounter increases, respondents are more likely to warn and convince others not to use the service and are less likely to recommend the service to others. For satisfactory recovery incidents, greater failure severity was more likely to result in warnings to others about the service, but was not significantly related to positive WOM. In addition, respondents were more likely to discuss the encounter, and more likely to talk to family members as well as acquaintances when incident severity was greater. The findings suggest that repurchase decisions were also related to initial failure severity. Specifically, the greater the perceived failure severity, the lower the repurchase likelihood. However, this difference appears to be explained by the satisfactory or unsatisfactory nature of the recovery. If unsatisfied with the recovery effort, the severity of the initial failure was not statistically significant for repurchase. In satisfactory recovery encounters, higher perceived initial failure severity was significantly related to repurchase behavior.
Discussion

Hospitality based organizations seek defect-free customer interactions but recognize the inevitability of failure. As such, it is critical to identify customers’ perceptions of failed encounters and identify recovery strategies and methods to manage these failures and related loss of customers and negative WOM. Based on the findings of this study, customers’ WOM behavior depends on how customers attribute the successful service recovery. Hospitality managers may not be able to control internally-generated attributions, but they can be proactive by providing an explanation regarding the recovery process. If a hospitality organization seeks to retain their customers and avoid negative WOM, it’s important that explanations crafted for customers include statements indicating the role of the firm in the recovery process. This may not fix a failure, but it may decrease customer negative WOM, and increase repurchase intentions. By understanding the important role of service recovery and its subsequent impacts to the hospitality firm, service providers can be more prepared when service failures occur and thereby enhance customer retention. References are available upon request.

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CORPORATE SOCIAL RESPONSIBILITY VIA CAUSE BRAND ALLIANCES

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SUMMARY

The concept of corporations being socially responsible has taken on increasing importance among stakeholders over the past two decades. Socially responsible behavior by firms has been positively linked to product and brand evaluations, brand choice and purchase intentions, and word-of-mouth recommendations (Brown and Dacin 1997; Drumwright 1996; Osterhus 1997; Sen and Bhattacharya 2001; Mohr and Webb 2005). In other words, consumers are influenced by firms that exhibit a good track record in social responsibility.

A challenge facing managers is the need to find effective ways of communicating corporate social responsibility (CSR) in order to influence stakeholder, and more specifically, consumer decisions (Osterhus 1997). Scholarly research can help in this endeavor by further studying how marketing phenomenon influence consumers’ perceptions of a firm’s CSR. The literature refers to a consumer’s perception of a firm’s CSR as CSR associations. The current manuscript adopts the definition of CSR associations provided by Brown and Dacin (1997), “CSR associations reflect the organization’s status and activities with respect to its perceived societal obligations.”

The current study looks into how consumers’ CSR associations can be molded through the use of a cause-brand alliance (CBA). Conceptually the idea of a CBA is similar to that of a traditional brand alliance. In this situation a firm or its brand enters into an alliance with a cause. There is even some common ground between the objectives of CBAs and brand alliances. For example CBAs try to leverage the image and recognition of the cause in an effort to influence consumers’ attitudes toward the firm or its products. In our framework we suggest that there is a direct relationship between consumers’ attitudes toward a CBA and their CSR associations of the firm involved.

It has been empirically shown that attitudes toward the firm have a positive effect on CBA evaluations (Lafferty and Goldsmith 1999). Along similar lines, it has been found that a positive attitude toward the cause will lead to favorable evaluations of the CBA (Ellen, Mohr, and Webb 2000). However we suggest that these two relationships are moderated by perceived cause-firm fit. Perceived cause-firm fit would imply a comfortable pairing of the cause and the firm where the cause’s focus and the firm’s product have certain complimentary attributes in the minds of stakeholders. We propose the following propositions based on congruence theory:

\[ P_{1A} : \text{When perceived cause-firm fit is high, the relationship between consumer attitudes toward the firm and their evaluation of the CBA will be stronger than when perceived cause-firm fit is low.} \]

\[ P_{1B} : \text{When perceived cause-firm fit is high, the relationship between consumer attitudes toward the cause and their evaluation of the CBA will be stronger than when perceived cause-firm fit is low.} \]

Signaling theory helps explain market activity when there is imperfect information – situations when access to perfect information is limited thus individuals cannot make accurate decisions. Within the current framework we suggest that firms can credibly signal their level of social responsibility via CBAs so that consumers shape more accurate CSR associations. Based on the bonding perspective in signaling theory, consumers would view the signal as being credible, as the cause-related organization within the CBA would be vulnerable to sanctions if the signal is false (Rao, Qu, and Ruekert 1999).

\[ \text{P}_2 : \text{Consumers’ evaluations of the credibility of the CBA signal are positively related to their evaluations of the CBA.} \]

If there is a lack of sufficient information, consumers would find it hard to make accurate CSR evaluations of a firm. This could be the case when a firm is a relatively new entrant in the market and has not established itself or if a firm is unable to communicate its CSR initiatives effectively to its stakeholders. Sometimes consumers’ CSR evaluations could even be negative based on biased third-party information or because of skepticism about the firm’s actual behavior. All these circumstances arise because accurate CSR information maybe unobservable to the consumer. Thus consumers cannot make accurate evaluations of a firm’s socially responsible behavior and therefore their CSR associations are not accurate.

If a firm wanted to improve these evaluations and positively influence CSR associations, one way would be to send a credible signal. As mentioned above, one possible signal would be a CBA. Thus, according to our conceptualization, when consumers attitudes toward a
CBA are high, this will positively influence their CSR evaluations of the firm, however if attitudes toward the CBA are low this would not have any impact on CSR evaluations. As such, we hypothesize the following:

P3: Attitude toward a CBA has a direct effect on CSR evaluations.

P4: Availability of CSR information moderates the relationship between attitude toward the CBA and CSR evaluations such that when availability of CSR information is high, the relationship between attitude toward the CBA and CSR evaluation is weaker than when availability of CSR information is low.

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SUMMARY

We build on self-expansion theory to consider how consumers use brands to expand their sense of self. Brands become linked to the self and expand consumers’ sense of the resources, perspectives, and identities they have at their disposal. Consumers are likely to develop a strong desire for a relationship with a brand that is perceived to offer such expansion, and to acquire products of that brand, because they are included in the self, one is threatened by potential separation or loss of the relationship with the brand (thus becoming loyal to it). As such, our research aims to bring a significantly new perspective that accounts for central important aspects of sustainable brand relationships not previous considered, as well as integrating some diverse findings in prior brand relationship research.
THE SELF- AND SOCIAL-RELATED MOTIVATION OF BRAND COMMUNITY

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SUMMARY

Previous studies of brand community mainly discuss general motives about why certain consumers become members of a brand community and what the consequences are. To date, there is a lack of clarity as to what are the underlying motivations of consumers participating in such communities. This study attempts to contribute to the existing knowledge on brand community in two important ways. First, it develops a conceptual model based on motivation, opportunity, and ability (MOA) theory (MacInnis and Jaworski 1989; MacInnis, Moorman, and Jaworski 1991) to explain the formation of brand community. This study asserts that consumers’ motivation, opportunity, and ability explain the magnitude of their participation in a brand community. Second, based on previous motivation theories, this study further elaborates consumers’ motivation into two categories, self- and social-related. Self-related motivation refers to consumers’ private interest to experience enjoyment and gain personal knowledge regarding the use of a brand by joining a community. Social motivation refers to consumers’ interest to join BC activities to have some affiliation with other members and to acquire social status inside the community. Based on our theoretical considerations, this study derives the following hypotheses:

H1: Stronger self-related motives lead consumers to have higher behavioral intentions related with BC.

H2: Stronger social-related motives lead consumers to have higher behavioral intentions related with BC.

H3: The opportunity that consumers have positively influences their behavioral intentions related with BC.

H4: The ability that consumers have positively influences their behavioral intentions related with BC.

H5: The positive effects of consumers’ (a) self-related motivation and (b) social-related motivation on behavioral intentions tend to be higher when they have greater opportunity.

H6: The positive effects of consumers’ (a) self-related motivation and (b) social-related motivation on behavioral intentions tend to be higher when they have greater ability.

This study tests the proposed hypotheses using data from Tiger Motor Club (TMC), the community of Tiger motor owners in Indonesia. The developed measurements are pre-tested, and received 248 responses (24.80% of response rate).

The findings indicate that both self- and social-related motivation play significant roles in driving consumers to participate in and continue their membership of BC. The findings confirm the results of Schouten et al. (2007) and Cova et al. (2007), that the enjoyment motive leads consumers to join a BC. Moreover, the findings support Muniz and Schau (2005) and Bagozzi and Dholakia (2006), in that the need to update product knowledge motivates consumers to participate in BC activities and recommend the community to others. Furthermore, the need to affiliate with other brand owners leads consumers to integrate into BC, which is in line with the findings of Muniz and O’Guinn (2001). Finally, social status motivates consumers to participate in BC activities, which confirms the proposition of Schouten and McAlexander (1995). The above findings imply that marketers need to consider two consumer motives as bases to facilitate and organize BC activities.

Another finding of this study is that opportunity has no significant effect on members’ behavioral intentions, while ability has positive effect. Further results show that the effects self- and social-related motivation are moderated by the opportunity that members have, which is also consistent with the findings Gruen et al. (2007). Thus, marketers need to create situations for members to feel enjoyment and increase their product knowledge. Moreover, organizing activities that could allow members to affiliate with others and gain formal and informal status inside the community are conducive to fostering members’ motivation on behavioral intentions. References are available upon request.
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CULTURAL ETHNOCENTRISM AND ITS EFFECT ON SHOPPING TENDENCY WITH BILINGUAL SIGNAGE: AN EMPIRICAL INVESTIGATION

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SUMMARY

According to a report published in August 2008 by the U.S. Census Bureau, minorities will account for more than half of the U.S. population by 2042. As the U.S. population is getting increasingly diverse, multiculturalism is a way of life. To meet the challenges of growing multi-ethnic marketplace, retailers are getting more sensitive to court minority shoppers. Specifically, Hispanic, one of the largest minority groups, has become an indispensable part of the overall market, especially with Hispanic Americans having grown the largest minority for the first time in history (Armas 2003). With this phenomenon, bilingual signage has gained traction in retailing stores where product labels and informational displays inside are in both English and another language such as Spanish.

In spite of its rising popularity in practices, research on this phenomenon is dearth. Moreover, according to the American Heritage Dictionary, ethnocentrism is defined as “belief in the superiority of one’s own ethnic group.” In light of this definition, the domain of consumer ethnocentrism is very narrowly construed. This study is to fill the void in this area. Specifically, the new five-item scale so-called “cultural ethnocentrism” is proposed and validated. This proposed new scale is designed to assess beliefs Americans hold toward non-English marketing programs such as bilingual signage targeting minorities.

Results show that the new scale is not only much shorter than the CETSCALE (Shimp and Sharma 1987), but also exhibited its superiority in terms of convergent, discriminant, and nomological validity. Further, the study empirically tests the model of whether cultural ethnocentrism affects shoppers’ attitude toward bilingual signage, which in turn is related to their shopping tendency. Our results confirm that consumer ethnocentrism has a significantly negative direct effect on shopping tendency toward the most favorite groceries store with hypothetical bilingual signage. This finding supports the theoretical consideration that ethnocentric consumers should be less inclined to shop in those stores with bilingual signage because use of foreign language deviates from their norms. Both attitude toward bilingual signage and shopping store alternative have a significantly positive effect on shopping tendency toward the store with bilingual signage. Theoretical and managerial implications are discussed. References are available upon request.

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ABSTRACT

It has been suggested that Asian consumers living in dense metropolitan areas may have a high tolerance for crowded retail environments. This study investigates the influence of perceived crowding and other factors on shopping satisfaction and patronage intentions for a sample of Singaporean consumers of ethnic Chinese origin. Results indicate negative influence of perceived crowding for task oriented consumers and for subjects not expecting to encounter crowds. Additionally, shopping satisfaction and patronage intentions are positively influenced by a person’s confidence in adaptive shopping behaviors and negatively affected by individual differences in spatial discomfort. Rather than having high tolerance for retail crowding, results suggest that Asian consumers may be adversely affected by store environments with high customer density.

INTRODUCTION

For many retailers, the high costs of prime retail space may lead to store layouts with full utilization of selling space. Consumers may experience sensations of being crowded by the physical environment with narrow aisles and imposing merchandise displays. Consumers may also experience crowding from the social environment when there is a congestion of other shoppers within the store. The effects of retail crowding can be particularly acute in urban settings with expensive real estate and high population concentrations. Such is the case with Singapore, an island republic with a population density of 6,066 persons per square kilometer (Statistics Singapore 2006).

Retailers are very interested in understanding and reaching the rapidly growing consumer markets of Asia. Singapore is a multi-cultural city with substantial populations of Chinese, Malays, and Indians. The dominant culture is ethnic Chinese representing approximately 76 percent of the population (Statistics Singapore 2006). Consequently, Singapore is frequently seen as major gateway for Western companies reaching out to Asian markets including China. Consequently, large numbers of international retailers have opened stores in Singapore (Chong 1996; Yap 1996).

An important question for retailers is how Chinese consumers may respond to crowded retail environments, and how these responses shape shopping satisfaction and patronage behaviors. Evans, Lepore, and Allen (2000) argue there is a common perception that cultures vary in their tolerance for crowding. Certain Chinese values such as tranquility, perseverance, and politeness, as well as low personal values of privacy may lead to lower perceptions of crowding in high density environments (Chan 1999). Chen, Ng, and Rao (2005) suggest the traditional culture of Singaporeans makes them more patient as consumers than Westerners. Hall (1966) proposes that members of contact cultures (e.g., Latin, Asian, and Arab) prefer closer interpersonal space than members of non-contact cultures (e.g., Northern European, North American). Thusly, persons in the contact cultures such as China may more accepting of crowding owing to their smaller personal space zones.

The distinction of collectivist and individualist cultures has been used in a number of studies to describe cross-cultural differences in consumers (e.g., Kacen and Lee 2002; Sun, Horn, and Merritt 2004). Collectivist societies such as Singapore and China emphasize group affiliations and group activity rather than independent actions. Members of collectivist cultures could be more tolerant of crowding than persons in individualistic societies such as the United States.

Nevertheless, studies of crowding in Chinese cities have suggested residents of high-density cities may have negative attitudes toward crowding. For example, Chan (1999) finds conflict with others for space leads to aversive effects of crowding for residents of the hyper-dense metropolis of Hong Kong. Evans et al. (2000) suggest that negative responses to crowding may be a cultural universal. Although persons from different cultures may vary in judging whether a level of density is crowded, members of these cultures may all experience psychological distress from crowded conditions (Evans et al. 2000).

Most of the China studies examine tolerances for residential crowding, and there is less information as to how these subjects may respond to crowding in public spaces such as retail stores. Retail crowding may negatively impact Chinese shopping behaviors. Chinese consumers like to shop in environments that are free of interference. Retail salespeople must not be aggressive, but must maintain a distance while letting the customer know that they are prepared to assist the customer (Yau...
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In this study, a field experiment is conducted using a sample of 160 Singapore consumers. Previous research on retail crowding is used to develop a comprehensive model that includes consumer expectations of encountering crowds, perceptions of crowding, shopping orientations, adaptive behaviors to respond to crowds, and individual differences of discomfort with store congestion. These factors are applied in structural models to assess outcomes of shopping satisfaction/dissatisfaction and patronage intentions toward the store.

**CONCEPTUAL BACKGROUND**

**Crowding and Density**

Stokols (1972) emphasizes the difference between crowding and density, and argues these two terms should not be used interchangeably. Density is a physical condition, defined purely in terms of spatial parameters, such as the number of people per unit space. Crowding occurs when an individual perceives that there are too many people in a given space. Crowding is a motivational state aroused through the interaction of density with certain social and personal factors, and directed toward the alleviation of perceived space restriction. Thus, although density is a necessary antecedent for crowding to occur, it is not a sufficient condition for the experience of crowding.

Rather than developing models that apply to a complete range of crowdedness from low to high densities, the focus of this study is in response too congested or high customer density retail environments. In this study, all participants are exposed to a common stimulus of a retail environment evaluated as high in customer density. Crowding research suggests there are asymmetries in the way in which individuals respond to crowded versus uncrowded environments (Webb and Worchel 1993). Retailing research also indicates customers may respond differently to a crowded store environment than an uncrowded environment. For example, Eroglu and Machleit (1990) manipulated five levels of retail density to examine differing effects on crowding perceptions. Eroglu and Machleit find a high sensitivity of task oriented shoppers to perceived crowding only in a high density shopping environment.

**Models of Responses to Retail Crowding**

Previous research in retailing has articulated some comprehensive models to explain consumer responses to retail crowding. For example, Harrell, Hutt, and Anderson (1980) integrate crowding literature from various disciplines and develop a conceptual model. Exogenous personal factors such as past experience and traits influence response to physical density and perceived crowding. Perceptions of crowding may activate shopping adaptation strategies which influence outcomes of store satisfaction, enjoyable time consumption, confidence in shopping behavior, and consideration of time for shopping.

Eroglu and Harrell (1986) also develop a model that addresses the antecedents, processes, and consequences of retail crowding. Four antecedents of crowding, namely environmental cues, shopping motives, constraints, and expectations are identified. Shopping motives are distinguished as task and non-task shopping orientation, and constraints include perceived risk and time pressure. These antecedents influence utilization of cues leading to perceptions of density and crowding as well as affective responses to crowding. Environmental cues may also lead to adaptive shopping strategies influencing satisfaction and shopping patterns. In this study, components of these two models (Harrell et al. 1980; Eroglu and Harrell 1986) are combined to create a comprehensive model to explain responses of consumers encountering a store with a high level of customer congestion.

One of the most important outcomes in research on retail crowding is shopping satisfaction or dissatisfaction (Eroglu and Machleit 1990; Machleit, Kellaris, and Eroglu 1994; Machleit, Eroglu, and Mantel 2000; Eroglu, Machleit, and Barr 2005). Shopping satisfaction has been conceptualized as an affective evaluation of either an actual or a simulated shopping experience (Eroglu and Machleit 1990). Figure 1 presents an overview of a conceptual model of antecedents of shopping satisfaction when a consumer may encounter high customer density in a store. Customer perceptions of crowding are influenced by their current shopping task orientation. Perceptions of crowding are also influenced by expectations of encountering a crowd due to store sales or the shopping day. Customers may have also developed adaptive behaviors to cope with crowds. Additionally customers may have individual differences in their discomfort with crowded spaces. In this model, shopping satisfaction or dissatisfaction is influenced by task orientation, perceived crowding, adaptive behaviors, and spatial discomfort (see Figure 1).

A second important outcome in retail crowding research is customer behavioral intentions with respect to
crowded stores (Hui and Bateson 1991). Patronage intentions may reflect a more cognitive appraisal by customers of future shopping behaviors at a specific store. Figure 2 presents an overview of a proposed model to explain patronage intentions. Owing to the frequent strong relationship between customer satisfaction and patronage intentions, the structure of the model is the same for both constructs (see Figure 2).

**HYPOTHESES**

**Perceived Crowding**

Consumer perceptions of crowding have been a central construct in research on retail crowding. Customer density has been shown to have a direct influence on perceptions of crowding (Hui and Bateson 1991; Eroglu and Machleit 1990). Perceived crowding may be considered to represent “an experiential or psychological state, which accrues from the interaction of a relatively high density of people with other social, personal, and physical-environmental variables” (Chan 1999, p. 106).

Perceived crowding, which elicits an emotional response toward the stimuli, is an important determinant of customer satisfaction (Harrell et al. 1980; Eroglu and Harrell 1986; Machleit et al. 2000). In addition to effects on satisfaction, Hui and Bateson (1991) find perceived crowding negatively affects shopping-related approach behaviors and may lead to avoidance behaviors on the part of consumers.

**H1:** In a high customer density store, shoppers who perceive more crowding are likely to experience less satisfaction than shoppers who perceive less crowding.

**H2:** In a high customer density store, shoppers who perceive more crowding are likely to have less favorable patronage intentions than shoppers who perceive less crowding.

**Task/Non-Task Shopping Orientation**

The retail literature has a long-standing distinction between task oriented and non-task oriented shopping motives. Task oriented shoppers tend to buy less impulsively, spend less time per shopping trip, are less likely to continue shopping after making a purchase and place less importance on store décor (Korgaonkar 1981). The typical non-task shopper has less current interest in acquiring a product or service and shops for the experience itself. Non-task shopping may encompass browsing as well as recreational shopping. Task oriented consumers are concerned with utilitarian shopping values, whereas non-task shoppers may be directed to hedonic shopping values (Babin, Darden, and Griffin 1994).

Some research suggests consumers in China generally are task oriented in their shopping trips. For example, Li and colleagues (2004) find consumers in the provincial capital of Xi’an to primarily have utilitarian and task orientations in their mall shopping visits rather than the mixed motives of American consumers. However, Chinese consumers in Singapore have long recognized shopping as a form of entertainment (Chong 1996; Ibrahim and Wee 2002). Ibrahim and Wee (2002) find consumers in Singapore may also discriminate hedonic and utilitarian shopping motivations in their shopping visits. Chinese consumers also engage in browsing activities that may lead to unplanned or impulsive purchases (Kacen and Lee 2002; Sun et al. 2004).
Retailing studies have investigated the relationship of crowding perceptions to task and non-task shopping motivations (Eroglu and Machleit 1990) as well as utilitarian and hedonic shopping value (Eroglu et al. 2005). Task oriented shoppers may negatively perceive higher crowding because high customer density may prevent or hinder achievement of purchase goals. Non-task oriented shoppers may have desires to satisfy epistemic curiosity and other recreational motives that lead them to pay attention to stimulating events in the environment. In this shopping mode, recreational shoppers and browsers may perceive less crowding interfering with the shopping motivations. Eroglu and Machleit (1990) also argue task oriented shoppers may experience less satisfaction in a high density environment. Similarly, task oriented shoppers may have less favorable patronage intentions toward stores with high customer density.

H3: In a high customer density store, task oriented shoppers perceive greater retail crowding than non-task oriented shoppers.

H4: In a high density store, task oriented shoppers experience less shopping satisfaction than non-task oriented shoppers.

H5: Task oriented shoppers have less favorable patronage intentions than non-task oriented shoppers for a high density store.

Expectations of Crowding

Research in environmental psychology has demonstrated the effects of expectations of crowding on perceptions of crowding (Baum and Greenberg 1975; Klein and Harris 1979; Webb and Worochel 1993). Baum and Greenberg (1975) find that persons manipulated to expect a crowd may experience discomfort just waiting for a crowd. Baum and Greenberg argue that expectations of crowding may be psychologically equivalent to the subjective experience of crowding. Klein and Harris (1979) find that when subjects are placed in a high density environment, those subjects who were expecting high density have more negative ratings of crowding than subjects without expectations. However, a study by Webb and Worochel (1993) indicates that disconfirmation of expectations can also influence perceived crowding. When subjects are placed into a high density environment, those who are expecting low-density perceive greater crowding than those anticipating high-density.

The anticipation of high density could decrease the amount of density perceived and hence sensitivity to the stress evoked, compared to when the crowd is unexpected. However, for this study the focus is on a disconfirmation hypothesis in which expectations of low crowds may heighten perceived crowding when consumers encounter high customer density in a store. A study by Machleit et al. (2000) find this effect of negative disconfirmation in which subjects not expecting crowds experience more intense crowding when faced with a congested store environment.

Consumers may have varying expectations of customer density that are related to the time of the day, the day of the week, or the time of the year. For example, consumers may have firm expectations of encountering shopping crowds in grocery stores after work or during holiday
shopping seasons. This study examines the differences in expectations for mall shopping on a weekend versus a weekday. Consumers with expectations of crowding because of a weekend may perceive less crowding.

H6: In a high customer density store, shoppers expecting a crowd because of a weekend shopping day will perceive less retail crowding than weekday shoppers.

Retail stores frequently run sales promotions in an effort to increase store sales promotions and attract shoppers into the store, in the hope that they would buy other non-discount items. In the event of a sales promotion, stores are frequently crowded by shoppers who visit the stores in the hope of finding some bargains. Studies of Singaporean consumers indicate sales and promotions are important drivers of store patronage (Ibrahim and Wee 2002). Consequently, consumer knowledge of a store sale may lead to expectations of encountering throngs of shoppers and may reduce sensitivity to perceptions of crowding.

H7: In a high density store, customers expecting a crowd because of promotional sales will perceive less retail crowding than customers during non-sale times.

Adaptive Behaviors

Stokols (1972) emphasizes crowding is a personal, subjective reaction to environmental density that may lead to goal-oriented behavior to alleviate or minimize the discomfort. The experience of crowding is influenced by a person’s ability or inability to take actions to reduce discomfort. In the context of retailing, shoppers have been found to adopt a multitude of adaptive strategies under conditions of crowding. Eroglu and Harrell (1986) argue that both task and non-task oriented shoppers may engage in these behaviors to alleviate problems of retail congestion.

Eroglu and Harrell (1986) suggest adaptive strategies can be classified under three general categories. These are: (a) limiting the amount of information perceived and processed, (b) limiting interpersonal communication, and (c) attempting to reduce shopping time. Strategies taken to limit the amount of information perceived include less exploratory shopping, reduced attention to in-store promotions and buying brands which shoppers are familiar with. Limiting interpersonal communication involved exhibiting weaker forms of involvement with other shoppers and store assistants, and conforming to established traffic patterns in the store. Attempts to reduce shopping time place a heavier emphasis on use of shopping lists. Thus, unnecessary purchases are delayed and impulse buying abandoned.

To examine a shopper’s ability to adapt to a high density store, one can look at the adaptive strategies used. This ability to adapt may be reflected by the number of adaptive behaviors employed in a crowded store. Conceptual models of retail crowding by Harrell et al. (1980) and Eroglu and Harrell (1986) both maintain adaptive strategies may influence outcomes such as satisfaction and patronage. If shoppers believe they can successfully adapt to the crowded situation, they would experience less dissatisfaction with the store. Similarly, customers who are confident in adaptive shopping behaviors may have more favorable patronage intentions for high customer density stores.

H8: Shoppers with a higher likelihood of adaptive behaviors will experience higher shopping satisfaction in high density stores than customers with lower likelihood of adaptive behaviors.

H9: Shoppers with a higher likelihood of adaptive behaviors will have more positive patronage intentions for high density stores than shoppers with less likelihood of engaging in adaptive behaviors.

Spatial Discomfort When Shopping

In his pioneering study, Hall (1966) proposes that personal space seems to function as a form of nonverbal communication. Personal space may be defined as the area individuals maintain around themselves into which others cannot invade without arousing discomfort. Personal space moves with a person expanding and contracting according to the situation and regulating interactions with others. Hall emphasizes some of the cultural differences in preferences for personal space; other researchers such as Cozby (1973) and Aiello et al. (1977) examine individual differences in desires for personal space. These studies examine crowding as a function of personal space intrusion. In his study, Cozby finds subjects with far personal space preferences react more negatively to a high density situation than subjects with close personal space preferences. Aiello et al. (1977) supports this hypothesis and explains that persons with far interpersonal space preferences are more noticeably affected during crowding due to a lack of control over the situation.

To measure individual differences in reactions to crowds, Aiello and colleagues (1977) developed an index of spatial discomfort assessing the extent to which subjects are: (a) bothered by the amount of space available, (b) affected by the number of people in the room, (c) affected by the distance between self and others, (d) cramped, (e) members were too close, (f) competition for space, (g) lacking privacy, and (h) infringed upon. Aiello and colleagues find responses to spatial discomfort are related to physiological measures of stress in high density environments. Aiello and colleagues (1977) also suggest individual differences in spatial discomfort are reflective of responses of persons to conditions of short-term crowding (e.g., subway rides, store visits).
Studies of retail crowding have also investigated individual differences in consumers’ tolerance for crowds (Eroglu et al. 2005; Machleit et al. 2000). These studies indicate a substantial variation in tolerance for crowding in their samples of American subjects. There also do not appear to be significant gender differences in this personality factor. These studies also indicate individual differences may influence outcomes of high density retail environments.

H10: Individuals with high spatial discomfort for crowds will experience less satisfaction with a high density store.

H11: Individuals with high spatial discomfort for crowds will have less favorable shopping intentions toward a high density store.

METHODOLOGY

Research Design

This study was conducted in a field setting using colored photographs, written scenarios, and questionnaires to test the research framework. A total of 198 questionnaires were distributed to a convenience sample of shopping mall visitors in Singapore. A total of 183 questionnaires were returned; some of these were eliminated because of missing values leaving a total of 160 for data analysis. The sample is composed of ethnic Chinese and is almost equally split between male and female respondents.

A department store, rather than an individual specialty store, was chosen as the research context for two reasons. First, the likelihood of shoppers’ varying experiences and predispositions toward selected product categories, which would bias their perception of crowding, could be minimized. Secondly, due to their size and variety of merchandise, department stores frequently serve as an outlet for non-task oriented shoppers to pursue their recreational motives. Department stores have been a popular form of retailing in Singapore, and this category includes the stores from several international retailers as well as domestic chains (Chong 1996; Yap 1996).

Colored photographs are used in this study to simulate shopping situations and to depict high density level in the store. This method was adapted from Eroglu and Machleit’s (1990) study where colored slides are used to portray a shopping environment. A study by Bateson and Hui (1992) indicates photographs have ecological validity in simulating retail settings. A total of six photographs depicting retail environments with high customer density were selected for pre-testing. Twelve undergraduates were recruited to rate the photographs on their respective density level. Subsequently, the photograph with the highest mean rating of customer density was chosen for this study.

Eight scenarios were developed for this study to operationalize independent variables of shopping orientation, expectation of a crowd because of day of the week, and expectation of crowd because of a store sale. In essence, a 2 (Non-task orientation, Task orientation) X 2 (Weekend, Weekday) X 2 (Store sale, no store sale) design was employed in these eight scenarios. The resultant 8 scenarios were pretested and manipulation checks were conducted on 40 undergraduate business students as subjects. These eight scenarios were then equally distributed to the study participants.

Subjects were first given a scenario to read, after which they were instructed to project themselves into the scenario. After reading the scenario, respondents were then asked about task or non-task shopping orientation, expectation of crowd because of the day of the week, and expectation about the store having a sale. The photograph illustrating the high customer density store was placed on the next page of the questionnaire so as not to bias the subjects’ expectations of whether the store was crowded or otherwise. Respondents were then asked to rate the photograph independently of the scenario. The next section of the survey required answering questions on perceived crowding, adaptive behaviors, shopping satisfaction, and patronage intentions by taking into account both the written scenarios and the photograph. The final section measured demographic information and subjects’ spatial discomfort when shopping; subjects were instructed to answer the spatial discomfort items independently of the photograph and scenario.

Measures of Dependent Variables

Reliability and validity assessments were carried out in two stages. In the first stage, a factor analysis using principal component analysis with varimax rotation was carried out on all scales used in this study. The purpose of this analysis was to assess the validity of the scale items employed for the study. All loadings ranged from a low of 0.55 to a high of 0.96. In the second stage, reliability analysis was carried out using alpha reliability coefficients. All measures displayed good reliability with alpha coefficients surpassing 0.7 with the exception of the index of spatial discomfort scale (alpha = .667).

Perceived crowding measures the amount of crowding perceived by subjects when they are shopping in the situation as illustrated by both the scenario and photograph. A five-item seven-point semantic differential scale was adapted from the original six-item perceived crowding scale developed by Harrell et al. (1980). One of the items “gives an open feeling/gives a closed feeling” was
not used as subjects had difficulty in understanding it during the pretest.

**Shopping satisfaction** with the store is measured using a three-item seven-point semantic differential scale adapted from Eroglu and Machleit (1990). Subjects were asked about their feelings toward the store during the simulated shopping trip.

**Patronage intentions** measure the likelihood that shoppers will return to the store in the future. A three-item seven-point Likert scale was employed, ranging from Strongly Agree (1) to Strongly Disagree (7).

**Adaptive behaviors** measure the probability that subjects will employ adaptive strategies in a crowded store. The more adaptive strategies used, the higher the shoppers’ adaptation level would be. Three main forms of adaptation have been identified by previous researchers (Harrell et al. 1980; Eroglu and Harrell 1986), namely limiting the amount of information perceived, limiting interpersonal communication and attempting to reduce shopping time. Accordingly, two statements for each form of adaptation were constructed for this study.

**Spatial discomfort when shopping** measures the extent to which shoppers are bothered by spatial discomfort and intrusions on personal space. The spatial discomfort index (Aiello et al. 1977) measures the extent to which subjects felt (a) bothered by the amount of space available, (b) affected by the number of people in the room, (c) cramped, (e) members were too close, (f) competition for space, (g) lacking privacy, and (h) infringed upon. Only items (a) to (f) were deemed to be relevant in the context of shopping in a departmental store. Two statements were developed for each spatial discomfort index item, resulting in a twelve-item, seven-point Likert scale.

**ANALYSIS**

Data analysis was conducted with latent variable structural equation modeling (Joreskog and Sorbom 1993) using AMOS 4.0 (Arbuckle and Wothke 1999). Structural equation modeling (SEM) was chosen because of its advantages over traditional multivariate analysis. For instance, SEM permits the simultaneous estimation of multiple interrelated dependence relationships incorporating the measurement error and hence is suitable for empirical model building. It allows all variables to be included in one model and the tests for model fit and individual hypotheses can be done concurrently. All these are possible without compromising statistical efficiency.

A two-stage approach was adopted – first, estimating the measurement model and obtaining the standardized regression coefficients, and second, estimating the structural model (Anderson and Gerbing 1988). The first stage in the two-stage process is the estimation of the latent construct measurement model using confirmatory factor analysis (CFA). The goodness-of-fit statistics of the CFA model of independent and dependent constructs demonstrates an acceptable fit of the model to the data (GFI = 0.91; IFI = 0.95; TLI = 0.95; CFI = 0.95; RMSEA = 0.05; RMR = 0.045). In addition pair-wise CFA’s for all constructs was conducted to insure construct validity is not restricted by the model. All CFA models had acceptable fits and all items loaded significantly on their respective factors. The results were inspected for absence of (1) negative variances (2) standardized coefficients exceeding one and (3) large standard errors associated with any estimated coefficient.

Each of the constructs was examined for composite construct reliability, variance extracted by the composite construct, and statistical significance of indicator loadings. Composite construct reliability is a measure of the internal consistency of the construct indicators, and it depicts the degree to which they are indicative of the common latent construct (Hair et al. 1998). The measurement model exhibited strong psychometric properties, with composite reliability estimates of all constructs (range: 0.732 – 0.92) exceeding the recommended minimum level. The average variance extracted (AVE) assesses the amount of variance captured by the construct’s measures relative to measurement error and the correlations (phi estimates) among the latent constructs in the model. The range of AVE from 0.50-0.67 exceeds the minimum recommended level of 0.50 for all constructs, indicating construct validity. Convergent and discriminant validity of the construct measures were also examined (Anderson and Gerbing 1988). Convergent validity of the measurement items is assessed by items loaded on their corresponding latent factors with standardized regression coefficients statistically significant at p values ranging from < 0.1 to < 0.001. Discriminant validity was assessed using procedures suggested by Fornell and Larcker (1981) and Anderson and Gerbing (1988). The data was also checked for deviations from multivariate normality through the critical values and joint multivariate kurtosis value and its associated critical ratio. The distributional properties of the indicators were not significantly non-normal.

The second stage of the analysis was an assessment of the structural model representing path analysis. Fit measures relating to absolute fit, incremental fit and parsimonious fit were calculated to evaluate the goodness-of-fit criteria for Model 1 involving satisfaction and Model 2 involving patronage intentions. For Model 1, the structural model achieves a good level of fit (GFI = 0.87; RMSEA = 0.059; \( \chi^2 \) (391) = 606.649 (p < 0.001); RMR = 0.07; CMIN/df = 1.552; IFI = 0.915, TLI = 0.904; CFI = 0.914). Model 2 with patronage intentions as the outcome construct also exhibits a good fit (GFI = 0.88; RMSEA = 0.068; \( \chi^2 \) (391) = 606.649 (p < 0.001); RMR = 0.07; CMIN/df = 1.552; IFI = 0.915, TLI = 0.904; CFI = 0.914).
The results clearly show that the models fit well on all statistics except the chi-square statistic. Fornell and Larcker (1981) express doubts over using the chi-square statistic in isolation, as it is considered to be an excessively stringent test of the model fit. Its use is generally recommended only in comparative model testing (Joreskog and Sorbom 1993).

Table 1 presents a summary of the standardized parameter estimates and p-values for each of the construct relationships proposed in the structural models of Figures 1 and 2. In this study, shopping satisfaction and patronage intentions are highly correlated. Consequently, the parameter estimates in both the Figure 1 and 2 models are very similar. For both models, all of the hypotheses are supported (see Table 1). Perceived crowding has a negative effect on both shopping satisfaction (H1) and patronage intentions (H2). Task orientation is positively related to perceptions of crowding (H3); task orientation has a weaker negative effect on both shopping satisfaction (H4) and patronage intentions (H5). Perceived crowding is also influenced by expectations as to shopping day (H6) and presence of a store sale (H7). Results indicate negative disconfirmation effects; subjects anticipating low customer density because of a weekday or the absence of a sale perceive higher crowding than subjects expecting congestion from a weekend shopping day or store sale. Subjects who express a higher likelihood of engaging in

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Standardized Parameter Estimate</th>
<th>p-Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>In a high customer density store. . .</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>H1: Perceived crowding (neg) → shopping satisfaction.</td>
<td>-0.7071</td>
<td>p &lt; 0.01</td>
<td>Supported</td>
</tr>
<tr>
<td>H2: Perceived crowding (neg) → patronage intentions.</td>
<td>-0.6362</td>
<td>p &lt; 0.01</td>
<td>Supported</td>
</tr>
<tr>
<td>H3: Task orientation (pos) → perceived crowding.</td>
<td>0.5031</td>
<td>p &lt; 0.01</td>
<td>Supported</td>
</tr>
<tr>
<td>H4: Task orientation (neg) → shopping satisfaction.</td>
<td>-0.1181</td>
<td>p &lt; 0.05</td>
<td>Supported</td>
</tr>
<tr>
<td>H5: Task orientation (neg) → patronage intentions.</td>
<td>-0.1441</td>
<td>p &lt; 0.05</td>
<td>Supported</td>
</tr>
<tr>
<td>H6: Weekend expectations (neg) → perceived crowding.</td>
<td>-0.4671</td>
<td>p &lt; 0.01</td>
<td>Supported</td>
</tr>
<tr>
<td>H7: Store sale expectations (neg) → perceived crowding.</td>
<td>-0.4291</td>
<td>p &lt; 0.01</td>
<td>Supported</td>
</tr>
<tr>
<td>H8: Likelihood of adaptive behaviors (pos) → shopping satisfaction.</td>
<td>0.7041</td>
<td>p &lt; 0.01</td>
<td>Supported</td>
</tr>
<tr>
<td>H9: Likelihood of adaptive behaviors (pos) → patronage intentions.</td>
<td>0.5392</td>
<td>p &lt; 0.01</td>
<td>Supported</td>
</tr>
<tr>
<td>H10: Spatial discomfort (neg) → shopping satisfaction.</td>
<td>-0.3491</td>
<td>p &lt; 0.01</td>
<td>Supported</td>
</tr>
<tr>
<td>H11: Spatial discomfort (neg) → patronage intentions.</td>
<td>-0.3052</td>
<td>p &lt; 0.01</td>
<td>Supported</td>
</tr>
</tbody>
</table>

1Model in Figure 1 – Shopping satisfaction as outcome variable.
2Model in Figure 2 – Patronage intentions as outcome variable.

Additional ANOVA analysis was conducted on possible gender differences for these constructs. Males in the sample are significantly higher in their perceptions of crowding (F = 57.19; p < .000) and likelihood of engaging in adaptive behaviors (F = 11.35; p < .001). There is no gender difference on shopping satisfaction, patronage intentions, or spatial discomfort.
adaptive behaviors express higher shopping satisfaction (H8) and more positive patronage intentions (H9). Finally, an individual difference factor of spatial discomfort has a negative effect on both shopping satisfaction (H10) and shopping intentions (H11).

**DISCUSSION**

Studies of retail crowding have suggested that culture may play an important role in perceptions of crowding in store environments (Eroglu and Harrell 1986; Eroglu et al. 2005). Cultural influences in an international retail setting have not been previously studied, but there is an assumption that Asian cultures may be more tolerant of crowding. For example, Eroglu and Harrell (1986) state:

In an Asian bazaar, for example, there is an acceptance of and search for high levels of physical and social interaction which would be unacceptable in a U.S. department store (p. 360).

Researchers have also suggested certain Chinese cultural values may lead to less distress from crowded public places. These values include tranquility, politeness, and low importance of personal privacy (Chan 1999). Chen et al. (2005) emphasize the patience of Singaporean consumers. Hall (1966) proposes that members of contact cultures (e.g., Latin, Asian, and Arab) prefer closer interpersonal space than members of noncontact cultures (e.g., Northern European, North American). Consequently, persons in the contact cultures such as China may more be tolerant of crowding owing to their smaller personal space zones.

Other researchers have emphasized the cultural differences between consumers of an individualistic society (such as the United States) and consumers in a collectivist society (such as Singapore) (Kacen and Lee 2002; Sun et al. 2004). Members of individualistic societies may have attachments to several in-groups and may get along with members of out-groups. Collectivist societies may have sharper distinctions between in-groups and out-groups. Although collectivists may have strong attachments to their in-group memberships and identification, they may be more negative toward out-groups (Triandis, Bontempo, and Villareal 1988). Li (2001) investigates ratings of Singaporean Chinese for minimum interpersonal distances for persons of other ethnicity. Chinese desire greater personal space with Indians, Malays, and Caucasians than other Chinese.

The results of this study suggest residents of a densely-populated Asian metropolis generally express aversive responses to a photographic simulation of a high customer density department store. The scenarios induced either a task or non-task orientation as well as information about the day of the week and the occurrence of a store sale. The task-oriented subjects perceive greater crowding and also have lower satisfaction and shopping intentions. Although recreational shoppers may not perceive crowding to the same extent as task oriented shoppers, these consumers may be negatively affected by crowds. Ibrahim and Wee (2002) investigate the most important attributes affecting entertaining shopping for Singaporeans; short waiting time and the absence of crowds in transportation and travel modes were ascribed with high importance. Subjects anticipating lower customer density because of weekend shopping or no ongoing sale also perceive higher crowding when their expectations are disconfirmed. Perceived crowding in turn exhibits a negative influence on shopping satisfaction and patronage intentions.

In response to the photographic stimulus, subjects indicate a high likelihood of engaging in coping behaviors with negative consequences for retailers. These include ignoring sales assistants, curtailing browsing, and only buying products that are urgently needed. The subjects generally indicate moderately-high levels of crowding distress on a spatial discomfort index that is linked to physiological measures of stress (Aiello et al. 1977). The combined effects of these influences result in moderate levels of shopping satisfaction (mean of 3.68 on a scale of 1 to 7) and patronage intentions (mean = 4.09 on a scale of 1 to 7).

The results of this study have some similarity to a study by Loo and Ong (1984). Loo and Ong investigate whether ethnic Chinese born in the highly crowded city of Hong Kong are more tolerant of crowding than Chinese raised in smaller cities. Loo and Ong do not find a process of accommodation in which Hong Kong residents have developed more positive attitudes toward crowding. Instead they find persons raised in densely populated cities may become even more averse to crowds at both the residential and neighborhood levels. Persons raised in these cities may indicate as many interpersonal problems and indicators of psychological stress from crowding as persons from less densely-populated areas.

**Implications for Retailers**

Several notable trends in marketing contribute to the need for examining the effects of crowding in retail stores. First, retailing activities frequently take place in dense shopping environments. Since the demand for retail services is rarely smooth over time, crowds are unavoidable. Thus, given a fixed area of space, retailers need to know the maximum customer density their customers can tolerate (Hui and Bateson 1990). Furthermore, as more and more women join the workforce, heavier burdens are placed on peak shopping times, such as Saturdays and evenings. The increase in recreational and experiential shoppers has also contributed to crowding in the stores (Eroglu and Harrell 1986).
Crowding is generally regarded as an important component in the atmospheric stimuli of a retail store (Turley and Milliman 2000). Previous research in retailing has described the importance of store atmospheres for influencing customer behaviors (Donovan et al. 1994; Turley and Milliman 2000). More specifically, studies have revealed that positive emotional responses induced by the retail environment can lead to consumers spending extra time in the store and more money than they initially intended (Donovan et al. 1994; Machleit et al. 2000). Nevertheless, crowding is generally regarded as irritant in the shopping behaviors leading to negative emotional responses and curtailed shopping activity (d’Astous 2000).

Thus, the retail manager is faced with a dilemma: while it is necessary to increase number of shoppers for profitability reasons, crowding has an effect, often negative, on shoppers’ attitudes and behavior. The challenge then is to attract crowds without triggering the negative experiential state of crowding. Knowledge of the positive as well as negative effects of crowding in terms of encouraging and inhibiting shopping activities is hence vital to provide retailers with guidelines for coping with the crowded shopping environment.

Limitations and Future Research

Photographic simulations of store environments may be used when researchers are interested in consumers’ psychological and behavioral reactions to simple and familiar retail settings (Bateson and Hui 1992). This method is not suitable for indicating the response to complex interactions between different facets of retail environment. For example, Eroglu, Machleit, and Chebat (2005) examine the interactions of retail density and background music with different tempos by intercepting consumers in a shopping mall.

Another possible limitation is suggested by Chen et al. (2005) who argue that Singapore may be considered as a bicultural society. Although Singaporeans retain strong interest in their native cultures, there has been a substantial influx of Western influences of music, films, and consumer products. Singaporean people are generally fluent in English as well their native languages of Chinese, Malay, or Tamil. One possibility is the research study which was conducted in English may have primed a more Westernized response. Respondents may be more tolerant of retail crowding when primed by aspects of their traditional culture and conducted in their native language. For example, the respondents may have different perceptions of retail crowding in a traditional open air market than in a department store.

Owing to their long history as a center of commerce, Singaporeans have become very sophisticated consumers. Singaporean shoppers are becoming more time-conscious and are placing more emphasis on convenience shopping. Staff shortages and high employee turnover have diminished customer service in the department stores (Chong 1996). Department stores are still a favored destination in shopping for items that may have a high social risk. Items with low social risk may be purchased at discount stores or stores with convenient locations.

Future research could examine responses to retail crowding among different Asian ethnic groups as well as Chinese in different urban and rural settings. Future research is also needed to understand how consumers in mainland China may respond to retail crowding. China has the largest consumer market in the world in terms of population. As a condition of membership in the World Trade Organization, China has recently lifted most restrictions on foreign retailers. Although a consumer society is emerging in China, Wong, and Yu (2003) suggest there are differences between Chinese consumers in the major cities versus smaller cities which have not had as much exposure to the stores of international retailers. Wong and Yu (2003) also argue the most critical factor for success will be an understanding of consumer perceptions and psychology unique to the Chinese population.

Future research could also examine the effects of spatial retail crowding as well as human crowding in Asian retail environments (Machleit et al. 1994). Spatial crowding such as narrow aisles and high merchandise displays may have both direct and indirect effects on shopping satisfaction for American consumers (Machleit et al. 2000; Eroglu et al. 2005). Research on residential crowding suggests residents of densely-populated cities such as Hong Kong have smaller physical space requirements than Westerners (Chan 1999). Chan suggests perceptions of conflict with others for space is a more significant determinant of perceived crowding than the amount of physical space. Nevertheless, spaciousness in the interior layout of a store is regarded as a positive attribute by Singaporean consumers (Ibrahim and Wee 2002).

Previous research has indicated that high customer density is not always negatively perceived by consumers. Consumers may use crowds as cues to evaluate the popularity of a retail or service establishment. A study by Tse, Sin, and Yim (2002) suggests Chinese consumers make similar attributions as U.S. consumers toward crowded and uncrowded restaurants; crowds are attributed to high food quality, good reputation, and low prices.
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INCREASING JOB PERFORMANCE AND REDUCING TURNOVER: AN EXAMINATION OF CHINESE FEMALE RETAIL EMPLOYEES

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SUMMARY

While gender related differences have been extensively researched within the U.S. (e.g., Futrell 1984; Boles et al. 2007), this area of research is limited at the international level, and even sparser within China (e.g., Liu et al. 2001; Foley et al. 2005). The purpose of the study is to extend the literature by examining the impact of perceived organizational support, emotional exhaustion, job satisfaction, and organizational commitment on job performance and turnover intentions when examining a sample of female Chinese retail sales employees.

Hypotheses

Based on existing body of literature examining gender issues with regard to emotional exhaustion, job satisfaction, organizational support, job performance and turnover intentions, the eleven hypotheses were developed.

H1: As a female retail sales associate’s emotional exhaustion increases, her level of job satisfaction will decrease.

H2: As a female retail sales associate’s perception of organizational support increases, her level of job satisfaction will increase.

H3: As a female retail sales associate’s emotional exhaustion increases, her level of organizational commitment will decrease.

H4: As a female retail sales associate’s perception of organizational support increases, her level of organizational commitment will increase.

H5: As a female retail sales associate’s job satisfaction increases, her level of organizational commitment will increase.

H6: As a female retail sales associate’s emotional exhaustion increases, her turnover intentions will increase.

H7: As a female retail sales associate’s perception of organizational support increases, her turnover intentions will decrease.

H8: As a female retail sales associate’s job satisfaction increases, her turnover intentions will decrease.

H9: As a female retail sales associate’s organizational commitment increases, her turnover intentions will decrease.

H10: As a female retail sales associate’s perception of organizational support increases, the salesperson’s job performance will increase.

H11: As a female retail sales associate’s level of organizational commitment increases, the salesperson’s job performance will increase.

Methodology

To collect the data for this study, retail sales employees were surveyed using a self-administered survey. Sales employees from the five highest sales volume department stores in Beijing, Shanghai, Nanjing, Tianjing, and Chongqing were selected. A total of 292 usable questionnaires were obtained.

Results

Data analysis was conducted using LISREL 8.51 (Hair et al. 2006; Hu and Bentler 1999). In total, eleven paths were examined. Of the eleven hypotheses formed, eight hypotheses were supported.

Discussion and Conclusions

This study presented and tested a conceptual framework for managing emotional exhaustion, organizational support, job satisfaction, organizational commitment, turnover intentions, and performance among Chinese female retail employees. Findings from this research can help to change stereotypic images of Chinese women into more accurate pictures of their beliefs. This research also provides an important first step to stimulate more detailed theoretical and empirical examinations of gender research in an Asia context since little work has been previously conducted. It also can help retailers create more accurate strategic plans based on realistic views of the motivations of Chinese women. The results of this research indicate that many questions remain unanswered about females in...
China and more research is required to provide insights, which may help managers to formulate better incentive and control strategies for their workforce. References are available upon request.

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KEY DETERMINANT OF RETAIL INTERNATIONALIZATION:
AN INSTITUTIONAL THEORY APPROACH

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SUMMARY

The normative, regulatory, and cognitive social system of a firm’s institutional environment influences its institutional behavior and decisions. Organizations make an effort to gain legitimacy through compliance with the social system of their institutional environment. They achieve this through isomorphism, which is a constraining process that makes units resemble each other when exposed to the same environmental conditions.

We discover that researchers have often used institutional theory in the retail context in an attempt to explain the impact of the environment, both micro and macro, on the performance of retailers. Since international retailers are subject to isomorphism, we postulate that institutional theory could prove useful in analyzing the market entry choices of retailers in the international context.

Key factors of the retail market are reviewed. We analyze how these determinants would be affected by the institutional theory approach to the market entry decision. We investigate the foreign market entry modes used by international retailers and find that they are usually compared on a control, risk and cost continuum. Furthermore, we address the fact that acquisition is commonly associated with the highest level of control, risk and cost for the investor while franchising is achieved at a low risk, cost, and control. We suggest that the reason why entry modes have been perceived in such a way is because they have been seen as an end result rather than as a response to specific market conditions.

We find that, though institutional theory is relatively new in the field of retailing. We highlight its explanatory power and develop a retail internationalization model. Institutional theory adds a new dimension which shows the institutional boundaries of a retailer’s foreign market expansion and delineates practices which help gain legitimacy in an internal and external environment.

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CAN PRIORITIZATION DO HARM? AN EMPIRICAL INVESTIGATION OF THE PREREQUISITES, CRITERIA, AND PERFORMANCE OUTCOMES OF CUSTOMER PRIORITIZATION

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SUMMARY

It has become common practice to set priorities on the most important customers when allocating marketing resources (Reinartz, Krafft, and Hoyer 2004). Based on the differentiation between “high-tier” and “low-tier” customers, customer prioritization reflects the idea that marketing efforts are specifically focused on high-tier relationships (Lacey, Suh, and Morgan 2007). It is taken for granted that prioritizing high-tier customers leads to higher firm profits. Recent empirical findings lend support to the notion that prioritization pays off (e.g., Homburg, Droll, and Totzek 2008).

Despite its positive connotation customer prioritization is difficult to manage for companies. In this context, two issues are crucial. First, prioritization requires that relational drivers that can be intensified for selected (high-tier) customers exhibit a sufficiently strong influence on loyalty compared to drivers which cannot be designed differentially for individual customers. We refer to the first as relationship specific drivers (RSD) and to the latter as relationship unspecific drivers (RUD) of loyalty.

Prioritization clearly seeks to enhance RSD of loyalty. For example, high-tier customers may enjoy premium hotlines, intensified interpersonal interaction with the manufacturer, and more responsive complaint handling. Such instruments result in enhanced commitment which represents a typical RSD of customer loyalty. For example, high-tier customers may enjoy premium hotlines, intensified interpersonal interaction with the manufacturer, and more responsive complaint handling. Such instruments result in enhanced commitment which represents a typical RSD of customer loyalty. For example, high-tier customers may enjoy premium hotlines, intensified interpersonal interaction with the manufacturer, and more responsive complaint handling. Such instruments result in enhanced commitment which represents a typical RSD of customer loyalty. For example, high-tier customers may enjoy premium hotlines, intensified interpersonal interaction with the manufacturer, and more responsive complaint handling. Such instruments result in enhanced commitment which represents a typical RSD of customer loyalty.

We contribute to the literature by answering two fundamental questions of prioritization: (1) whether to prioritize and (2) how to prioritize. Regarding the first research question, we examine the relative importance of RSDs versus RUDs of loyalty. We address our second research question by comparing the performance of two prioritization criteria: a past performance criterion and a future potential criterion. To the best of our knowledge, these critical issues have not been considered in the literature. In addressing them we offer actionable guidelines for managing the two major stages of the prioritization decision process.

Second, we suggest that the outcome of prioritization initiatives strongly depends on the criterion chosen for selecting high-tier customers. Most companies overestimate past performance measures (Homburg, Droll, and Totzek 2008). Consequently, future potential is widely neglected for selecting relationships to be prioritized.

We test our conceptual framework by combining survey-based data and profitability data (customer account data) for B2B relationships. More specifically, we have access to these data for low-tier and high-tier customers. In order to prevent single informant bias we designed our data collection to cover multiple respondents per customer. After measurement validation the model is tested using structural equation modeling.

Our findings indicate that in a B2B context RUD are at least as important as RSD which are typically focused in relationship marketing literature. Furthermore, the results strengthen prior findings suggesting that prioritization can increase relationship profitability. However, our findings also show that the selection criterion is crucial for assuring a successful prioritization. In case of the past performance criterion, we find that for high-tier customers the loyalty-profitability link is negative and for the non-prioritized low-tier customers it is positive. Only for the future potential criterion prioritization is profitable.

From a managerial point of view our findings contain several implications. By demonstrating that prioritization can boost the profitability of relationships we encourage managers to follow a prioritization strategy. However, managers have to be aware of the trade-offs when allocating resources across customers. Therefore, prioritization issues have to be carefully scrutinized with respect to their appropriateness, the necessary investments size and the corresponding returns.

More precisely, prioritization efforts are periled if the following issues are ignored. First, companies should systematically assess the relative importance of RSD and RUD before considering large scale prioritization initiatives. In industries where loyalty is primarily influenced...
by RUD, prioritization through RSD might be a waste of money. Rather, firms (in such industries) should reallocate their marketing budgets toward instruments that enhance switching barriers and the own competitive position. These loyalty drivers bear the advantage that there is no need to differentiate between customers. Second, for businesses where loyalty is mainly affected by RSD, prioritization can be very beneficial. However, managers must be aware that intensifying relational investments for specific B2B relationships might deteriorate the performance of these relationships if the underlying selection mechanism focuses on past performance which implies that the future potential of low-tier customers remains unemployed. That is, prioritization based on past performance might improve the loyalty of high-tier customers but it does not necessarily enhance their profitability. Therefore, managers should balance the expenditures for prioritization programs with additional relationship potential that can be exploited through prioritization.

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THE RELATIONSHIP BETWEEN SUPPLIER DEVELOPMENT, MARKETING PROCESS INNOVATION, AND VALUE CREATION

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SUMMARY

Firms are increasingly focusing on their core competencies while relying on their global suppliers to develop products and processes that were previously done in-house (Krause 1999). As a result, their own performance, capabilities, and reputation have become increasingly tied to the performance of their suppliers (Hahn et al. 1990). Recognizing the increasing importance of their suppliers, firms have begun creating supplier development programs aimed at helping suppliers upgrade their capabilities.

Although supplier development can improve a supplier’s capabilities and impact the buyer firm’s brand, marketing processes, and other marketing-related activities, the academic literature has paid inadequate attention to the impact of supplier development activities on the buyer firm’s marketing activities. Most of the studies on supplier development examine the effect of supplier development on the firm’s supply chain processes while ignoring its impact on marketing-related activities (e.g., Hahn et al. 1990; Krause and Hanfield 2007; Modi and Mabert 2007).

Recognizing the value of supplier development to the buyer firm’s marketing processes and activities, this study empirically tests the impact that a buyer firm’s supplier development activities have on the buyer’s customer relationship process innovations and value creation. The study finds that a firm’s supplier development activities have a positive impact on the buyer firm’s customer relationship process innovations. The study also finds that a firm’s customer relationship process innovations are positively related to the buyer firm’s ability to create value for members of its extended enterprise.

The study contributes to the existing literature in several ways. It examines the relationship between a firm’s supply chain and marketing functions, a topic that has been inadequately covered in the marketing literature. The study also operationalizes the customer relationship process innovation (CRPI) construct. Since the literature on innovation quite often focuses on product innovations (Garcia and Calantone 2002) while ignoring process innovation, developing a process-related innovation construct is important. The third contribution is related to value creation. This study expands the definition of value creation beyond firm value and focuses on value created to a firm’s extended enterprise (entire network of partners). References are available upon request.

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SUMMARY

Customers develop distinct attitudes toward brands and wholesalers in indirect distribution channels. To date, few studies have explored the link between customers’ wholesaler loyalty and customers’ brand loyalty, and empirical evidence remains contradictory. This research aims to identify the dominant link and concludes that customer brand loyalty impacts customer wholesaler loyalty, while the reserve effect is not significant. Thus, investments in customer brand loyalty do not only serve the manufacturer but also the wholesaler. Moreover, if wholesalers are careful in imposing financial channel switching costs on their customers, they can even have a grip on the efficacy of a manufacturer’s customer loyalty efforts.

Empirical Study

We conducted a nation-wide mail survey among purchasing decision makers for medical instruments in the Netherlands. This specific industry-country combination was an appropriate setting for research on different forms of customer loyalty as it (currently) relies exclusively on indirect distribution. We sent the survey and a follow-up letter to randomly selected professional customers from the national telephone list. This procedure resulted in an overall response rate of 25.2 percent and 339 usable questionnaires.

We used structural equation modeling (AMOS 17) for testing the model. The reciprocal path between customer brand and wholesaler loyalty was modeled using the approach suggested by Sirdeshmukh, Singh, and Sabol (2002). Two measures were taken to ensure correct model estimation. First, to address the danger of non-unique parameters when modeling reciprocal paths in cross-sectional research, suitable instrumental variables were used. Second, the error covariance of the reciprocally related constructs was allowed to correlate (Wong and Law 1999).

Results

In a first step, we explored the link between customers’ wholesaler loyalty and customers’ brand loyalty. We analyzed a model that included two instrumental variables. The chi-square fitting function has a value of 278.51 at 136 degrees of freedom. The relative fit indices (CFI = .964 and NFI = .933) and the absolute indicators of fit (SRMR = .062 and RMSEA = .056 with a 90% confidence interval ranging from .046 to .065) show that the proposed model allows an adequate representation of our empirical data. In particular, the stability index value of .005 suggests a robust estimation of the reciprocal paths. In sum, customer brand loyalty impacts customer wholesaler loyalty, while the reserve effect is not significant.

In a second step, we employed a multi-group analysis to test the moderating influence of different types of switching costs. For each moderating variable, we conducted a median split of the sample. Only one type of switching costs turns out to be significant. Financial channel switching costs moderate the relationship between customer brand loyalty and customer wholesaler loyalty. In case of higher financial channel switching costs the effect of customer brand loyalty on customer wholesaler loyalty is weaker.

Discussion

First, accounting for different constellations of the link between customer brand and wholesaler loyalty we find a dominant link in our study. We can confirm that customer brand loyalty has a positive effect on customer wholesaler loyalty. Although we allowed for a reciprocal effect, it turned out that customer wholesaler loyalty has no significant influence on customer brand loyalty. Facing vertical competition, manufacturers and wholesalers need a fine-grained understanding of who benefits from investments in customer loyalty. According to our results, investments in customer loyalty pay off for wholesalers and manufacturers and effectively protect them against vertical competition. As anticipated, customer wholesaler loyalty prevents customers from switching the channel, and customer brand loyalty facilitates customer channel switching. However, investments in customer brand loyalty do not only serve the manufacturer but also the wholesaler. Wholesalers benefit from a manufacturer’s investments to increase customer brand loyalty whereas the reverse is not true. This is an important insight for balancing the benefits and costs of building customer loyalty among channel partners, (re)negotiating channel contracts, and changing the channel structure.
Second, we find some support for the moderating role of channel switching costs. More specifically, the effect of customer brand loyalty on customer wholesaler loyalty becomes insignificant in the subsample with high financial channel switching costs. This finding sheds light on the drawbacks of imposing channel switching costs. Wholesalers providing financial incentives risk a crowding-out effect. They put at stake the beneficial impact of manufacturers’ investments in customer brand loyalty. Consequently, wholesalers need to consider carefully the implications of imposing financial channel switching costs. References are available upon request.

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EMPLOYEE STEREOTYPING AND CORPORATE BRANDING

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SUMMARY

Many corporate brands belong to the services sector where the ‘rules’ of brand building differ from those in product marketing (Shostack 1983) and more emphasis is placed on creating associations using tangibles such as buildings and staff rather than on advertising. The special role of employees in projecting a service or corporate brand to its customers is widely acknowledged (Hartline and Ferrell 1996). They can act as brand ambassadors by projecting the corporate brand’s values by the way they behave and interact with customers (Harris and de Chernatony 2001). More subjective aspects such as the self presentation of employees, their grooming, how they look, whether or not they are dressed in a uniform, have also been considered (e.g., Barker and Gimpl 1982). But less is known about the effects of the stereotyping of employees by customers due to their physical appearance and specifically their age.

We argue that two, potentially competing, stereotypes exist, due to age generally and in our empirical context, that of fashion retailing. There are perceived functional benefits for the customer in dealing with an older and (what is assumed to be) experienced employee (Magd 2003; Foster 2004; Hogarth and Barth 1991) but also emotional dis-benefits if the same employee is perceived to be outmoded due to their age (e.g., Rupp et al. 2005). One stereotype can be expected to have a positive impact upon customer satisfaction, the other a negative.

We chose brand personality as our measure of brand associations and focus on one aspect of this a dimension that has been variously labeled in prior work as Excitement (Aaker 1997) or Enterprise (Davies et al. 2004) and measured with items such as “trendy, imaginative, and extravert” as relevant to our work.

From prior work on the antecedents of customer satisfaction in retailing we propose:

Hypothesis 1: The higher customers rate a retailer on the dimension of Enterprise the more satisfied they will be with that retailer.

From prior work on the stereotyping of service workers in particular due to age we propose two hypotheses:

Hypothesis 2a: The higher the average age of employees the lower will be the perceived Enterprise of the retailer.

Hypothesis 2b: The higher the average age of employees the higher will be the customer satisfaction with the retailer.

We use these three hypotheses to propose a model linking the customer’s perception of a retailer’s image for Enterprise, the customer’s overall satisfaction with the store and the actual average age of employees in the store, Figure 1.

Finally, and drawing from the theory of congruence between the customer and store (Sirgy 1982; Martineau 1958) the average age of customers patronizing a retail store should reflect that of its staff and vice versa, hence:

Hypothesis 3: The average age of customer facing employees in fashion retailing will correlate positively with the average age of their customers.

We test our model and hypotheses in a study of the customers and employees of four British fashion retailers. Data were obtained from a total of 424 customer-facing staff and 964 customers in 28 branches. The staff survey is used here only to measure the average age of customer facing staff in each store. Customers in the stores were interviewed about their perceptions of the store using the Corporate Character scale of Davies et al. 2004 and their satisfaction with it using two items taken from the same source.

Testing the Structural Model I in Figure 1 gave a good fit to the data (chi squared 50.2, 7 df, GFI 0.98, CFI 0.98, Hoelter 0.1 35, RMSEA 0.08). As expected the link from employee age to enterprise was significant and negative (Critical ratio – 28.5, p < .001) and from age to satisfaction significant and positive (Critical ratio 6.4 p < .001). The standardized regression weight from Enterprise to Satisfaction was significant and high at 0.81 and the Squared Multiple Correlation for satisfaction to 0.34. Hypotheses 1, 2a, and 2b are all supported. However the total standardised effect of employee age on satisfaction was negative (a standardised total effect of -0.19 when the two routes are summed). Taken in its totality staff age has an overall negative effect on customer satisfaction.

The average age of customers correlated as expected with the average age of customer facing employees at the level of the store (R = 0.674, p < 0.001 single tail, n = 28). Hypothesis 3 is supported.
Age discrimination in employment is illegal in the country of study and in many countries with some exceptions, none of which apply here. There are two possible explanations for our final result, one that the retailers are flaunting the legislation, or that younger employees are more attracted to work in certain stores and older ones in others, as they too are influenced by the same stereotype effects. Clearly there is a commercial advantage in employing staff whose age fits the store’s positioning. However, as the population ages and citizens are encouraged to work for longer, retailing offers the potential to absorb larger numbers of employees by comparison with declining sectors such as manufacturing. Such work is also better suited to older employees than that in primary industries and agriculture where the physical demands are higher. However retailers, and if our thinking here can be applied to other service organisations, many employers in the service sector may not wish to actively promote a growth in older staff numbers if it has a negative impact on customer satisfaction.

Our work has implications for theorists. While there is a substantial literature on symbolism in advertising, packaging, product design, logos and products themselves the study of symbolism in the consumption process appears to ignore the symbolism of the employee (Mick et al. 2004). We have a theory of ageism that as all living things age we expect them to decline (Johnson and Blytheway 1993) and it might be reasonable to infer from this and our work that customers process the sign and symbols of aging to infer significantly less Enterprise in an organisation employing more older people. Other sources of symbolism due to stereotyping include personal presentation, gender, ethnicity, physical size, accent, and body language. Taken together they could dominate the associations that are made with service brands.

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HOW ADVERTISING CHANNELS INTERACT: AN EMPIRICAL STUDY OF ONLINE PURCHASES

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SUMMARY

The question how advertising works and how effective it is has been the topic of research for decades. Various models have been developed to explain the persuasion process from advertising input to consumer behavior. With the advent of the internet and its growing importance as a place to do business, advertising on the internet has become a topic in academic research. Internet advertisers have since moved from classic banner advertising to new advertising models (e.g., "on-demand" advertising such as search engine advertising and price comparison websites) that make better use of the internet's unique potential for interaction between consumer and advertiser, often blurring the line between advertising, promotion and sales as defined in the offline world.

Research into how these new advertising channels interact, e.g., how banner advertising affects search advertising, is still missing. In our study, we address the questions: How do online advertising channels work and interact? How do clicked and unclicked ads affect sales, and each other? And in particular, what is the role of price comparison websites in online advertising?

Drawing on the established elaboration likelihood model we develop an advertising effects model in the presence of interrelations between advertising channels. We then apply this model using a comprehensive database obtained from the .com-website of a leading online-platform for used and antiquarian books. We include four channels in our analysis: e-mails, affiliate advertising, search-engine advertising, and advertisements on price comparison websites. The sample spans a period of 365 days, eliminating seasonal effects in the books market. It provides, on a day-by-day basis, indicators on advertising activity and sales. In total, the data contain more than 2.8 million purchases and 25 million website visits.

For data analysis we use structural equation modeling (SEM), as it allows for the assessment of structures in complex research models. We apply AMOS 16.0 as an implementation of a covariance-based SEM approach, enabling us to assess the overall model quality. As all our data are observed variables, our model is comprised only of the structural model with no associated measurement models to be tested. The model quality assessment indicates a very good fit of the model.

We find that there are significant interrelations among advertising channels, as advertising affects not only sales but other advertising channels. In particular, consumer-initiated ad exposures on search engines and price comparison websites are a likely effect of advertising. While Cho in his 1999 article predicts virtually no attitude change from unclicked ads, our findings clearly show an impact of ad impressions on sales and on further ad exposures. These results confirm the findings of previous studies. A second interesting finding is the weak negative effect of affiliate ad impressions on search ad clicks, together with their positive effect on search ad impressions. A possible explanation for this is that users who reacted to the banner exposure by using a search-engine rather than clicking the banner, thus causing a search ad impression, are apparently equally reluctant to click this self-initiated advertisement. Similarly, the strong effect of unclicked affiliate ad impressions on purchases can be explained by this wide-spread reluctance to click banners.

With respect to our research question on the role of price comparison websites, we find that they are an important step in the decision-making process of online consumers. In addition to extant research showing that brands matter in price comparison shopping, we find that previous ad exposures also matter and increase clicks.

Our finding of significant advertising channel interrelation has wide-ranging implications for practitioners, as the common tracking approach using cookies or hyperlinks does not account for these effects. Typically, neither tracking of unclicked ad exposures nor of multiple (clicked) exposures is possible. Therefore, the total sales effect of advertising channels affecting other channels is systematically underestimated, as only the last channel in the navigation sequence will be measured by direct tracking. Further, we find that a large part of ad effects is caused by unclicked exposures, and thus cannot be measured with current tracking approaches. The limitations in direct tracking necessarily cause advertisers to question their current policies, and lead to suboptimal allocation of resources to advertising channels due to missing and misleading data. We therefore suggest that advertisers apply our methodology or a similar approach to identify the total effect of impressions and clicks in each advertising channel. Combining these total effects with the cost associated with generating the corresponding ad exposures allows practitioners to optimize their online advertising spending. References are available upon request.
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THE STRUCTURAL EXAMINATION OF THE RELATIONSHIP BETWEEN VISUAL MERCHANDISING AND RETAIL BRAND EQUITY

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SUMMARY

In recent years, as the retail fashion stores become increasingly competitive, significant variables, particularly those related to the effects of actions taken by the retailers, have to be well identified. Specifically, fashion retailers are looking at their ways in visual merchandising, the result of a conceptual approach to store design and merchandise display (McGoldrick 1990), to differentiate themselves from competitors.

How does the visual merchandising connect to consumer’s perceptions of the value of a brand? In the concrete, in what way does the visual merchandising ultimately affect a consumer’s decision to choose a particular brand? Although understanding how visual merchandising influences brand users is important, scholarly verification and research-based insights for guiding the visual merchandising of a brand are limited. To fill this void, the current study examines the relationship between visual merchandising and retail brand equity on the basis of the conceptual model integrating the theories from environment psychology (Baker 1998; Bitner 1992) and customer-based brand equity model (Keller 1993, 2007).

In order to investigate the hypotheses, experimental design was used. First, the previous research was executed in order to select experimental stimuli and moving pictures of selected four brands were produced. Next, research was conducted by 2 (price: high/low) x 2 (brand characteristic: traditional/contemporary) experimental design. Female students attending universities in South Korea were selected by random sampling. A total of 160 questionnaires allocating forty female university students to each group distributed.

SPSS 12.1 and LISREL 8.7 statistic packages were adopted for hypotheses testing. The results of the current study are as follows. First, of the dimensions of visual merchandising, in-fashion and attractiveness had a significant positive effect on aesthetic attribute association of brand, while function had a significant positive effect on utilitarian attribute association of brand. Second, brand salience in aesthetic attribute and utilitarian attribute of brand is positively associated with brand attitude. Third, in-fashion and attractiveness of visual merchandising cognition had a significant positive effect on attitude toward visual merchandising, whereas function of visual merchandising cognition had no significant effect on attitude toward visual merchandising. Fourth, attitude toward visual merchandising is positively associated with brand attitude. Fifth, brand attitude is positively associated with purchase intention.

This study was the first trial exploring the relationship of visual merchandising and brand equity, as well as utilizing visual merchandising cognition construct. Specifically, the findings are used to offer guidelines for attaining desired visual merchandising strategies as their brand characteristics and propose avenues for further research.

REFERENCES


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SUSTAINABLE FOCUS GROUPS? EXPLORING THE METHODOLOGICAL POSSIBILITIES OF ONLINE VIRTUAL WORLDS

Chris Houliez, University of Saskatchewan, Saskatoon

SUMMARY

With climate change and its effects on our planet becoming increasingly salient, businesses are under pressure to focus on the sustainable dimensions of their various modes of operation. More specifically, worldwide airline traffic contributing significantly to carbon dioxide emission, corporations find themselves increasingly compelled to limit their employees’ air travel time. Given the increasing ubiquity of new technologies, some have advocated resorting to 3D online technology to hold – in lieu of expensive and non-sustainable face-to-face meetings – synchronous business meetings involving individuals working in different physical locations.

Researchers too – from both the business and academic fields – have discovered the benefits of fully engaging others without having to travel. In the academic field, using Second Life’s (www.SecondLife.com) online 3D grid as a field and conducting qualitative research “in-world” (i.e., within the online 3D grid) has gained in popularity. Advocates of these new types of fieldwork advance that, despite the lack of physical co-presence between the researcher and the participants, the methodological rigor of these investigations is ensured by the similarities between the so-called “real world” (e.g., the physical settings in which focus groups usually take place), and the online simulated 3D environment (e.g., the virtual table around which 3D avatars meet to participate in an in-world focus group). However, other recent studies tend to raise concerns about the opportunity to equate, in terms of personality and behavior, the online 3D avatar one can create and use in Second Life, and its real-life “owner.” For instance, in a seminal Harvard Business Review article on the marketing potentials of virtual worlds, Hemp (2006) asserted that “the avatar is the most conspicuous online manifestation of people’s desire to try out alternative identities or project some private aspect of themselves (. . .) Like the ancient rite of bal masqué, modern technology helps people realize a deep-seated desire to experience what it would feel like to be someone else” (Hemp 2006, p.50). If an individual acts and reacts differently once immersed in a virtual world, then using his/her avatar as proxy for qualitative research would seem to lose its methodological raison d’être.

To investigate these issues, a fieldwork was conducted in an online virtual world. The fieldwork consisted in four focus groups held in Second Life, as part of a more extensive program of research over a period of two years. Three of the focus groups where conducted via text chat, and one using Second Life’s voice technology. The virtual settings in which the focus groups took place varied from an empty field, to a room designed to mimic a real-world focus group facility. To ensure the methodological rigor of the entire process, a market research company with significant experience conducting focus groups in-world, Repères, was in charge of recruiting and screening the participants. Three of the focus groups had for general topic the future of online virtual worlds, while the fourth one addressed with the participants the issue of confidentiality and anonymity while navigating in a virtual world. On average, there were ten participants per focus group.

The author’s findings prompted him to question, not only the opportunity of conducting focus groups in an online virtual environment, but also the relevancy of resorting, when dealing with technology-mediated data, to the meta-assumptions underlying our usual spatial and ontological paradigm (namely, Cartesianism). Consequently, one of the main objectives of this paper is also to propose a more relevant framework through which to comprehend and analyze online virtual worlds. By complementing marketers’ usual Cartesian worldview and its associated conceptualization of virtual worlds as “parallel worlds,” a phenomenological framework, it will be advanced, can help clarify notions whose definitions seem currently blurred by technological advancements. In addition, using a new conceptual framework or paradigm can help identify the “methodological potentials” of a given medium. That is, if focus groups might not be replicated in-world, other, richer, “thicker” qualitative methods will emerge from new technological developments. Academic researchers and practitioners are advised to explore the new methodological possibilities enabled by our networked world, instead of clinging to anachronistic (and unsustainable) protocols such as the 20th-century concept of “focus group.”

REFERENCE

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ELUCIDATING CONSUMER PRODUCT KNOWLEDGE USING A LADDERING-MATRIX PROGRAMMING PROCEDURE

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Chen-Su Fu, National Cheng Kung University, Taiwan

SUMMARY

In marketing literature, the dominant approach to analyze consumer’s cognitions toward a particular product or service is the means-end chain (MEC) methodology. Herrmann et al. (2000) believed that means-end concept rooted from the goal-oriented nature of individual behavior carried out by Tolman as early as in the 1930s. The fundamental idea behind the MEC is that the motivation to purchase a product is derived from consumer’s perceptions of the product as a suitable means for creating pleasant feelings and desires. That is, an individual forms a conception of the suitability of a given product (means) for satisfying a desire demand (end) within the consumer’s information-processing process. Such means-end logic forms MEC conceptual framework.

Conventionally, in the MEC methodology, data are collected via a laddering technique. After collecting all the interviewing data, the researchers are able to put the collected data into a summary implication matrix (SIM). The SIM is a table involving a number of rows/columns equal to the sum of product attributes (A), consequences (C) and personal values (V). Such a table reveals the number of times each element connects to each other element (e.g. example, the A-C, -C, C-V, or A-V linkage frequencies). Based on the implication matrix, a hierarchical value map (HVM) can be built, representing the aggregated A-C-V chains. However, before constructing the HVM, researchers should predetermine a cutoff value. Only the linkage frequency of A-C-V chains greater than the predetermined cutoff value will be used to construct the HVM. Unfortunately, individual researchers may have different perspectives of cutoff value determination, so the cognitive structures of HVM may differ even when the researchers using the data set are exactly the same. Restated, the predetermined cutoff value is highly dependent on the subjective judgment of researchers. To overcome the deficit of subjectively determining the cutoff value in the traditional MEC methodology, this study deduces the means-end logic and proposes a laddering-matrix programming procedure (LMPP). The LMPP can not only reveal consumer’s information-processing process but also provide marketers with valuable information for developing marketing strategies.

Laddering-Matrix Programming Procedure

Laddering Technique and Summary Implication Matrix. The laddering technique in MEC methodology can be divided into two categories: soft laddering and hard laddering. Soft laddering originates in the field of qualitative methodology that it usually uses a series of directed probes by asking respondents to answer “why” questions for identifying the specific means-end linkages; whereas hard laddering regarded as a quantitative method uses a structural questionnaire to survey a large number of consumers on their preferences and consumption habits for obtaining statistically grounded conclusions. Once all the interviewing data are gathered, the researchers need to put all the collected data into a square table called the summary implication matrix (SIM). The SIM displays the linkage frequencies of A-C, C-C, C-V, and A-V connections. Such connections can be expressed by mathematical formulas (e.g. AC, CC, CV, and AV matrixes).

Laddering-Matrix Programming Procedure. The laddering-matrix programming procedure (LMPP) starts from selecting a personal value variable and finds out which product consequences link with the selected value variable. Using the adding-up procedure of CV matrixes, the important C-V linkage contents and frequencies are recorded and stored for the next adding-up procedure of AC matrixes. Without predetermining the cutoff value, the calculation procedure of CV and AC matrixes explores the important A-C-V linkage contents and frequencies for the HVM construction. Obviously, through the laddering technique and matrix expressions of the SIM table, the researchers are able to deduce the means-end logic, propose the laddering-matrix programming procedure and provide a flowchart for computer programmers to design MEC computer software.

Conclusions and Future Research

This study adopting the laddering technique and matrix calculation deduces the logic of means-end analysis to propose the laddering-matrix programming procedure (LMPP) for computer programmers to design MEC computer software. Simultaneously, the flowcharts of LMPP provided by this study can not only help computer programmers to quickly capture the logic of A-C-V link-
age selections in the MEC methodology but also help researchers to construct an accurate HVM without prede-
termining the cutoff value. Practically, future research may refer to the LMPP flowcharts proposed in this study for designing MEC computer software, in order to provide marketers with real-time information for satisfying the needs and wants of consumers. References are available upon request.

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SUMMARY

Intelligent pricing is as important for public institutions as for profit-takers. Indeed, understanding price elasticity is arguably more critical today than ever for public institutions such as colleges and universities, which are under pressure to maintain reasonable tuition levels while competing in high priced markets for faculty, administrators, athletic coaches, and physical plant. Although a clear understanding of the role of tuition elasticity is paramount in this stressful environment, universities continue to use relatively crude tools to set tuition. The sponsor of the present study wanted to determine the impact of tuition on a prospective student’s college choice and to integrate results across colleges in an administrative level software system useful for enrollment forecasting and tuition strategy. We focus on the unique approach taken to measure tuition elasticity and its attendant data requirements. We share specific results related to the tuition elasticity study to the extent that they provide insights into our innovative data collection method.

Prior research consistently finds that tuition elasticity is inelastic. A major factor driving this result is that most prior studies used data aggregated across multi-year time frames for the total U.S. The distinction between an aggregate and an individual level analysis is important. Aggregate studies address whether or not a student will attend any school or institution of higher learning, while a study at the individual level is designed to answer which specific school an individual will choose. Our approach makes unique methodological contributions that are applied to the area of higher education: (1) It uses experimental/primary research to manipulate tuition levels and schools uniquely by respondent. (2) It is completed at the individual level. (3) It tailors schools to match those of interest to the respondent, since the competitive set is potentially different for each respondent in the study. Finally, (4) it permits university administrators to influence the composition of the set of schools in each individual’s choice sets while not overriding respondent input. In addition to improving estimation accuracy, this feature improves administrative buy-in and strategic flexibility.

To estimate the tuition elasticity for the focal university, as well as for competitive schools, we investigate how students make trade-offs between: (1) tuition level and (2) the school or university; i.e., “non-tuition elements.” However, selecting the schools to include in the choice sets is complicated. In most discrete choice experiments, each respondent sees the same choice set. In the present research, there is significant variation in the colleges to which each student applied. Our goal was to dynamically assign colleges to choice sets to reflect the unique consideration set of each student or participant. The study sponsor also wanted the assignment of schools to reflect significant competitors to the focal university. In response to these challenges, a “rules engine” was developed to identify the customized set of schools to use in each students choice set. In terms of the tuition parameter, we remind respondents that college costs – except for tuition – are similar across alternatives in the choice sets. Room, board, books, and other fees tend to be fairly similar across schools, and typically represent roughly 80 percent of in-state tuition cost. Thus, including only differences in tuition between schools is reasonable and greatly reduces the cognitive burden on the respondent.

The data were collected from undergraduate and graduate students. Participants were enrolled in college and were instructed to think about the time when they applied to college or graduate school. An email invitation was sent to every student at the focal, and a total of 5,606 respondents completed the survey.

Our results, assessed at the individual level, find that students are, in fact, elastic to changes in tuition. The overall model was highly significant ($p < .0001$) and we demonstrate the accuracy of the model using out-of-sample validation. We argue that our estimates are reasonable because we use data collected by individual student (not market level data) and we focus on the probability of choosing a specific college, not any college. Importantly, this research demonstrates that discrete choice experiments can be applied to scenarios where the consideration set, or choice set, differs significantly across respondents by incorporating a rules engine to customize the choice set for each participant. The motivation for the development of this new process was the challenge to estimate tuition elasticity at the individual level. However, this approach can be applied to a range of situations where the consideration set is expected to vary widely across respondents such as financial services, real estate, automobiles, and airline travel. A list of references is available from the first author.
BUT WHAT ABOUT CATEGORICAL (NOMINAL) VARIABLES IN LATENT VARIABLE MODELS?

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ABSTRACT

The paper suggests an approach for specification, estimation and interpretation of a categorical or nominal exogenous (independent) variable in theory or hypothesis tests of latent variable models with survey data. An example using survey data is provided.

INTRODUCTION

Categorical variables (e.g., Marital Status) are ubiquitous in applied marketing research. However, they are absent from published theory (hypothesis) tests of latent variable models using survey data.

One plausible explanation is there is no explicit provision for “truly” categorical variables in the popular structural equation (covariant structure) analysis software packages (e.g., LISREL, EQS, AMOS, etc.). There, the term “categorical variable” means an ordinal variable (e.g., an attitude measured by a Likert scale) (e.g., Jöreskog and Sörbom 1996), rather than a nominal variable such as Marital Status.

Further, normality is a fundamental assumption in covariance structural analysis (e.g., in LISREL, EQS, Amos, etc.) for maximum likelihood estimation, the preferred estimator for hypothesis tests involving latent variables and survey data (e.g., Jöreskog and Sörbom 1996). A (truly) categorical independent variable is typically estimated using “dummy” variables that are not normally distributed. (For example, while case values for the categorical variable Marital Status, for example, might be 1 for Single, 2 for Married, 3 for Divorced, etc., new variables, for example Dummy_Single, Dummy_Married, etc., are created and estimated instead of Marital Status. Dummy_Single might have a case value of 1 if Marital Status = Single, and 0 otherwise, Dummy_Married might have cases that have the value 1 if Marital Status = Married, and 0 otherwise, etc.)

There are other less obvious barriers in survey-data theory tests to adding (truly) categorical exogenous variables to models that also contain latent variables, including determining the significance of a categorical variable when its dummy variables are estimated instead. If each dummy variable is significant (or nonsignificant), it seems reasonable to conclude that the categorical variable from which the dummies were created is significant (or nonsignificant). However, if some dummy variables are significant but some are not, there is no guidance for estimating the significance of the categorical variable from which they were created. In addition, interpreting a significant categorical variable can involve interpreting changes in intercepts, parameters that are not usually estimated in theoretical model testing.

Several approaches have been suggested for estimating categorical variables (e.g., dummy variable regression, logistic regression, latent category models, etc.). However, there is no guidance for estimating a “mixed” model – one that combines a categorical exogenous variable with latent variables – in theory (hypothesis) tests involving survey data.

This paper addresses these matters. It suggests a specification for a categorical variable in theory (hypothesis) tests of latent variable models involving survey data. It also discusses the estimation and interpretation of a categorical variable in these “mixed” models.

AN EXAMPLE

To expedite the presentation of these matters, we will use a real-world data set involving buyer-seller relationship Satisfaction (SAT), Alternative relationship attractiveness (ALT), and Exit propensity (EXI). Data (200+ cases) was collected in a survey to test a larger model in which Satisfaction and Alternative Unattractiveness were hypothesized to be negatively associated with Exiting. SAT, ALT, and EXI were measured using multiple item measures (Likert scales). The resulting latent variables, SAT and ALT, were significantly (negatively) associated with EXI as shown in Table A.

SAT was measured with five-point Likert-scaled items that each could be analyzed as a categorical variable, (e.g., the SAT indicator Sa2 had 5 categories: those
respondents who strongly agreed they were satisfied, those who agreed they were satisfied, those who were neutral, etc.). For pedagogical purposes SAT was replaced in Equation 1 with one of its high loading indicators, Sa2. The resulting model was estimated, and Sa2 and ALT were significantly and negatively associated with EXI, also as shown in Table A.

Next, dummy variables for the categories of Sa2 (i.e., category 1 = strongly dissatisfied, category 2 = dissatisfied, category 3 = neutral, category 4 = satisfied, and category 5 = very satisfied) were created. Specifically, in each case, Sat_Dummyi = 1 if Sa2 = i (i = 1 to 5) in that case. Otherwise, Sat_Dummyi = 0. Thus for example, in each case where Sa2 = 1, Sat_Dummy1 was assigned the value of 1. For those cases where Sa2 equaled some other value (i.e., 2, 3, 4 or 5), Sat_Dummy1 was assigned 0.

Equation 1 was altered to produce the structural model

\[ \text{EXI} = b_1 \text{Sat}_1 + b_2 \text{ALT} + \zeta. \]

Unfortunately, Equation 2 currently cannot be estimated satisfactorily using LISREL (or other popular covariance structure packages such as Eqs, AMOS, etc.). The covariance matrix produced by the dummy variables is not positive definite.

The usual “remedy” is to estimate Equation 2 with one dummy variable omitted (e.g., Blalock 1979). However, this approach is unsatisfactory for theory testing because omitting a dummy variable in Equation 2 alters the significances of the remaining dummy variables, depending on which dummy variable is omitted. For example, see the significances in Tables B and C of Sat_Dummy2 or Sat_Dummy4 when Sat_Dummy1 or SAT_Dummy5 was omitted from Equation 2.

Ping (1996) proposed a latent variable estimation approach that will estimate Equation 2 without omitting dummy variables. The approach, Latent Variable Regression, adjusts the Equation 2 variance-covariance matrix for the measurement errors in ALT and EXI using Equation 2 measurement model loadings and measurement error variances. The resulting error-disattenuated variance-covariance matrix is then input to OLS regression. This approach was judged to be acceptably unbiased and consistent in the Ping (1996) article.

In order to use Latent Variable Regression to estimate Equation 2, the error-adjusted covariance matrix for Equ-
tion 2, and “regression through the origin” was used (to accommodate the collinearity of the dummy variables – see Blalock 1979). Specifically, the (error attenuated) variances and covariances of ALT, EXI, and the five indicators for the SAT dummy variables were obtained using SPSS. Next, the measurement model for Equation 2 was estimated using the (consistent) indicators for ALT and EXI, and single indicators for the five SAT dummy variables (i.e., Sat_Dummy1, Sat_Dummy2, etc.), with LISREL and maximum likelihood estimation. Then, the loadings and measurement error variances from this measurement model were used to adjust the SPSS variances and covariances of ALT, EXI, and the SAT dummy variables using equations proposed by Ping (1996) such as

$$\text{Var}(\xi_X) = (\text{Var}(X) - \theta_X)/\Lambda_X^2$$

and

$$\text{Cov}(\xi_X, \xi_Z) = \text{Cov}(X, Z)/\Lambda_X \Lambda_Z,$$

where Var(ε_x) is the error adjusted variance of X, Var(X) is the error attenuated variance of X (available from SAS, SPSS, etc.), $\Lambda_X = \text{avg}(\lambda_{x1} + \lambda_{x2} + \ldots + \lambda_{xn})$, avg = average, and $\text{avg}(\theta_X = \text{Var}(\varepsilon_{x1}) + \text{Var}(\varepsilon_{x2}) + \ldots + \text{Var}(\varepsilon_{xn}))$, $\lambda$'s and $\varepsilon$'s are the measurement model loadings and measurement error variances – 1 and 0 respectively – for the SAT dummy variables, and n = the number of indicators of the latent variable X), Cov(ξ_X, ξ_Z) is the error adjusted covariance of X and Z, and Cov(X,Z) is the error-attenuated covariance of X and Z.

The resulting error-adjusted variance-covariance matrix for Equation 2 was then input to SPSS’ OLS regression procedure, and the results are shown in Table D.

**DISCUSSION**

The dummy variables for categories 4 and 5 (Sat_Dummy4 and Sat_Dummy5) in Table D were non-significant, while the other dummy variables were significant. Comparing the Table D results for ALT to those from Tables B and C, the statistics for the coefficient of ALT were practically unaffected by omitting a single dummy
variable, or by using regression through the origin. Also note that the unstandardized coefficient for Sat Dummy2 with Sat Dummy1 omitted in Table B was Sat Dummy2 – Sat Dummy1 (within rounding), in Table D. Similarly, the unstandardized coefficient for Sat Dummy3 with Sat Dummy1 omitted in Table B was Sat Dummy3 – Sat Dummy1, in Table D within rounding. Similarly, the other Table B dummy variables were the difference within rounding between their Table D value and Sat Dummy1. For this reason Sat Dummy1 is sometimes referred to as a “reference variable.” In Table C Sat Dummy5 is the reference variable for the unstandardized coefficient values shown there.

However, the interpretation or “meaning” of the unstandardized coefficients of the dummy variables is slightly different from the unstandardized coefficient of ALT. For example, the signs on the Table D unstandardized coefficients of the dummy variables have no meaning. Specifically, Sat Dummy1, for example, is not “positively” associated with EXI. The unstandardized coefficient of Sat Dummy1 is the absolute value of the change in the mean of EXI “caused” (associated) with Sat Dummy1 (1.51). In this case, the mean of EXI changed in absolute value for the “very dissatisfied” category by the amount 1.51. Similarly, the absolute value of the change in EXI for the “very satisfied” (Sat Dummy5) was .15. (Nevertheless, the “direction” of the associations of the set of dummy variables with EXI can be inferred – see below).

**THE SATISFACTION-EXITING HYPOTHESIS**

Satisfaction was hypothesized to be associated with Exiting, but so far we have estimated only variables derived from Satisfaction, its dummy variables, and several of them were nonsignificant. To estimate the effect of Satisfaction on Exiting using the dummy variables, the coefficients of the dummies were aggregated using a weighted average, and the results are shown in Table E. Interpreting this aggregated result, Satisfaction, estimated as a categorical variable, was significantly associated with Exiting as hypothesized.

The “direction” of this association can be inferred by linearly ordering the unstandardized coefficients of the dummy variables from low to high. In this case EXI (i.e., its means in absolute value) decreased as the category represented by the dummy variables increased, which is consistent with the Table A result that Satisfaction is negatively associated with Exiting. Specifically, in the lower satisfaction categories, Sat Dummy1 and Sat Dummy2, Exiting was higher (i.e., the means were higher), while in the higher satisfaction categories, Sat Dummy4 and Sat Dummy5, Exiting was lower.

**COMMENTS**

Anecdotally, it is believed that regression through the origin (no intercept regression) is biased, perhaps because its $R^2$ appears to be biased (Gordon 1981) – especially when the intercept is likely to be non-zero. However, experience suggests that with dummy variables, coefficient estimates are consistent between intercept regression and no intercept regression. For example, the coefficient estimates from omitting a dummy variable (which used intercept regression) such as those in Tables B and C were the difference between the omitted dummy variable’s coefficient and the other coefficients in the no intercept results shown in Table D, within rounding). Also, the Equation 2 coefficients for ALT were practically unaffected by regression through origin (e.g., see Table B and Table D).

However, these results do not “prove” anything. They merely hint that the suggested approach may be useful for a categorical exogenous variable in theory (hypothesis) tests of latent variable models with survey data. Nevertheless, as an additional example, ALT was estimated as a categorical variable with the results shown in Table F. These results paralleled those from estimating Satisfaction. For example, the Equation 2 coefficients for SAT were practically unaffected by regression through origin. Similarly, the coefficient estimates from omitting a dummy variable (which used intercept regression) were the difference between the omitted dummy variable’s coefficient and the other coefficients in the no intercept...
results in Table F (within rounding). The “direction” of this effect was inferred by linearly ordering the unstandardized coefficients for the Alt_Dummy variables. As these means increased (a14 increased), Exiting increased, which is consistent with Equation F in Table F. Finally, the aggregated coefficient for the Alt4 dummy variables, “confirmed” the Equation F results that Alternatives, estimated as a categorical variable, was positively associated with Exiting as hypothesized.

Moreover, the proposed approach is tedious to use. The adjusted variance-covariance matrix for Latent Variable Regression must be manually calculated. Similarly, the standard errors for Latent Variable Regression must be manually calculated (measurement model covariances could be substituted for the calculated covariances), and aggregation of the dummy variable coefficient results must be manually performed. (EXCEL templates are available from the authors for these calculations.)

The suggested aggregation approach for the dummy variables was uninvestigated for any bias and inefficiency. Thus, the significance threshold for the aggregated coefficient of a categorical variable probably should be higher than the customary |t-value| = 2.0, where “|” indicates absolute value. For example, since the significances of the Table E and Table F aggregated coefficients were materially larger than t = 2.0, they were judged to be significant.

Obviously, Latent Variable Regression is limited to estimating a single dependent or endogenous variable, and it provides Least Squares coefficient estimates, rather than the preferred Maximum Likelihood estimates. However, Castella (1983) has proposed adding a “leverage data point” that “forces” a regression intercept of zero (i.e., the intercept or constant estimated in no-origin regression is zero). This leverage data point also may permit Equation 2, for example, to be estimated using covariant structure analysis and all its dummy variables with maximum likelihood.

Unfortunately, the results for the dummy variables are sensitive to how the dummy variables are coded. Changing the assignment of 1 for category exclusion (e.g., Sat_Dummy5 = 1 if Sa2 = 5, and Sat_Dummy5 = 0 otherwise) to -1, for example, for category inclusion, reverses the signs on all the dummy variables in the tables. However, this sensitivity to coding provides further “mean-

| TABLE E |
| Aggregation Results* b |
| Case Weighted Average of the Unstandardized Structure Coefficients | Standard Error of the Case Weighted Average of the Unstandardized Structural Coefficients | T-value of Case Weighted Average of the Unstandardized Structural Coefficients |
| 0.51 | 0.21 | 2.47 |

* The Case Weighted Average is Σwibi, where Σ is summation, i = 1 to 5, w is the weighted average (number of cases in category i divided by the total number of cases) of the unstandardized coefficient, bi, of Sat_Dummyi, and i = 1 to 5.

b The aggregated Standard Error is the Square Root of the variance of the weighted sum of the individual standard errors (e.g., sqrt(Var(w1SE1 + w2SE2 + w3SE3 + w4SE4 + w5SE5)) = sqrt(ΣwibiSEi2 + 2ΣCov(SEi,SEj)), where sqrt is the square root, Var is variance, w is the weighted average (number of cases in category i divided by the total number of cases) of the unstandardized coefficient of Sat_Dummyi, SE is standard error, Σ is summation, i = 1 to 5, j = 2 to 5, and i > j.
### TABLE F
**Abbreviated Estimation Results** for ALT as a Categorical Variable

#### (a) Abbreviated Equation 1 with Al4b Estimation Results:

<table>
<thead>
<tr>
<th>Exog</th>
<th>Unstd Variable</th>
<th>Str Coef</th>
<th>SE</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAT</td>
<td></td>
<td>-0.57</td>
<td>0.07</td>
<td>-8.59</td>
</tr>
<tr>
<td>AL4</td>
<td></td>
<td>0.52</td>
<td>0.05</td>
<td>9.69</td>
</tr>
</tbody>
</table>

#### (b) Abbreviated Equation 2 Results with Al4b and Alt_Dummy1 Omitted:

<table>
<thead>
<tr>
<th>Exog</th>
<th>Unstd Variable</th>
<th>Str Coef</th>
<th>SE</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALT</td>
<td></td>
<td>0.69</td>
<td>0.07</td>
<td>9.65</td>
</tr>
<tr>
<td>SA2</td>
<td></td>
<td>-0.42</td>
<td>0.05</td>
<td>-7.79</td>
</tr>
</tbody>
</table>

#### (c) Abbreviated Equation 2 Results with Al4b and Alt_Dummy5 Omitted:

<table>
<thead>
<tr>
<th>Exog</th>
<th>Unstd Variable</th>
<th>Str Coef</th>
<th>SE</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAT</td>
<td></td>
<td>-0.56</td>
<td>0.07</td>
<td>-8.56</td>
</tr>
<tr>
<td>Alt_Dummy3</td>
<td></td>
<td>-1.12</td>
<td>0.19</td>
<td>-5.83</td>
</tr>
<tr>
<td>Alt_Dummy1</td>
<td></td>
<td>-1.80</td>
<td>0.26</td>
<td>-7.02</td>
</tr>
<tr>
<td>Alt_Dummy4</td>
<td></td>
<td>-0.23</td>
<td>0.19</td>
<td>-1.21</td>
</tr>
<tr>
<td>Alt_Dummy2</td>
<td></td>
<td>-1.53</td>
<td>0.21</td>
<td>-7.42</td>
</tr>
</tbody>
</table>

#### (d) Abbreviated Equation 2 Results with All Al4b Dummy Variables:

<table>
<thead>
<tr>
<th>Exog</th>
<th>Unstd Variable</th>
<th>Str Coef</th>
<th>SE</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAT</td>
<td></td>
<td>-0.56</td>
<td>0.07</td>
<td>-8.56</td>
</tr>
<tr>
<td>Alt_Dummy5</td>
<td></td>
<td>5.70</td>
<td>0.23</td>
<td>24.45</td>
</tr>
<tr>
<td>Alt_Dummy4</td>
<td></td>
<td>5.47</td>
<td>0.23</td>
<td>23.89</td>
</tr>
<tr>
<td>Alt_Dummy1</td>
<td></td>
<td>3.90</td>
<td>0.34</td>
<td>11.54</td>
</tr>
<tr>
<td>Alt_Dummy3</td>
<td></td>
<td>4.58</td>
<td>0.26</td>
<td>17.90</td>
</tr>
<tr>
<td>Alt_Dummy2</td>
<td></td>
<td>4.17</td>
<td>0.29</td>
<td>14.62</td>
</tr>
</tbody>
</table>

#### (e) Aggregation Results:

<table>
<thead>
<tr>
<th>Case Weighted Average of Unstandardized Structure of Coefficients</th>
<th>T-value of Case Weighted Average of Unstandardized Structural Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.51</td>
<td>0.21</td>
</tr>
</tbody>
</table>

---

* The structural models were judged to fit the data. Exhibits a) through c) involve LISREL and maximum likelihood estimates, and Exhibit d) involved Latent Variable Regression and least squares estimates.

* Al4 was the heaviest loading indicator of ALT.

* EXI = b_0''SAT + b_1''ALT + ξ ξ ξ.

* SE is Standard Error.

* EXI = b_0'''SAT + b_1'''ALT + b_2'''''Alt_Dummy2 + b_3'''''Alt_Dummy3 + b_4'''''Alt_Dummy4 + b_5'''''Alt_Dummy5 + ξ ξ ξ.

* The Case Weighted Average is ∑_i=1 to 5 w_i b_i, where ∑ is summation, i = 1 to 5, w_i is the weighted average (number of cases in category i divided by the total number of cases) of the unstandardized coefficient, b_i, of Alt_Dummyi, and i = 1 to 5.

* The aggregated Standard Error is the Square Root of the variance of the weighted sum of the individual standard errors (e.g., sqrt(Var(w_i SE_i + w_j SE_j + w_k SE_k + w_l SE_l + w_m SE_m)) = sqrt(Var(SE_i) + 2Σ Cov(SE_i, SE_j)), where sqrt is the square root, Var is variance, w_i is the weighted average (number of cases in category i divided by the total number of cases) of the unstandardized coefficient of Alt_Dummyi, SE is standard error, ∑ is summation, i = 1 to 5, j = 2 to 5, and i > j.
ing" for dummy variables. Specifically, the absolute value of the unstandardized coefficient of Sat_Dummy5, for example, in Table D is the change from zero, the (arbitrary) category exclusion value for the dummy variable coding, for the mean of EXI that is “caused” (associated) with Sat_Dummy5 (.15). In this case, the mean of EXI changed in absolute value (from zero) for the “very satisfied” category by the amount .15. Similarly, the absolute value of the change in EXI (from zero) for the “very dissatisfied” (Sat_Dummy1) was 1.51.

The “direction” of a (truly) categorical association across its categories can be nearly impossible to hypothesize in the customary manner. For example, it is not obvious how one would argue, a priori, the “directionality” of any association between the eight VALS Psychographic categories (SRI International 1989) and Exiting using customary hypotheses such as

\[ H_2: \text{VALS increases Exiting} \]
\[ H_2': \text{VALS decreases Exiting}. \]

However, an hypothesis involving VALS and Exiting might be stated without “directionality” as

\[ H_2": \text{VALS is associated with (affects) Exiting}. \]

Any “directionality” could be inferred later from linearly ordering the resulting means (even if they were difficult to explain). Such an approach of disconfirming an association stated without directionality, then observing or “discovering” directionality is within the “logic of discovery” (e.g., Hunt 1983), so long as this “discovery” of directionality is presented as potentially an artifact of the study that must be hypothesized, theoretically supported, then disconfirmed in an additional study.

ENDNOTES
1 Other study details are omitted to skirt matters such as conceptual and operational definitions, etc. that were judged to be of minimal importance to the present purposes.
2 These equations make the classical factor analysis assumptions that the measurement errors are independent of each other, and the \(\chi^2\)'s are independent of the measurement errors. The indicators for X and Z must be consistent in the Anderson and Gerbing (1988) sense.
3 An overall F test of the “effect” of the dummies (e.g., \[ F = (R_i^2 - R_{i-1}^2)/(k_i - k_{i-1})/[(1-R_i^2)/(N-k_i - 1)] \]) where \(R_i^2\) is R Square (or Squared Multiple Correlation), \(i = 1\) denotes the model with the dummies omitted, \(i = 2\) denotes the model with the dummies included, \(k_i\) is the number of exogenous variables (predictors), and \(N\) is the number of cases – see for example Jaccard, Turrisi and Wan (1990) is inappropriate because \(R^2\)'s are not comparable between intercept and no intercept models (Hahn 1977). (In addition, \(R^2\) is usually incorrectly calculated in no intercept models – see Gordon 1981).
4 Blalock (1979) points out that multiple categorical variables cannot be jointly estimated using regression through the origin.
5 Parenthetically, the significance of the Sa2-Exiting association in Table A, for example, was very different from that of the aggregation of its dummy variables shown in Table E because the associations themselves were estimated differently.

REFERENCES
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CONCERNED BUT NOT WILLING TO PAY? EXAMINING CONSUMERS’ PRO-ENVIRONMENTAL ATTITUDE AND BEHAVIORS

Lan Xia, Bentley University, Waltham

SUMMARY

Companies’ “green” initiatives have been on the rise in recent years. However, researchers have identified a gap between consumers’ pro-environmental concern and actual behaviors. In this research, I offer explanations to this gap and propose a model that bridges the gap by examining factors influencing consumers’ willingness to pay for environmental-friendly products.

First, research showed that the link between environmental concerns, knowledge of environmental friendly products, and actual pro-environmental behaviors had been weak (Wall 1995; Devinney et al. 2006). I propose that commitment to pro-environmental behaviors helps to bind environmental concerns with behaviors. Commitment contains an implicit explanation of one mechanism producing consistent human behavior (Becker 1960). Therefore, I hypothesize that environmental concern and knowledge lead to higher willingness to pay when consumers demonstrate higher commitment to pro-environmental behaviors. Second, research suggests that general attitude may not predict specific behavior. At a transaction level, it has been well established that perceived value is key in consumer purchases (Grewal, Monroe, and Krishnan 1998). Consumer purchases are motivated by the needs, wants, and desires of the product benefits and purchase decisions are made by considering the sacrifices made (i.e., price paid) in exchange for the benefits acquired (i.e., perceived value). For consumers to be willing to pay for environmental friendly products, they will need to perceive the social value of the product offered which is integrated with their overall perceived value. Therefore, I hypothesize that commitment to pro-environmental behavior lead to higher perceived social value with a purchase. Perceived social value further leads to higher perceived acquisition value, which leads to higher willingness to pay. Third, many pro-environmental activities such as recycling and buying groceries are executed on a daily or weekly repetitive basis and consumers can easily perform these activities base on habits, which are guided by automaticity (Aarts, Verplanken, and Van Knippenberg 1998). Research has shown that in the case of repeated behavior, a measure of self-reported frequency of past behavior or habit contributes to the prediction of future behavior in addition to attitude, subjective norms, perceived behavioral control, and intention (Ouellette and Wood 1998). Therefore, I hypothesize that commitment to pro-environmental behaviors help to form habitual behaviors. Habitual pro-environmental behaviors are further predictive of willingness to pay.

To test the proposed model, an online survey was conducted using the service of zoomerang.com. Three hundred and seventeen valid responses were obtained. I measured participants’ general environmental concern, locus of control, knowledge with environmental friendly products, commitment to environmental behaviors, and self-reported frequency on a set of pro-environmental behaviors. After the measures of general attitude and behaviors, participants were provided with a shopping scenario where they were buying an area rug. A description of the rug was presented with pro-environmental features. After reading the description, participants were asked how much they would be willing to pay for it if they were to purchase this rug. Next, they were asked a set of questions measuring their perceived acquisition value and social value of the purchase. We conducted a structural equation analysis to test our proposed model. The overall fit of the model was significant ( \( \chi^2 (96) = 257.1, p < .01 \)). Additional goodness-of-fit indices (TLI = .95, CFI = .97, IFI = .96 and RMSEA = .07) were at acceptable levels indicating that the model fits the data well (Bagozzi and Yi 1988). Overall, results supported our proposed model.

Our research provided both theoretical and managerial implications. By identifying and explaining the gap between attitude and behavior in environmental research, this research further clarified the applicability of theory of reasoned action and planned behavior in the context of consumers’ willingness to pay for environmental friendly products. In addition, the model pointed out the importance of consumer commitment and conceptualized two routes that commitment influence willingness to pay: cognitive elaboration through perceived value and automatic process through habitual behaviors.
REFERENCES


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THE INFLUENCE OF CHANGE-FOCUSED ADVERTISING APPEALS AND SELF-REFERENCING ON CONSUMER PERSUASION

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Linda Tuncay, Loyola University, Chicago
Atul Kulkarni, University of Illinois at Urbana-Champaign
Cele Otnes, University of Illinois at Urbana-Champaign

INTRODUCTION

Marketing scholars and practitioners have long been interested in consumer response to advertising appeals, or the approach used in messages to gain attention and persuasion (Belch and Belch 2007). Of particular interest has been consumer response to specific types of messages such as fear, sex, guilt, or status appeals (Cotte, Coulter, and Moore 2005; Potter et al. 2006; Ruiz and Sicilia 2004). Yet an advertising appeal whose effects are underexplored is one that promises to “bring about significant transformations or changes in consumers’ lives” (Runser-Spanjol, Lowrey, and Otnes 1999, p. 266). Such change-focused appeals promise temporary or permanent transformations for consumers who use the product or service being advertised. For example, ads for Gold’s Gym state that “Only Gold’s Gym has the experience and expertise to help you achieve life-changing results. Change your body. Change your life.” Hilton Hotels communicate that “Travel is more than just A to B. Travel should transform you.”

Change-focused appeals are of interest for a number of reasons. First, many product categories are geared toward positive change such as education, medical services, and wellness products. Second, Runser-Spanjol et al. (1999) find that one-third of ads in a sample of women’s magazines appearing from 1951 to 1997 featured change-focused messages. Yet beyond their applicability to numerous product categories and frequent use in practice, relatively little is known about consumer response to change-focused appeals and their effects on persuasion.

To investigate the impact of the change-focused advertising appeal, we draw on self-referencing theory, which addresses how individuals are affected by processing information in light of oneself and one’s past experiences (Anderson and Reder 1979; Rogers, Kuiper, and Kirker 1977). Self-referencing, or processing new information in light of one’s self and one’s past experiences, has been studied extensively due to its impact on persuasion (Anderson and Reder 1979). Past research shows that activation of the self when processing a message provides more linkages in memory between the message and the self, which in turn facilitates message elaboration and can ultimately enhance attitudes, recall, and purchase intentions (Anderson and Reder 1979).

A review of the self-referencing literature indicates that (1) persuasion is affected by self-referential advertising executional elements such as ad copy voice, and (2) individuals differ in their self-referential processing tendencies. Research on ad copy voice is particularly relevant since change-focused appeals can be cast in the second- or third-person voice. Burnkrant and Unnava (1989) find that ads featuring the second-person voice produce more self-referential processing and favorable product attitudes under strong versus weak message conditions, whereas ads incorporating the third-person voice do not yield differences in processing or attitudes due to message strength. In comparing self-oriented references
to “you” and “your” with product-benefit copy, Debevec and Romeo (1992) find that self-oriented messages elicit more self-referential processing and more favorable attitudes, especially when coupled with a product visual. Meyers-Levy and Perrachio (1996) also find differences based on second- versus third-person ad copy and visuals depicting an actor versus observer perspective. They observe a three-way interaction effect, where either second-person ad copy or an actor perspective enhances persuasion under high motivation to process conditions. However, under low motivation to process, manipulations of ad copy voice and visual perspective have no effect.

Recognizing that consumers differ in self-referencing tendencies, Haugtvedt (1994) developed a scale to measure propensity to self-reference (see Appendix). Subsequent studies examine processing and persuasion differences among high and low self-referencers. Pietman et al. (1999), for example, asked consumers to evaluate the Internet as an information source. For high self-referencers, attitudes toward the Internet are more favorable when information search failure is attributed to factors beyond their self control compared to within self control, whereas low self-referencers’ attitudes are not sensitive to self versus situational attributions. Haugtvedt et al. (2004) examine responses and attitudes toward messages containing the third-person voice. When the message is cast in the third-person voice, high self-referencers do not make a connection to the message and are unaffected by differences in message quality. In contrast, because low self-referencers do not process in self-referential terms, they discern high versus low argument quality even when messages are delivered in the third-person voice.

**Applying Ad Copy Voice and Propensity to Self-Reference to Change-Focused Appeals**

Following Debevec and Romeo (1992), who in focusing on the effect of self-oriented copy contrasted it with product-benefit copy, our examination of the change-focused appeal will be contrasted with a product-benefit appeal that makes no reference to changing lives. Drawing on Debevec and Romeo (1992) and Meyers-Levy and Perrachio (1996), we propose that change-focused versus product-benefit appeals cast in the second-person voice will elicit relatively favorable brand attitudes when viewed by high self-referencers. This effect is expected because the second-person change-focused appeal, compared to a product-benefit appeal, is comparable to a strong message argument for high self-referencers. That is, following Burnkrant and Unnava (1989) who find that strong messages are more persuasive than weak ones under high self-referencing conditions (i.e., second-person ad copy), we believe that for high self-referencers a strong message will be one that references “you” or “your” and addresses how the viewer’s life will be transformed by product use (i.e., a change-focused appeal). A message will be perceived as weaker and less persuasive when it lacks either one or both of these elements because it does not match the preferred processing style of high self-referencers.

In contrast, third-person ad copy references to “they” or “their” will not activate an individual’s propensity to self-reference. As a result, whether an ad utilizes a change-focused or product-benefit appeal will be inconsequential because the third-person ad copy does not tap into a consumer’s tendency to self-reference. Thus, in third-person ad copy conditions, no differences are expected in brand attitudes due to message appeal or self-referencing tendency. Overall, we expect a three-way interaction effect:

**H1a:** When the ad contains second-voice copy, consumers with a high propensity to self-reference will have more favorable brand attitudes when exposed to a change-focused appeal (versus low self-referencers and/or product-benefit appeal).

**H1b:** When the ad contains third-voice copy, there will be no difference in brand attitudes depending on change-focused versus product-benefit appeal and high versus low propensity to self-reference.

We expect similar effects of ad copy voice and appeal on product-use beliefs that arise from advertising exposure, specifically whether the viewer’s own beliefs about life change vis-à-vis product use are affected by the ad message. Because they are positively inclined toward processing new information in light of their own lives, we propose that high self-referencers will exhibit relatively positive product-use beliefs when presented with a change-focused appeal in the second-person voice than in other conditions. High self-referencers will prefer appeals suggesting how their own lives will be changed through product use, rather than how people’s lives will be changed or how the product offers benefits that are not tied to the consumer’s life.

Thus, we expect a three-way interaction where the combination of second-person copy in a change-focused appeal taps into high self-referencers’ preferred processing style and will be more appealing than second-person ad copy coupled with a product-benefit appeal or low self-referencing propensity. In contrast, an ad utilizing the third-person references to “they” or “their” will not tap into consumers’ propensity to self-reference, implying that product-use beliefs will be unaffected by whether the message appeal is focused on change or product benefits and whether the consumer has a high or low propensity to self-reference.
H2a: When the ad contains second-voice copy, consumers with a high propensity to self-reference will develop more favorable beliefs about product use when exposed to a change-focused appeal (versus low self-referencers and/or product-benefit appeal).

H2b: When the ad contains third-voice copy, there will be no difference in product-use beliefs depending on change-focused versus product-benefit appeal and high versus low propensity to self-reference.

H3a: When the ad contains second-voice copy, consumers with a high propensity to self-reference will exhibit more ad liking when exposed to a change-focused appeal (versus low self-referencers and/or product-benefit appeal).

H3b: When the ad contains third-voice copy, there will be no difference in ad liking depending on change-focused versus product-benefit appeal and high versus low propensity to self-reference.

Finally, extant research suggests greater elaboration under self-referencing conditions. Thus, we expect greater processing (i.e., elaborations) among high self-referencers who view second-person ad copy combined with a change-focused appeal than other conditions.

H4: A larger number of message elaborations will be exhibited when second-person ad copy is combined with a change-focused appeal and is viewed by high self-referencers; other conditions will exhibit fewer elaborations.

METHOD

To test these hypotheses, a 2 X 2 X 2 experimental design was developed, where ad copy voice and message appeal were manipulated, and propensity to self-reference was measured. University staff and students (n = 245) were recruited to participate and were given a booklet containing two filler magazine articles, two filler ads, and the target ad for a personal digital assistant (PDA) called DayPro, which contained the manipulations. All ads were interspersed randomly, and participants were told to review the materials as a possible college magazine. Afterwards, they responded to a questionnaire including open-ended thoughts about the ad, DayPro brand attitudes and product beliefs, and propensity to self-reference.

Independent Variables

Ad copy voice, message appeal, and propensity to self-reference were the independent variables. Voice was manipulated by second-person references to “you” or “your” or third-person references to “they” or “their.” In line with Debevec and Romeo (1992), who contrasted self copy with product-benefit copy, message appeal had two levels: change-focused appeal (CFA) or product-benefit appeal. Thus, the four ads (see Appendix) manipulated headlines, copy, and taglines to indicate that using the DayPro PDA was central to changing and transforming your career (second-person CFA) or their careers (third-person CFA), or being the best choice for you (second-person product-benefit appeal) or for them (third-person product-benefit appeal) in the workplace. Propensity to self-reference (PSR) was measured (see Appendix) and loaded on one factor. Individuals’ scores were averaged and split at the median (5.38) to partition high (M_{HighPSR} = 6.08) and low self-referencing groups (M_{LowPSR} = 4.80; t = 21.81, p = .001).

Pretests

Manipulations were pretested with 144 participants who read ad copy that varied PDA ad claims by second-person or third-person voice, and change-focused or product-benefit appeals. Second-person versus third-person ad copy increased respondents’ agreement that the ad claims referred to themselves versus others (four-item scale: M = 4.34 versus M = 3.86, t = 2.13, p = .030). Life-changing versus product-benefit claims yielded stronger agreement that the ad copy was conveying a message that the product would improve lives (six-item scale: M = 5.19 versus M = 4.51, t = 3.82, p < .001). Manipulations did not differ in favorability or believability (p’s NS).

Dependent Variables

Measures for brand attitudes and product-use beliefs are shown in the Appendix, along with their reliabilities. We also gauged the extent to which the experimental factors affected ad liking and extensiveness of processing. Following Wright (1980), participants listed thoughts they had when viewing the ad and whether the thought was positive, negative, or neutral. Two independent coders categorized each response as a comment about the ad (e.g., “This ad is straightforward”), the DayPro brand or product (e.g., “The DayPro is technologically advanced”), a compound thought associated with the ad, brand, and/or product (e.g., “The ad photo showed that the product is small”), or an unrelated thought. Inter-coder agreement was 82 percent, and disagreements were resolved through
discussion. The number of positive ad thoughts and the number of negative ad thoughts are dependent variables that reflect participants’ degree of ad liking. The total number of thoughts, total number of product/brand thoughts, and total number of ad thoughts reflect extensiveness of processing.

**RESULTS**

To test the hypotheses, analysis of variance (ANOVA) was performed and supplemented by simple main effects tests (Keppel 1973). Consistent with H1a and H1b, ad copy voice, message appeal, and propensity to self-reference produced a significant three-way interaction effect on brand attitudes \((F(1, 237) = 5.714, p = .018)\). No other main or interaction effects were significant. Figure 1 shows that the change-focused appeal cast in the second-person voice is evaluated most favorably by high self-referencers compared to other conditions. Consistent with H1a, simple main effects tests show brand attitudes are significantly more favorable when high self-referencers receive a second-person voice “this-product-will-change-your life” appeal compared to a product-benefit appeal \((M_{High\ PSR,\ You,\ CFA} = 4.42 \text{ vs. } M_{High\ PSR,\ You,\ Product \ Appeal} = 3.77; \ F(1, 65) = 6.56, p = .013)\) and compared to low self-referencers receiving a second-person change-focused appeal \((M_{High\ PSR,\ You,\ CFA} = 4.42 \text{ vs. } M_{Low\ PSR,\ You,\ CFA} = 3.90; \ F(1, 60) = 3.09, p = .084)\). Consistent with H1b, which postulates third-person ad copy does not tap into propensity to self-reference and thus does not elicit differences in persuasive effects of change-focused appeals, brand attitudes do not differ in third-person ad copy conditions.

**Effects on Product-Use Beliefs (H2a and H2b)**

The experimental factors also produced a significant three-way interaction on product-use beliefs \((F(1, 237) = 4.199, p = .042)\). No other main or interaction effects were significant. Consistent with H2a and shown in Figure 2, second-person ad copy voice produces more favorable product-use beliefs among high versus low self-referencers who are presented with change-focused appeals \((M_{High\ PSR,\ You,\ CFA} = 4.02 \text{ versus } M_{Low\ PSR,\ You,\ CFA} = 3.38; \ F(1, 61) = 5.69, p = .020)\). In contrast, when third-person ad copy is used, there are no differences in product-use beliefs across conditions \(p’s \text{ NS)}\). This is consistent with H2b, which postulates that the third-person ad copy does not tap into a consumer’s propensity to self-reference and, therefore, does not trigger differential effects of message appeal on product-use beliefs.

**Effects on Ad Liking (H3a and H3b)**

We also gauged the effect of experimental factors on ad liking, as reflected in the number of positive and the number of negative ad-related thoughts. There was a significant two-way interaction effect of message appeal and propensity to self-reference on number of positive ad thoughts \((F(1, 236) = 4.07, p = .044)\). The largest number of positive ad-related thoughts is generated by high self-referencers exposed to a change-focused appeal versus a product-benefit appeal \((M_{High\ PSR,\ CFA} = .27; \ M_{High\ PSR,\ Product \ Appeal} = .08; \text{NS})\). Although a three-way interaction effect was not observed and ad copy voice did not have a significant effect, these results provide partial support for H3a since high self-referencers produce a greater number of positive ad elaborations when presented with a change-focused compared to product-benefit appeal.

We also observed a two-way interaction effect of ad copy voice and propensity to self-reference on the number of negative ad thoughts \((F(1, 236) = 3.82, p = .050)\). Second-person ad copy elicits the largest amount of negative ad thoughts among high self-referencers \((M_{High\ PSR,\ You} = .37)\) compared to low self-referencers \((M_{Low\ PSR,\ You} = .37; \ F(1, 119) = 3.35, p = .07)\). H3a is not supported because high self-referencers exhibit a larger number of negative ad elaborations than low self-referencers in the second-voice condition, indicating less favorable ad impressions among high self-referencers. However, the results provide support for H3b since there are no differences in the amount of negative ad comments across third-person voice conditions.

**Effects on Elaboration (H4a and 4b)**

Finally, H4 proposed that the second-person change-focused appeal viewed by high self-referencers would elicit the most extensive processing. There are no significant differences in total thoughts \((total \ thoughts = 1064; \ M = 4.34)\) or product/brand thoughts across experimental conditions. Number of ad thoughts is influenced by a two-way interaction effect of ad copy voice and propensity to self-reference \((F(1, 236) = 4.15, p = .043)\). Second-person ad copy elicits more ad thoughts in high versus low self-referencers \((M_{High\ PSR,\ You} = .98 \text{ versus } M_{Low\ PSR,\ You} = .56; \ F(1, 119) = 5.425, p = .022)\). Contrary to H4, total number of thoughts and product/brand thoughts do not differ across conditions. H4 receives only partial support since ad copy and self-referencing affects ad-related elaborations, but message appeal does not exert a significant effect.

**DISCUSSION**

Advertising managers agree that “the old way companies used to market was that we asserted ourselves onto the consumer” by emphasizing the product, and that now “it’s about enabling consumers to do what they want to do” (Elliott 2006, C1) by emphasizing the consumer-as-actor perspective in advertising elements. Our research shows that using second-person ad copy or promising temporary or permanent change in consumers’ lives does not ensure consumer acceptance of the brand message.
Rather, we demonstrate that use of the change-focused advertising appeal must be carefully crafted and executed, with attention paid to the ad copy voice and the type of consumer to whom the ad is targeted.

Specifically, second-person ad copy triggers differential effects of message appeal on persuasion by tapping into the consumer’s propensity to connect persuasive messages and thoughts to the self. High self-referencers accept change-your-life messages more than other combinations (i.e., changes-lives, best-for-you, or best-for-them messages) because two key advertising elements are presented in the preferred manner and style of this consumer: namely, the ad copy is cast in the second-person voice and the appeal is framed according to how the consumer’s life will be transformed by choosing and using this product.
contrast and as expected, the third-person ad voice does not stimulate differential processing or persuasive effects of change-focused versus product-benefit appeals for high or low self-referencers.

Thus, when targeting consumer groups with a high propensity to process in self-oriented terms, a change-focused appeal can be effective if it calls attention to how “your” life will be affected by product use. Although it may be difficult to segment the market on the basis of consumers’ propensity to self-reference, other schemes may be associated with self-referencing including segmentation based on life stage or desired benefits. For example, when consumers seek out certain benefits - such
as changes in self-identity through transformative products such as plastic surgery (Schouten 1991) – we can expect that they would be prone to thinking about the relationship of the product or service to positive change in their lives. Similarly, consumers may be relatively more self-referential during times of important life transitions, when they may be inclined to ponder how certain products and services could fit into their new roles and responsibilities (e.g., graduating from college to career; retiring from a career; becoming a parent; moving to a new community).

Our work differs somewhat from Burnkrant and Unnava (1989), who manipulate strong and weak advertising arguments in conjunction with high and low self-referencing conditions. Here, we do not manipulate message quality but rather control it, including favorability and believability of the message appeal, while manipulating the type of message appeal. In doing so, we are able to identify some boundary conditions for the effective use of change-focused appeals, including the consequential role played by ad copy voice. We also compare our results to those of Meyers-Levy and Perrachio (1995), who observe that either second-person ad copy or an actor perspective in the ad visual enhances persuasion under high motivation to process. We find that change-focused appeals are only persuasive when coupled with second-person ad copy and delivered to high self-referencers. That is, high self-referencers will be motivated to process the message when it addresses the viewer directly and is about the viewer’s life (rather than about the product). From this we can conclude that the change-focused appeal itself is a self-referential advertising executional element only if it uses the second-person voice.

One interesting aspect of our results is that participants respond to the ad and brand in subtly different ways. Consistent with our hypotheses, second-person ad copy “unlocks” differential responses, with high self-referencers responding more favorably than their low counterparts to a brand associated with a change-your-life appeal. Somewhat mixed results are produced with respect to evaluation of the ad. Consistent with theory, in second-person ad copy conditions high self-referencers spontaneously generate more total ad-related elaborations than low self-referencers, and high self-referencers produce a larger number of positive ad elaborations of change-focused versus product-benefit appeals. However, high self-referencers also produce a larger number of negative elaborations in the second-voice ad copy conditions than those with low propensity to self-reference. These results suggest that high self-referencers process the ad – and its positive and negative implications – more thoroughly than low self-referencers because the use of “you” or “your” matches their self-referential processing tendencies and likely increases their motivation to process the ad message (MacInnis et al. 1994).

It is also interesting to note that we do not observe amount-of-processing differences with respect to total number of thoughts or total product/brand thoughts, but do observe differences in total number of ad thoughts. The fact the total number of ad thoughts is not affected by ad copy voice and propensity to self-reference may not be surprising in hindsight. Consistent with a persuasion-knowledge perspective (Friestad and Wright 1995), perhaps consumers use lay theories which guide their beliefs that, at some level, the use of “you” versus “they” has more to do with the ad than the brand itself.

Implications of Advertising Executional Elements and Self-Referential Processing

Our findings can be useful in considering other marketing communications strategies that might stimulate self-referential processing. Although our research focuses on the second-person versus third-person voice, many ads use the first-person voice. For example, an ad for Electrolux kitchen appliances links a photo of a family enjoying a meal to ad copy expressing the inner thoughts of the reader: “In my home, I garnish a special moment. I sprinkle a giggle here and there. I caramelize a sweet expression.” The use of the first-person voice has been explored by Stern (1999) from a literary theory perspective, but to the best of our knowledge it has not been investigated from the standpoint of how individuals process first-person ad copy references to “I” or “we.” The effectiveness of the first-person voice in a change-focused appeal may depend on the similarity between the ad viewer and the spokesperson in the ad. For example, Leigh et al. (1987) find that consistency between role portrayal in an ad and the viewer’s role orientation produces more favorable attitudes toward the ad and spokesperson. Thus, consumers who believe particular spokespeople express traits they themselves embody may engage in more self-referential processing of first-person change-focused appeals and may be more persuaded by them than those who perceive less similarity.

Brand managers can also consider other strategies that prompt self-referencing of change-focused appeals, even among those with a low propensity to do so. One such option is utilizing an ad visual that matches the ethnicity of the viewer. For example, Lee et al. (2002) and Martin et al. (2004) find Asian consumers engage in more self-referential processing when exposed to ads that feature Asian models as compared to ads featuring white models, resulting in the transfer of positive affect from the self to the ad. The use of such visuals are likely to likewise prompt viewers of change-focused appeals to interpret ad information in light of their own lives and transfer positive affect from the self to the brand associated with a change-focused appeal.
One limitation of our study is the use of one product, and so future research should examine change-focused appeals associated with other products and services. Change-focused appeals may also vary in the degree to which a transformation is expected (e.g., one aspect versus the entirety of a person’s life), which may affect believability of claims and persuasion. Future research on these and other issues will add to our understanding of the effectiveness of change-focused appeals, a frequently used marketing communications message approach.

REFERENCES


APPENDIX
(MEASURES AND SAMPLE STIMULI)

Self-Referencing Scale (Haugtvedt 1994; Shakarchi and Haugtvedt 2004; α = .81)

1. I find that thinking back to my own experiences always helps me understand things better in new and unfamiliar situations.
2. I think it is easier to learn anything if only we relate it to ourselves and our experiences.
3. When I read stories, I am often reminded of my own experiences in similar circumstances.
4. I often find myself using past experiences to help remember new information.
5. I think it is easier to evaluate anything if only we can relate it to ourselves and our experiences.
6. I always think about how things around me affect me.
7. In casual conversations, I find that frequently I think about my own experiences as other people describe theirs.
8. When explaining ideas or concepts to people, I find that I always use my own experiences as examples.

Brand Attitudes (α = .95)

1. I like this brand.
2. I do not think this is a good brand. (reverse coded)
3. I consider this to be a good brand.
4. In general, I find this brand to be well-crafted.
5. I believe the brand is one I can trust.
6. I dislike this brand. (reverse coded)
7. I think this brand is well-made.
8. This brand is bad. (reverse coded)

Product-Use Beliefs (α = .91)

1. I expect my life would change if I used this product regularly.
2. I do not expect this product to change my life in any significant manner. (reverse coded)
3. I expect this product could change my life for a long time.
4. I expect any changes in my life that result from using this brand will be short term.
5. I believe this product could change my life.
6. This product would have no effect on me. (reverse coded)
7. This product will probably change some aspect of my life.
8. I believe this product could impact on my life.
9. This product could affect my life in some way.
10. This product probably would not have an impact on my life. (reverse coded)
APPENDIX (CONTINUED)
(MEASURES AND SAMPLE STIMULI)

Second-Person, change-focused appeal

The Day-Pro Hand-Held Organizer. Your Secret Weapon to Transform Your Career.

Third-Person, product-benefit appeal

The Day-Pro Hand-Held Organizer: The Best Choice.

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THE MODERATING ROLE OF MOTIVATION ORIENTATION ON HELP-SELF VERSUS HELP-OTHERS APPEAL IN VOLUNTEERING ADVERTISING

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SUMMARY

As nonprofit organizations become increasingly competitive, and are faced with donors' heightened expectations, charity advertising has become more and more prevalent for charity to effectively appeal to potential individual contributors. Surprisingly, very little research effort has been devoted to the issues related to charity advertising. In particular, what is the best way to communicate a charitable cause to potential contributors? How is the relative persuasiveness of the different popular charity advertising appeals? When is one charity advertising appeal more effective than another one and for whom?

Unlike typical consumer shopping behavior, charitable giving does not involve an impersonal (e.g., goods) exchange nor tangible returns and the key driving force of charitable giving is consumers' value judgment? Thus, charity advertising must align the ad appeals to target audience’s values that motivate their giving in a particular situation. Charity advertising actually varies dramatically in the way that it characterizes consumers' value and motivations for charitable giving.

First, charity advertising differs with respect to message referent (self vs. others). Corresponding to the two commonly cited consumer motivations to give (namely, egoism, and altruism), two popular charity ad appeals have been the help-self appeal (e.g., you yourself feel better) and the help-others appeal (e.g., the needy will be satisfied). Secondly, charity advertising also deviates greatly with respect to message motivation orientation (attaining benefits vs. avoiding costs). Attaining-benefits messages appeal to consumers’ basic goal of approach pleasure and usually portrait improved conditions with charitable giving, whereas avoiding-costs messages appeal to consumers’ basic goal of avoiding pain and often feature needy conditions without charitable giving.

Previous research on charity advertising has concentrated on comparing the persuasiveness of a help-self (vs. help-others) appeal and studied how the effect may depend on target audience characteristics such as gender, dispositional altruism, and egoism, and even culture-orientation, but has largely ignored the message motivation orientation, a distinctive message characteristic factor that is inherent to the issue of charity giving and bears great potentials of altering charity advertising persuasion.

In this research, we seek to study how message referent together with message motivation orientation interactively impacts the effectiveness of charity advertising. We propose that a help-self appeal and a help-others appeal in charity advertising will activate distinct information processing mentalities in consumers exposed to the message. Specifically, a help-self appeal will activate a self-centered information processing mentality and make consumers more sensitive to information about oneself’s growth, advancement, and success (vs. oneself’s safety, protection, and prevention); whereas a help-others appeal will activate a others-centered information processing mentality and make consumers more sensitive to information about others’ safety, protection, and prevention(vs. others’ growth, advancement, and success). That is, when consumers concern about self welfare, they want to be happy; whereas when they deliberate on others’ welfare, they mostly want others to be safe. Thus, we predict that a help-self appeal in charity advertising will be more effective than a help-others appeal when the message motivation orientation is attaining-benefits than avoiding-costs; but the reverse will be true when the message motivation orientation is avoiding-costs than attaining-benefits.

Ninety-five undergraduate students were randomly assigned to an experimental study with a 2 (message referent: help-self vs. help-others) x 2 (message motivation orientation: attain-benefits vs. avoid costs) factorial design. Subjects read a letter from the Corporation for National and Community Service. The letter provides some general information about college students’ volunteering activities in the U.S. and more importantly, encourages college students to actively involve in volunteering with the corporation by using one of the four appeals: help-self attain-benefits, help-self avoid costs, help-others attain-benefits, and help-others avoid-costs. Thereafter, subjects’ likelihood to sign up for volunteering, intention to learn about the charity, and intention to volunteer in future were measured as main dependent variables, together with manipulation check measures and other covariate measures. A two-way ANOVA of the data provides strong support for our hypothesis.

Our research bears both theoretical and substantive contributions and implications. First, our research advances our understanding of the relative persuasion strength of approaching versus avoiding motivation. Sec-
ondly, our research also adds to the literature on the relative persuasiveness of a help-self versus help-others appeal by demonstrating the moderating role of message referent. Finally, this research also bears substantive implications for practitioners to craft effective charity advertisements, especially volunteering advertisements.

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CONSUMER BOYCOTTS: CORPORATE RESPONSE AND RESPONSIBILITY

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SUMMARY

Boycotts, once intended as short term signals to business to improve performance, are proving to have increasingly long term ramifications. Yet there is limited number of studies in consumer boycotts area and specifically on the effect of motivational factors. Consumers may respond to different types of company practices in different ways, boycott being one of them. In response to such kind of consumer reactions, companies practice several response strategies as well. Current study is part of an extensive study and an initial attempt to combine crisis management theories and consumer behavior theories. As such, this study attempts to contribute to the existing knowledge on consumer boycotts in two important ways. First, it builds on crisis management (Coombs and Holladay 1996) and regulatory focus theory (Higgins 1997). This study asserts that company response strategies, corporate responsibility and individual differences in goal orientation (promotion focused and prevention-focused) determine perceived egregiousness of the company’s act and consumers’ boycott decision. Second, using a product harm crisis context, this study further elaborates on consumers’ motivations to boycott. Based on theoretical considerations, this study derives the following hypotheses:

H1: Consumers will find the company’s actions to be more egregious and will be more willing to boycott the firm when company response to crisis is not appropriate.

H2a: Prevention focus individuals will find the company’s actions in a product harm crisis to be more egregious than promotion focus individuals and will be more willing to boycott the company due to product harm crisis.

H2b: Regulatory focus will moderate the relationship between boycott decision and corporate image. The relationship will be greater when individuals are prevention focus than when they are promotion focus.

H3: Aggressive consumers will find the company’s actions to be more egregious and will be more willing to boycott the company due to product harm crisis.

H4: In a product harm crisis women will perceive the company’s actions to be more egregious than men do and will boycott the company more than men.

To test the hypotheses we conduct an experiment in which two independent variables, corporate response to an event (appropriate vs. inappropriate), and corporate responsibility for an event (not responsible vs. responsible), are combined in a 2x2 between subject factorial ANOVA design. To investigate the central issues of concern, this study examines the effects of two independent manipulated variables on dependent variables, i.e., corporate image, egregiousness, and willingness to boycott. The study also examines the effect of boycott motivators such as make a difference, feeling better about oneself and avoidance of guilt, as well as person characteristics such as regulatory focus, aggressiveness, and gender on dependent variables.

The analysis of data indicates that consumers perceive company’s act in product harm crisis as more egregious and are more willing to boycott when company’s response to product harm crisis is not-appropriate then when it is appropriate. As for the effect of goal orientation, results show that prevention focus individuals perceive company’s act to be more egregious than promotion focus individuals and are more willing to boycott the company. Our data does not support the moderating effect (H2b) of regulatory focus on the relationship between willingness to boycott and corporate image. Results also show that aggression has an effect on perceived egregiousness suggesting that as respondent’s level of aggression increases so does the perceived egregiousness of the company’s act in product harm crisis. Similarly, aggression predicts willingness to boycott by interacting with the type of company response such that aggressive respondents are willing to boycott more when the company response is not appropriate. Finally, results entail that gender differences are negligible. Managerial and theoretical implications are reported. References are available upon request.
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UNDERSTANDING ONLINE AUCTION MARKET STRUCTURE:
A STUDY OF THE XBOX GAME CONSOLE MARKET AT EBAY

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SUMMARY

The online auction market has experienced rapid growth in the last decade and has been playing an important role in our new economy. However, with the exception of recent works of Lin et al. (2006) and Li, Li, and Lin (2007), few studies examine the market structure of the online auctions. Given the size and nature of the B2C and C2C online auction markets, it is important for potential market traders to understand such market structure. This study in progress extends the research into online auction market structure by investigating how the distributions of online feedback scores reflect the market structure of eBay. This study aims to describe eBay users’ demographics, investigate the market concentration, and test whether eBay users’ feedback scores are lognormally distributed. By using the auction data at eBay, we demonstrate our findings regarding the basic structure of online auction market, and discuss their managerial implications. We also list the future research directions.

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EXPLORING THE DYNAMIC TRANSACTION ENVIRONMENT AND MARKET EFFICIENCY OF ELECTRONIC MARKETPLACES

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SUMMARY

The objective of this paper is to model the online dynamic transaction environment, analyze the behavior of buyers and sellers, and explore how the online dynamic features affect the market efficiency in the electronic marketplaces. We find that under certain conditions the online dynamic environment can help increase the transaction probability, average used product quality level in the market, market size and total social welfare in the electronic marketplaces. Using auction data at eBay, we empirically test the efficiency of electronic markets by comparing the auction process, outcome and post-purchase evaluation between new products and used products. Our empirical findings suggest that electronic marketplaces for used IT products such as Nintendo game consoles and TI calculators are as efficient as the new products. We contribute to the literature by demonstrating dynamic electronic marketplace environment can improve market efficiency, and show preliminary empirical results of market efficiency measurement of electronic marketplaces.

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SUMMARY

The smooth functioning of e-commerce requires that consumers be willing to share critical information with companies. However, the lack of control on the information provided increases the perceived risk for consumers and consequently their use of electronic tools. Using an experimental methodology in which we systematically vary trust and compensation for information disclosure on a Web site, we observe the declared and actual behavior of providing (or not) sensitive information. The comparison of results obtained considering the willingness to share information and the actual disclosure, allows the identification of useful insights both for managers and researchers.

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THE FEELING OF REGRET AND DISAPPOINTMENT IN EBAY AUCTION: THE ROLE OF SNIPERS

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SUMMARY

The previous auction literature has utilized microeconomic models and game theory to investigate how rational proxies bid on behalf of an organization or a wealthy person. However, many items now being listed in online auctions are purchased by regular customers. Conventional economic literature may not provide appropriate theoretical base for the contemporary online auction research.

This paper investigates how snipers – the bidders only submit their bid in the closing moments of an auction – influence other auction participants’ feeling and following behavior response. Second-price hard-close auction adopted by eBay contains both the pricing rules and time rules that make the sniping tactic more attractive and effective. Comparing to other groups of eBay bidders (e.g., stalkers and nibblers), sniper delay one’s bid until the last seconds of the auction and disguise their buying intention in the early stage of auction. Negative emotions felt by bidders during the auction process will influence their bidding experiences and future behavior intentions. Regret and disappointment are two different counterfactual thinking constructs that help marketing researchers and practitioners to understand online bidders’ emotional response when they fail the auction. Both regret and disappointment are generated from a comparison between the reality and imaged alternative outcome. Specifically, regret is felt by the decision maker when he feels that he should take responsibility for an interior outcome, and disappointment is felt by the decision maker when the uncontrolled reasons make the expected outcome failed.

Drawing on the previous regret and disappointment literature, we propose sniper’s participation negatively influence other bidders’ regret and disappointment feelings and thus the effect of these negative emotions further impact behavioral response. We further propose the moderation effect of availability of alternatives on the relationship between sniper’s participation and the caused negative emotions. Our study may benefit the online auction company (e.g., eBay) as well as auction participants. The inference delineated in the present study can help eBay manage the auction system more effectively and bring a happy experience to bidders. Our study also highlights the importance of online auction study from behavioral perspectives. More examination is needed to investigate online buyers’ emotional experience.

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STARBUCKS COFFEE, HARLEY-DAVIDSON, AND MANOLO BLAHNIK ARE EXAMPLES OF BRANDS THAT MANAGE TO CREATE AND MAINTAIN DEEPLY ROOTED EMOTIONAL BONDS WITH THEIR CUSTOMERS. NOWADAYS CONSUMERS RASHLY TALK ABOUT A LOVE-RELATIONSHIP WITH THEIR BRANDS. HOWEVER, IT HAS TO BE ASKED WHETHER SUCH A RELATIONSHIP IS LOVE ACTUALLY?


BASED ON A LITERATURE REVIEW AND SEVERAL IN-DEPTH INTERVIEWS, THE CURRENT STUDY DEVELOPS AND VALIDATES A SCALE FOR MEASURING CONSUMERS’ BRAND LOVE. BRAND LOVE IS CONCEPTUALIZED ANALOGOUSLY TO STERNBERG’S (1986) INTERPERSONAL TRIANGULAR THEORY OF LOVE AND CAN THEREFORE BE UNDERSTOOD AS A CONSUMER’S LOVE RELATIONSHIP TO A BRAND THAT CAN BE CHARACTERIZED BY THE INTERPLAY OF INTIMACY, PASSION, AND COMMITMENT TO THAT BRAND. FURTHERMORE A TEST FOR NOMOLOGICAL VALIDITY OF THE DEVELOPED MEASUREMENT SCALE OF BRAND LOVE IS CONDUCTED. THE SECOND OBJECTIVE IS TO EXPLORE ITS PREDICTIVE VALIDITY, SHOWING THAT VARIATIONS IN BRAND LOVE SCORES CORRESPOND TO OUTCOME MEASURES OF CONSUMER BEHAVIOR.

THE RESEARCH DESIGN OF STUDY 1 WAS BASED ON AN ONLINE QUESTIONNAIRE. FOR MEASURING BRAND INTIMACY, BRAND PASSION, AND BRAND COMMITMENT SCALES WERE DEVELOPED BY DRAWING ON ITEMS USED IN SCALES IN THE INTERPERSONAL OR PSYCHOLOGICAL CONTEXT ON THE ONE HAND AND BY DRAWING ON THE RESULTS OF QUALITATIVE IN-DEPTH-INTERVIEWS WITH CONSUMERS ON THE OTHER HAND. THE FINAL POOL OF MEASUREMENT ITEMS CONTAINS NINE QUESTIONS. THE RESULT OF THE SCALE DEVELOPMENT ALLOWS THE CONCLUSION THAT CONSUMERS’ BRAND LOVE CAN BE CONCEPTUALIZED AS A SECOND-ORDER CONSTRUCT. THE THREE FIRST-ORDER FACTORS BRAND INTIMACY, BRAND COMMITMENT, AND BRAND PASSION ARE REFLECTING THE HIGHER ORDER CONSTRUCT BRAND LOVE.

IN STUDY 2 THE PROPOSED RELATIONSHIPS REGARDING THE POSITIVE INFLUENCE OF BRAND LOVE ON KEY BEHAVIORAL VARIABLES WERE TESTED IN A STRUCTURAL EQUATION MODEL. THE RESULTS OFFERED EVIDENCE OF PREDICTIVE VALIDITY, SHOWING THAT BRAND LOVE HAS STRONG POSITIVE EFFECTS ON CONSUMERS’ WILLINGNESS TO PAY A PRICE PREMIUM AND THAT CONSUMERS TURN A BLIND EYE TO THE BELVED BRAND WHEN THE BRAND “PULLS A BONER.” Thus, our findings underpin the relevance of brand love even for marketers.

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SPILLOVER OF SOCIAL RESPONSIBILITY ASSOCIATIONS IN A BRAND PORTFOLIO

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SUMMARY

Investments in social responsibility (SR) activity can provide companies with substantial returns by influencing the cognitive associations that consumers hold about a company and its product brands as socially responsible. SR associations have been shown to heighten purchase intent (e.g., Sen, Bhattacharya, and Korschun 2006), word of mouth behaviors (e.g., Du, Bhattacharya, and Sen 2007), willingness to pay (e.g., Trudel and Cotte 2008), and consumer-company identification (e.g., Lichtenstein, Drumwright, and Braig 2004; Sen and Bhattacharya 2001). As a result, companies that wish to realize these benefits are enacting SR initiatives at both the corporate brand and product brand levels.

Extant research has highlighted the need to examine brands from a broadened perspective, assessing the impact of any given marketing activity on the entire portfolio of brands (Aaker and Joachimsthaler 2000). Nevertheless, it is still unclear whether and how associations of a product brand as socially responsible might “spillover” to (1) the corporate brand, and (2) other product brands marketed by the company. There is anecdotal evidence suggesting that such a spillover may occur. For example, Business Week notes that “the Prius hybrid-electric car has given Toyota bragging rights as a clean, green, and tech-savvy company” (Welch 2005). The promotion of Toyota’s flagship “green” car may lead consumers to view the company and other Toyota brands (e.g., Camry or Rav4) as more socially responsible than they might otherwise.

Drawing heavily on associative network theory (Anderson 1983; Collins and Loftus 1975), we propose a conceptual model that explains how SR associations with an origin product brand (A) will spill over to another product brand (B) and the corporate brand (C) within a brand portfolio, and how this spillover of SR associations will result in a number of company-favoring outcomes including increased purchase intent, positive word of mouth, heightened willingness to pay, and consumer-company identification. Our model shows that when consumers are exposed to SR information of brand A, the activation of this brand and its SR associations will spread to the related brands B and C through pre-existing links between A and these destination brands. Furthermore, since a company’s branding strategy and the product category fit between two product brands are the important contributors to the existing link between brands, we propose that the spillover effect is stronger for companies that use the monolithic (e.g., BMW) rather than endorsed (e.g., Courtyard Hotels by Marriott) or stand-alone (e.g., P&G) branding strategies, and under circumstances in which there is a high fit (compared to low fit) between the product categories of the “origin” brand and the “spillover” brand.

An experiment is being conducted to test the proposed model. Should the model be validated empirically, our study will contribute to the scholarly literature by providing a new and broader perspective than most extant research that focuses on SR initiatives implemented at the corporate brand level (i.e., corporate social responsibility). By integrating associative network theory with that of social responsibility, we identify both the direct and indirect effects of SR activity at the product brand level and reveal the psychological mechanism underlying the SR spillover phenomenon.

In addition to the theoretical contribution, our research will help managers make better decisions about which brands should be involved in SR initiatives. For example, when there is a strong existing link between brands (due to either corporate branding strategy or product category fit), a greater spillover effect can be expected; thus managers will reap the rewards of SR activity regardless of which brand is involved. However, when relatively weak links connect brands in a portfolio, spillover will be attenuated with benefits accruing only to those brands actively involved in SR activity; managers in this circumstance must precisely outline their marketing objectives when determining where SR resources should be spent. References are available upon request.
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THE SWINGS AND ROUNDBOOUTS OF PROMOTIONS IN CONTRACTUAL SERVICE RELATIONSHIPS

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SUMMARY

In existing research on sales promotions, few studies so far deal with spill-over effects of promotional offers for new customers to existing customers. In a student experiment, consumers were found to prefer their favored firm less if it offers a promotion to switchers. Subjects were also jealous when another firm offers a price decrease to its own loyal customers (Feinberg, Krishna, and Zhang 2002). Prompting internet shoppers for a promotion code has been found to have negative effects on fairness, satisfaction, and completion of the purchase, when the shoppers did not possess the code (Shor and Oliver 2006).

It is worth noting that the few studies assessing negative effects of promotions on existing customers were conducted in non-contractual settings; no study so far has looked at the phenomenon in contractual settings. The present article’s main contributions to the literature are twofold. First, negative effects of new customer promotions on existing customers are conceptualized and empirically examined using a 2x2 experiment in contractual service setting. Second, a split referral reward is introduced in study 2. The rationale behind a promotion that is split between new and recommending existing customers is that a split reward works as a balancing mechanism. Existing customers are compensated in situations when new customers receive better deals due to promotional offers. This proposition is empirically tested in a 2x3 between-subjects experiment.

Study 1: Negative effects of promotions for new customers on the existing customer base can be explained from the perspectives of equity theory (Adams 1963, 1965; Ajzen 1982), theory of distributive justice (Homans 1961), and reactance theory (Brehm 1966; Brehm and Brehm 1981). Perceived inequity, unfairness and restrictions of freedom produce negative affective states that motivate people to take actions. In a contractual relationship, existing customers cannot immediately terminate their ongoing service contracts. Customers can only react by lowering their behavioral intentions (i.e., their intentions to prolong their contracts in the future). Consequently, purchase intention will be lower for existing customers, when a promotion is offered exclusively to new customers (H1). A 2x2 between-subjects experiment was conducted to test if a promotions’ positive effect on potential customers’ intentions to sign a contract will be accompanied by a negative effect on existing customers’ intention to prolong their contract.

As proposed, potential customers have a significantly higher intention to sign the presented mobile phone contract when the additional promotion is offered to them, than when the contract is offered without the promotion. Conversely, existing customers indicate a significantly lower intention to prolong the presented mobile phone contract when they are confronted with the promotion that is exclusively offered to new customers. In the control condition, their intention to prolong the contract is significantly higher. Hence, H1 cannot be rejected.

Study 2: Many providers of service contracts run referral reward programs. The basic idea of a referral split is to use a part of the promotion value as a reward for referring customers. To offset the negative effect of a new customer promotion for an existing customer, the total value of the promotion has to be split in an appropriate ratio that leaves the promotion as attractive as possible (i.e., as high as possible) to attract new customers without provoking negative reactions from existing customers. A split of the reward may lead to the feeling of fairness from both the new and the existing customer’s point of view. Hence, reactance effects are expected to be marginalized. New customers’ purchase intentions are lower when no reward is offered than when (a) the reward is split or (b) the reward is offered exclusively to them (H2). Moreover, existing customers’ purchase intentions are lower when a reward is offered exclusively to new customers than when (a) the reward is split or (b) no reward is offered to new customers (H3). In study 2, we extend study 1 to a 2x3 between-subjects design experiment. Two additional scenarios are added, in which the participants are offered a promotion that is split between new (10/12) and existing (2/12) customers. The appropriate split ratio was determined in a pretest.

Results of the multiple group comparisons show that new customers’ intentions to sign the contract are not significantly reduced in the condition of a promotion. This finding supports H2. Furthermore, the negative effect of promotions offered exclusively to new customers on the existing customer base is neutralized when existing customers are said that they would receive a part of the promotion value for a referral, while there is no difference
between the incentive-split condition for new customers and the control condition. This result provides support for H3.

Promotions can be an effective instrument to attract new customers. However, such promotions are often perceived as unfair by existing customers. The main finding of study 1 is that existing customers significantly lower their intentions to stay with a provider when being aware of a promotion exclusively offered to new customers. Such “fenced” promotions are offered by many service providers: Banks offer higher interest rates, fitness-clubs, cable-TV, and internet-providers present discounts or free trial periods to new customers. These service providers should carefully balance their efforts in new customer acquisition and retention of their existing customer bases. A way to reduce the negative effects is to split the promotion between new and with existing customers. Possibly, simply offering the possibility of splitting a reward might even reduces reactance of customers that are unable or unwilling to engage in referral. Merely showing the willingness to let existing customers participate in the reward program might likely reduce their reactance. References are available upon request.

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MENTORING OF MARKETING FACULTY: A REVIEW OF THE LITERATURE AND DIRECTIONS FOR FUTURE RESEARCH

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SUMMARY

Peer faculty mentoring programs are implemented by universities in an effort to retain faculty members. The purpose of this paper is to explore the research related to mentoring of university faculty to determine how to structure an effective faculty mentoring program. The paper presents a process for structuring a faculty mentoring program and highlight directions for future research.

A mentoring relationship can be distinguished from general support provided by a faculty member’s colleagues in that mentors act in a way that has the protégé’s best interests as their priority. Collegial support typically is offered at a lower level of involvement. Often faculty development is used synonymously with developing teaching skills and research, both of which may be part of faculty mentoring. However, mentoring involves developing a strong interpersonal bond between the mentor and protégé, and may be manifested as coaching, action learning, action learning teams, peer mentoring, or group mentoring.

A mentoring program for marketing faculty may be viewed as an essential part of maintaining an actively engaged marketing department. Mentoring programs are needed as new faculty members adjust from being a graduate student to establishing their academic careers. In addition, a changing academic environment suggests mentoring marketing faculty who are at various points of the career life cycle may benefit from mentoring.

Four phases of mentoring have been identified in the literature. The initiation phase establishes the mentor-protégé relationship. This phase involves building a supporting relationship to provide knowledge of the operation of the university and membership in the academy. The second phase is cultivation. Cultivation involves boosting the personal and emotional investment of the mentor and protégé to strengthen the interpersonal bond between them. The third phase of the mentoring process involves defining the point where the mentor and protégé will separate professionally and emotionally from each other. The last phase is redefining the mentor-protégé relationship. It is during the redefinition phase that there is the greatest potential for conflict between the mentor and protégé. The mentor may feel that the protégé no longer respects the mentor’s guidance as the protégé exhibits more independence in making career decisions. Alternatively, the protégé may feel the need to gain a status that equals or surpasses that of the mentor.

The mentoring process begins with establishing a pool of potential mentors. Faculty mentors need to exhibit a willingness to go beyond sharing and put another faculty member’s interests above their own. Potential faculty mentors should have a track record of excellence in teaching, scholarship, and participation in professional organizations. Potential mentors should be tenured to enhance their creditability with an untenured protégé.

The second step of the process requires those charged with implementing the mentoring program to determine the needs of protégés and mentors. This process can be done informally through conversations with prospective mentors and the protégés. Mentors may be allowed to select a protégé, protégés may be allowed to select a mentor, or a mentor may be assigned to a protégé. Programs that allow choice of mentor and protégé tend to be more effective.

Assigning a mentor to a tenured faculty member presents a challenge. If the mentor is of equal or higher rank to the protégé, the tenured faculty member enhances the chance of success. However, successful mentoring programs involving senior faculty members typically hinge on the willingness of the protégé to accept advice and modify one’s behavior.

The assignment step is followed by the setting of objectives for the mentor and protégé. It would be beneficial for the mentor and the protégé to be aware of the four phases of the mentoring relationship so that they understand the objectives must change as the mentor and protégé move through the phases of the relationship.

The next step in the process involves the measurement of the job satisfaction and performance of the mentor and protégé. The measures may be informal or formal. It would be desirable if there could be an open expression of views of the mentor and protégé. The last step of the process consists of making modifications to the relationship.
Future research needs to investigate several issues related to the mentor-protégé relationship in marketing departments. These include (1) determining the structure of faculty mentoring programs, (2) assessing the resources allocated to these programs, (3) determining if departments measure the success of their mentoring program, and (4) exploring how a mentoring program benefits the mentor. References are available upon request.

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REVEALING FEMALE AND MALE STUDENTS’ SATISFACTION WITH THE CHARACTERISTICS OF EFFECTIVE PROFESSORS

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SUMMARY

Increasingly, higher education institutions are realizing that higher education could be regarded as a business-like service industry and they are beginning to focus more on meeting or even exceeding the needs of their students. Watson (2003) for example maintains that fee-paying students expect “value for money” and behave more like consumers. As students are increasingly seen as consumers of higher education services, their satisfaction should be important to institutions that want to retain existing and recruit new students (Helgesen and Nesset 2007). Study results indicate that the recruitment of students is several times more expensive than their retention (Joseph, Yakhou, and Stone 2005). Consequently, universities should try to increase students’ levels of satisfaction and decrease sources of dissatisfaction in order to retain students (Douglas, McClelland, and Davies 2008). Similarly, Appleton-Knapp and Krentler (2006) suggest that students’ satisfaction with their educational experience should be a desired outcome in addition to learning and knowing what attributes of professors are desired by students may improve the overall education process (Faranda and Clarke 2004).

The Study

Given the need for more research on classroom service encounters (Swanson and Frankel 2002), this research study is exploratory in nature. This paper explores which attributes of professors have the strongest impact on students’ satisfaction and dissatisfaction. Knowing what students regard as satisfactory and dissatisfactory attributes helps professors improve the classroom experience either by improving interpersonal skills or by just having a better understanding of the student’s perspective (Davis and Swanson 2001). Gained insights can then be used to be more responsive to students during student-professor encounters without compromising professional integrity. In particular, the study will explore gender differences with regard to their satisfaction with the characteristics of effective professors. Previous consumer research studies have identified differences between male and female information processing and decision-making styles (e.g., Iacobucci and Ostrom 1993).

Moore and Kuol (2007) suggest that the factors that create student satisfaction with teaching (“teaching satisfiers”) may be qualitatively differently from the factors that create dissatisfaction with teaching. Thus this research uses a technique that can reveal the factors that create satisfaction as well as the attributes than can cause dissatisfaction. Recent research in the services and customer satisfaction/dissatisfaction literature suggests that attributes of products, services and individuals can be classified into four categories, which all affect customer (dis-)satisfaction differently (Löfgren and Witell 2008). These originate from Kano’s model (1984) categorizing customer needs, which allows researchers to gain a deeper understanding of customer preferences. Over the last three decades, Kano’s (1984) model of customer satisfaction has increasingly gained acceptance among both academics and practitioners (Löfgren and Witell 2008).

Kano questionnaires were handed out in two marketing courses to 59 female and 45 male undergraduate students aged between 19 and 47 (X = 24.2, SD = 4.39) at a university in the southwest of the USA. The students were marketing majors taking a Global Marketing Course. All were college juniors and seniors. Two sections were sampled: one morning section, the other, an evening section. More than 80 percent of the students sampled worked at least 20 hours a week, and more than half work full-time. The questionnaire contained nineteen attributes taken from previous research studies on service quality in higher education (e.g., Voss et al. 2007) and discussions with students. For each professor attribute in the Kano questionnaire, respondents had to answer a question consisting of two parts: “How do you feel if the feature is present?” and “How do you feel if the feature is not present?” For each question, respondents could then answer in five different ways: (1) I like it that way. (2) It must be that way. (3) I am neutral. (4) I can live with it that way. (5) I dislike it that way. Using an evaluation table developed by Kano (1984), the attributes were then classified as must-be, one-dimensional and excitement factors.

Results and Future Research

The Kano results especially stress the importance of the building and maintaining good personal interactions
between students and professors and professors should also try to create a rapport with their students. The revealed importance of personality factors underscores the strong need for marketing educators to maintain personal interactions with students, build strong relationships and treat students with respect. Students apparently desire professors who sustain the human interface within marketing education (Faranda and Clarke 2004) and who get along well with them (Foote, Harmon, and Mayo 2003). Fortunately, the role of rapport has been receiving increasing attention in the marketing education (e.g., Faranda and Clarke 2004) and (services) marketing literature (e.g., Gremler and Gwinner 2008) recently. The Kano maps also revealed more similarities than differences between female and male students, for example, both groups want to be treated with respect and reported the same excitement factors. As the study involved only two samples of students from one university, the results cannot be generalized to the student population in the USA as a whole. The findings, however, provide a first valuable insight into the nature of the phenomenon under investigation – the satisfaction of students with the attributes of effective professors. Further research studies should improve knowledge of this topic. References are available upon request.

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CAN SUCCESSFUL CUSTOMER ACQUISITION HURT THE EXISTING CUSTOMER BASE?

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SUMMARY

To maximize customer equity, managers allocate their marketing budget strategically among customer acquisition and retention activities (Reinartz, Thomas, and Kumar 2005). Building on the insights from the price fairness literature, we expect that new customer acquisition might have unintended and negative effects on the existing customer base. Prior research has found that customers “care what others get” and that customers perceive prices as unfair when a better deal is offered to other customer segments. Perceived price unfairness, in turn, decreases brand preference and purchase intention (Feinberg, Krishna, and Zhang 2002). This study examines the effect of new customer acquisition promotion on the existing customer base. More specifically, we analyze if new customer acquisition promotions have a negative impact on satisfaction, information search behavior and purchase intention of existing customers.

From the perspective of equity theory (Adams 1963, 1965), a promotion that is exclusively offered to new customers has a negative impact on existing customers’ perception of their relative outcome to input ratio. In our context, the input, i.e., the price paid, is higher for existing customers, as the coupon or the price reduction is only valid for new customers while the output is constant for both groups. Hence, when a promotion is offered to new customers, existing customers’ satisfaction will be lower than in a control condition where no promotion is offered to new customers (H1). Inequity will lead to a tension comparable to that created by dissonance. People are normally motivated to decrease this tension by restoring equity. From the existing customers’ perspective, one possible way to restore equity is to search for other rebates or promotions which are valid for the existing customers. Therefore, we hypothesize that when a promotion is offered to new customers, existing customers’ satisfaction will be lower than in a control condition where no promotion is offered to new customers (H2a). New customers’ notion of fairness and equity will be predominantly based on the behavior of the firm toward them and much less on the firm’s behavior toward other (existing) customers. Therefore, we hypothesize that when a promotion is offered to new customers, new customers’ satisfaction will be higher than in a control condition where no promotion is offered to them (H4). When a promotion is offered to new customers, purchase intentions for new customers will be higher than in a control condition where no promotion is offered to them (H5).

To test these hypotheses, a 2x2 between-subjects design experiment was conducted. Respondents were asked to participate in a survey about purchases of over-the-counter drugs in online-pharmacies. While one group of respondents was told to imagine that they were regular customers of this pharmacy, the other group was told that they were on this website for the first time. As second manipulation, a coupon is shown in the right frame of the screen which offers a 5 € discount for new customers only. This coupon is missing in the control condition. All respondents had to indicate their intentions to complete the purchase, their satisfaction, and were asked about their intentions to proceed with information search behavior after they saw the second screenshot. A total of 100 respondents participated in the study.

ANOVA results reveal that for existing customers, satisfaction is significantly reduced when a coupon for new customers is offered. This finding gives support for H1. On the contrary, satisfaction of new customers is significantly higher when they can obtain a promotion. These results confirm H4. Similar results can be observed for the dependent variable purchase intention. Furthermore, our results show that existing customers’ intentions to complete the purchase are significantly lower when a promotion coupon for new customers is shown than in the control condition. This finding supports H2. Reversely, new customers’ intention is significantly higher when a promotion is given than in the control condition, giving support for H5. Contrary to our expectations, both existing and new customers increase their intentions to search for special deals when a promotion is visible. However, the difference of conditions is significant for existing customers only. These results give partial support for H2a. As expected, information search intention at other online-pharmacies is significantly higher for existing cus-
omers when a coupon for new customers is offered. Conversely, search intentions are about equal for new customers for both conditions. This gives support for H2b.

Our findings have important implications for the design and implementation of customer management strategies. First of all, our findings highlight the importance of closely coordinating new customer acquisition and retention activities within a firm. Second, firms should attempt to fence new customers from the existing customer base in their market communication. Third, mechanisms should be deployed to decrease existing customers’ perceptions of inequity when effective customer fencing is not feasible. References are available upon request.

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CONSEQUENCES OF PROGRAM LOYALTY AND BRAND LOYALTY

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SUMMARY

There is growing recognition among managers about the importance of cultivating loyal customers to increase sales and customer share since gaining customer loyalty is an important goal of marketing. Efforts such as introducing a loyalty program are intended to bond customers to a particular provider. Research has shown that customers might well differentiate between loyalty to a brand and loyalty to a loyalty program. However, little is known about the intentional and behavioral consequences of these different types of loyalty. Therefore, this paper intends to make at least three contributions to the literature. At first, we try to improve our understanding of the construct “program loyalty” as compared to “brand loyalty.” We offer a definition, a measure, and an assessment of its antecedents. Secondly, we investigate the impact of program loyalty on customer intentions as well as behavior. More interestingly, we thirdly investigate the relative impact of program loyalty and brand loyalty on intentions and actual purchase behavior.

In order to address these three main goals, we conduct a large-scale empirical study totaling in 5,189 responses for which we have both attitudinal data on drivers of brand and program loyalty, as well as attitudinal and actual behavioral consequence. More precisely, we test the following hypotheses on the drivers of brand loyalty:

H1: Brand commitment has a positive impact on brand loyalty.
H2: Brand trust has a positive impact on brand loyalty.
H3: Brand satisfaction has a positive impact on brand loyalty.

We also derive hypotheses on the drivers of program loyalty:

H4: Social benefits positively influence program loyalty.
H5: Special treatment has a positive effect on program loyalty.
H6: Value perception has a positive effect on program loyalty.

In the last section, we assess the attitudinal and behavioral consequences of loyalty:

H7: Brand loyalty has a positive impact on (a) future purchase behavior, (b) price premium, (c) share-of-wallet, (d) share-of-visits.
H8: Program loyalty has a positive impact on (a) future purchase behavior, (b) price premium, (c) share-of-wallet, (d) share-of-visits.
H9: The relative impact of program loyalty on (a) future purchase behavior is stronger than the impact of brand loyalty on this behavior.
H10: The relative impact of program loyalty on (b) price premium, (c) share-of-wallet, and (d) share-of-visits is weaker than the impact of brand loyalty on these constructs/indicators.

Results of our econometric 3SLS-analysis indicate that both brand loyalty and program loyalty are driven by the expected antecedents derived in hypotheses H1–H3 and H4–H6 respectively. As for brand loyalty, commitment (γ between .347 and .368, p < .01), and trust (γ between .335 and .372, p < .01) seem to be slightly more important drivers than satisfaction (γ between .282 and .309, p < .01); all together explaining about 69 percent of the variance in brand loyalty. Clearly the strongest predictor of program loyalty is the value offered by the program (γ between .629 and .662, p < .01). Both social benefits (γ between .085 and .112, p < .01) and special treatments (γ between .227 and .286, p < .01) are significant, yet less important predictors of program loyalty. That shows that program loyalty is mainly driven by cost/benefit calculations. The three predictors of program loyalty explain about 59 percent of its variation.

We also find out that brand loyalty and program loyalty are significant drivers of future sales (γ = 48.576, p < .01; PL: γ = 80.106, p < .01; r-square = .080), price premium (γ = .589, p < .01; γ = .408, p < .01; r-square = .228), and share-of-wallet (γ = 4.372, p < .01; γ = 3.323, p < .01; r-square = .289), while only brand loyalty significantly influences share-of-visits (γ = .979, p < .01; γ = .022, p > .1; r-square = .292). This largely confirms H7 and H8.

When assessing the relative impact of brand and program loyalty on actual behavior and intention, we see that the three perceptual variables (intentions) are predominantly predicted by brand loyalty. They show higher coefficients than program loyalty across all three models.
Contrary, program loyalty is a significantly stronger driver of future sales than brand loyalty, displayed by a larger coefficient than brand loyalty ($\Delta \chi^2$ between 5.895 and 209.741). These results lend support to $H_9$ and $H_{10}$.

These results are encouraging and worrisome at the same time. It is good news for managers to see that their substantial investments in loyalty programs seem to lead to at least some positive consequences; most importantly they seem to encourage future purchases. However, since customer behavior is mainly driven by the value a particular loyalty program offers, competing providers can simply imitate these benefits and by so doing, encourage customers to switch to a different retailer which offers a similar or better loyalty program. Such switching behavior would be likely since customers have not developed a favorable relationship to the brand of the provider. It seems that managers being aware of these effects might reconsider the design of their loyalty program in order to foster not only program, but also brand loyalty. References are available upon request.

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SERVICE CONVENIENCE AND CUSTOMER SATISFACTION: INVESTIGATING THE MODERATING EFFECT OF CUSTOMER CHARACTERISTICS

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SUMMARY

Marketing literature identifies service convenience as an important driver of customer satisfaction in the context of retailing (Seiders et al. 2005). Consumers’ demand for service convenience has increased in conjunction with sociocultural and sociodemographic factors (Berry 1979; Seiders et al. 2007). For 71 percent of European consumers service convenience is a very important factor when choosing a retail outlet (McKinsey 2007). Therefore, service convenience is seen as a major possibility to remain competitive in the retail business.

Early research supports a positive link between service convenience and customer satisfaction (e.g., Andaleeb and Basu 1994; Szymanski and Hise 2000). In addition, existing literature indicates that the nature of the relationship between service convenience and customer satisfaction is moderated by the differentiating characteristics of various customer groups (e.g., Berry, Seiders, and Grewal 2002; Davis and Vollmann 1990). Currently, however, no research exists that examines the effect of customer characteristics on the relationship between service convenience and customer satisfaction. Thus, the objectives of our research are to investigate (1) the impact of service convenience on customer satisfaction and (2) the moderating effects of customer characteristics on this relationship.

Service convenience is defined as the consumer’s perceived degree of avoidance of time and effort associated with an entire shopping process (Berry, Seiders, and Grewal 2002). In line with literature, we propose that service convenience is a multidimensional construct which is best conceptualized by following five dimensions: decision, access, search, transaction, and after-sales convenience (Seiders et al. 2007). We hypothesize that service convenience positively influences customer satisfaction. In addition we expect, that the strength of the impact is influenced by psychographic (time pressure, and shopping enjoyment) and sociodemographic (age, income, and household size) variables.

The data we use in this study was collected as part of a nationwide mail survey among customers of a grocery retailer in Germany. We estimated the type IV second-order service convenience construct with the hierarchical components model, meaning that the manifest indicators of the first-order dimensions are repeated to also represent the second order construct (Lohmöller 1989; Wold 1985). Based on an extensive literature review, expert interviews and an item-sorting task we generated 26 formative items to measure the five service convenience dimensions. The cumulative customer satisfaction variable was measured using three items adapted from Voss, Parasuraman, and Grewal (1998). The moderating variables time pressure and shopping enjoyment were measured using three items adapted from Putrevu and Ratchford (1997) and Urbany, Dickson, and Kalapurakal (1996). All items were measured on seven-point Likert scales ranging from strongly agree (1) to strongly disagree (7). For measuring the sociodemographic moderating variables age, income, and household size we used self-reported measures consisting of five or six categories. The measures of the model constructs exhibited adequate measurement properties.

We use partial least squares approach to estimate both main and moderating effects in our model. The results of our study support the assumption that service convenience is a promising alternative for retailers to enhance customer satisfaction. Thus, by reducing customers’ time and effort associated with the entire shopping process retailers can enhance a key driver of profitability.

Furthermore, the findings suggest that the relationship between service convenience and customer satisfaction is moderated by both psychographic and sociodemographic customer characteristics. First, our results reveal that the link between service convenience and customer satisfaction is positively moderated by time pressure and income. Therefore, these consumers are more satisfied when a retailer saves them time and effort. Second, the relationship between service convenience and customer satisfaction is negatively moderated by shopping enjoyment and household size. Consequently service convenience has a weaker impact on customer satisfaction for customers with a low shopping enjoyment and customers from small households (e.g., singles).

Overall the results show that retailers can significantly enhance customer satisfaction by conserving their
customers’ important resources time and effort and consequently enhancing service convenience. Our research suggests that retailers should not treat all customers as homogeneous. Thus, it is important that retailers consider the different levels of influence of various customer segments on the investigated relationship between service convenience and customer satisfaction so that resources can be optimally allocated to those areas, thus providing the greatest impact. References are available upon request.

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THE MEDIATING ROLE OF EMOTIONS IN THE LINK BETWEEN STORE-ENVIRONMENT CUES, STORE-CHOICE CRITERIA, AND MARKETING OUTCOMES

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SUMMARY

Drawing from the retailing literature, the authors propose and test a three-level store choice model which theorizes store-environment cues and store-choice criteria as antecedents of customer satisfaction and loyalty, mediated by emotions (i.e., arousal and pleasure). Using data from customers of a major chain of coffee stores, the authors test the model. The findings provide support for the mediating role of emotions in influencing satisfaction and loyalty.

Introduction

Research has established numerous variables that guide retailers’ design of store environments. Examples of these variables include in-store music, aroma, merchandise quality, service quality and price perceptions (Baker et al. 2002; Chebat and Michon 2003; Jang Namkung 2008). This study aims to gain a better understanding of the role of emotions in mediating the relationships between store-related factors and satisfaction and loyalty. This paper presents a conceptual framework incorporating the effects of two store-environment cues (i.e., music and aroma) and three store-choice criteria on customer store satisfaction and loyalty. We use the environmental psychology perspective here, which suggests that emotions have a significant role in influencing consumer behavior (Mano and Oliver 1993). The proposed model examines the effectiveness of store-related variables, as well as the mediating effect of emotions, in delivering customer satisfaction and loyalty.

Method and Results

Questionnaires were distributed to customers within coffee stores in a large metropolitan city. Respondents completed a questionnaire while in the store, resulting in a sample of 274. Analysis of the structural model yielded good fit measures. Our results suggest that in-store music and one price determine arousal. Further, in-store music and aroma as well as merchandise quality and service quality determine pleasure. The antecedents of satisfaction are in-store aroma, merchandise quality, service quality, price and pleasure. Store loyalty is a function of store satisfaction, arousal and pleasure. However, the predicted positive merchandise quality-arousal and service quality-arousal link was non-significant. Also, unlike predicted, price does not impact pleasure and arousal does not affect satisfaction. Further, the postulated link between in-store music and satisfaction was non-significant. Our data suggests an indirect effect, suggesting that in-store music leads to music-induced pleasure which then influences store satisfaction.

To establish that the emotions of arousal and pleasure have a significant and central role within the framework, we specified two nested competing models and used chi-squared difference tests to determine if setting the paths leading to and from the emotions constructs to zero would reduce the fit of the model. The result reveals a highly significant change in $\chi^2$ and therefore, the conclusion is that emotions play a central role within the framework. Additionally, to examine if emotions mediate the relationships between store-related cognitions and satisfaction, we performed a series of analyses which show that emotions fully mediate the effects of three cognitions (in-store music, merchandise quality and price perceptions) on satisfaction, with emotions partially mediating the effects of in-store aroma and service quality perceptions on satisfaction. An additional mediation test, to explore further the role of emotions on customer loyalty, shows that satisfaction only partially mediates the effects of pleasure on loyalty with arousal having a direct effect on loyalty.

To fully assess the effect of the mediator (satisfaction), on the relationships between emotions (arousal and pleasure) and loyalty, additional analyses comprising four separate regression analyses were undertaken (Baron and Kenny 1986). Given that arousal does not significantly impact satisfaction but does impact loyalty, we can conclude that satisfaction does not mediate the relationship between arousal and loyalty. Pleasure on the other hand has a significant relationship with store satisfaction and with loyalty. Further, satisfaction is a significant predictor of loyalty. However, the magnitude of the rela-
tionship between pleasure and loyalty is much reduced when the paths between pleasure and satisfaction and between satisfaction and loyalty are specified, suggesting that store satisfaction only partially mediates the effects of pleasure on loyalty.

Implications

This study highlights the role of store-environment cues, store-choice criteria and emotions in determining customer satisfaction and loyalty, and the key mediating roles of arousal and pleasure on satisfaction and loyalty. The results also show that satisfaction is independently determined by both cognitions (aroma, merchandise and service quality, price) and emotions (pleasure). Therefore, favorable perceptions of merchandise quality, service quality and price and pleasure on the part of customers will lead to customer satisfaction. Additionally, perception of a pleasurable and inviting in store aroma add to satisfaction with the retailer.

Results also show that other than satisfaction, emotions are a key antecedent of customer loyalty, which complements previous research (e.g., Chebat and Slusarczyk 2005; Chitturi et al. 2008). As such, the extent to which customers feel pleased, content and stimulated/aroused will increase their loyalty. The study also shows that store cues impact arousal and pleasure. Specifically, in-store aroma is found to impact arousal while pleasure is a function of both music and aroma. This implies that consumers who think that music and aroma in a store are novel/interesting and pleasant/inviting will be pleased and stimulated. Thus, favorable perceptions of merchandise and service quality will add to the pleasure of store customers. Contrary to predictions, merchandise quality and service quality did not affect arousal. This finding is consistent with findings of Caro and Garcia (2007) that cognitive evaluations are not related to arousal.

Our empirical results show that store-environmental cues, store-choice criteria and emotions impact customer satisfaction and loyalty. Hence, these variables can be used by retail managers when improving the customer experience. This study also establishes the important role of emotions in mediating the relationship between store-environment cues and store-choice criteria and store satisfaction and loyalty. One implication for retail managers is the recognition that store-environment cues and store-choice criteria have a differential effect on the mediating and outcome variables. References are available from the authors upon request.
HOW DOES THE INNOVATIVENESS OF A COMPANY’S OFFER AFFECT CUSTOMER SATISFACTION? A COMPARISON OF PRODUCTS AND SERVICES

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SUMMARY

This article attempts to provide deeper insight into the link between the innovativeness of a company’s offer and customer satisfaction. Drawing on information economics, it proposes an inverted U-shaped relationship between product program innovativeness and customer satisfaction. To reconcile differential (partial) effects of product program innovativeness (PPI) on customer satisfaction (CS), we propose an inverted U-shaped relationship between the constructs under consideration (see Figure 1, Panel A). PPI\textsubscript{0} denotes the level of product program innovativeness at which customer satisfaction achieves its highest level; CS\textsubscript{0} denotes the level at which PPI equals PPI\textsubscript{0}.

To the left of the optimal point (i.e., PPI < PPI\textsubscript{0}, increasing product program innovativeness increases customer satisfaction. To the right side of the optimal point though (i.e., PPI > PPI\textsubscript{0}), product program innovativeness becomes counterproductive for customer satisfaction. Thus, we predict first a positive and then a negative effect of product program innovativeness on customer satisfaction:

\[
\text{CS} = \begin{cases} 
+ & \text{for PPI } < \text{PPI}_0 \\
- & \text{for PPI } > \text{PPI}_0 
\end{cases}
\]

Specifically, SPI\textsubscript{1} denotes a low level of service program innovativeness, and CS\textsubscript{1} denotes the CS that exists when SPI equals SPI\textsubscript{1}. In the case of marginal service program innovativeness (SPI < SPI\textsubscript{1}), service program innovativeness provides a signal to customers about the company’s ability to develop new services with additional or improved functions (similar to an innovative product program), which reduces the customers’ risk of adverse selection. Thus, at a relatively low level, service program innovativeness reinforces customer perceptions.

FIGURE 1

Alternative Functional Structures of the Relationship Between Innovativeness of the Company’s Offer and Customer Satisfaction

A: Inverted U-Shaped Function

B: Inverted S-Shaped Function

H\textsubscript{1}: Product program innovativeness has an inverted U-shaped relationship with customer satisfaction.

Building on information economics and literature pertaining to the characteristics of services, we propose an inverted S-shaped relationship between service program innovativeness and customer satisfaction (CS), as we depict in Figure 1, Panel B. To develop our second hypothesis, we consider three levels (i.e., low, medium, and high) of service program innovativeness.
that the company can fulfill their needs and positively affects customer satisfaction. The resulting curve reflects the relationship between service program innovativeness and customer satisfaction, which is steep at low levels of innovativeness. As the service program innovativeness increases ($SPI_1 < SPI < SPI_2$), it offers a stronger signal of the company’s ability to develop new services at the one hand. On the other hand, because customers are less experienced with the service (Ali 2000), their quality-related uncertainty increases. Thus, the reduced risk of adverse selection and the increased quality-related uncertainty are proposed to compensate each other. Therefore, between $SPI_1$ and $SPI_2$, the curve appears relatively flat, and a slight change of SPI does not alter the level of customer satisfaction. Finally, beyond a certain degree of service program innovativeness ($SPI > SPI_2$), service marketing literature requires a highly intensive interaction between customer contact employees and customers. Thus, for highly innovative services, positive signaling by service encounters dominates the customers’ assessment of the relationship with the company (Solomon et al. 1985). Thus, we posit that for highly innovative services, the curve will be relatively steep. We therefore propose an inverted S-shaped relationship between service program innovativeness and customer satisfaction, as follows:

$H_2$: The relationship between service program innovativeness and customer satisfaction follows an inverted S-shaped function, which is first concave and then convex.

Two studies conducted with manufacturing and services companies confirm the proposed functional structure of the investigated relationships. Both studies use dyadic data from both marketing managers, to assess innovativeness, and customers, to indicate customer satisfaction.

Our findings have important implications for innovation marketing and customer satisfaction investments. Understanding the functional structure of the relationship between product or service program innovativeness and customer satisfaction is important for managers do determine the aspired levels of product or service program innovativeness. We further concur with Atuahene-Gima (1996, p. 36): “services and products are fundamentally different and require different marketing strategies.” Thus, our comparative analysis of product versus service program innovativeness on customer satisfaction highlights key areas of differences and provides valuable insight for the marketing innovative product and service programs.

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LEARNING ABOUT REALLY NEW PRODUCTS: CONVEYING INFORMATION TO IMPROVE THE BENEFIT EVALUATION AND STABILIZE PREFERENCES

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SUMMARY

In many situations in B2C as well as B2B environments customers are confronted with products or services they do not have any prior experience with. For some of these products many unbiased sources of information are available. This is not the case, however, for so-called Really New Products (RNP), which defy straightforward classification in terms of existing product categories and create a new category rather than reallocate shares within existing categories. For RNP no source of reference yet exists. One factor which is crucial for RNP success is the stability of customer preferences. Preference stability describes a situation where there is low variance around the range of subjectively acceptable alternatives. As customers possess only limited knowledge about these products, they face substantial uncertainty when trying to predict the future utility of RNP. When market research is used to evaluate RNP, this uncertainty leads to instability in customers’ revealed priorities among design features. Customers have not yet developed stable preferences. Hence, their frame of reference is still highly volatile. This lack of preference stability poses a major threat for companies. If configured or altered based on instable preferences, RNP might not meet true customer needs, which seriously threatens companies’ interest of establishing long-term customer relations by maximizing the long-term satisfaction of their customers. Against this background it is crucial to identify forms of knowledge transfer, which enable respondents to learn about RNP and help them to stabilize their preferences.

It is likely that customer learning occurs both through exposure to external information sources (referred to as external learning) and processes of internal knowledge transfer (referred to as internal learning). We therefore content that it is the combination of external and internal learning which influences respondents’ preferences and the stability thereof. In this study, we set up an experimental framework to test the effect of combinations of external and internal learning stimuli on preference stability. As internal learning stimuli we apply analogies and mental simulations. As external learning stimuli we use the detail of information provided and the cognitive effort necessary to process this information. We specifically identify two kinds of effects on preference stability. Firstly, we identify the individual effect of single learning elements (internal or external) in combination with other elements. Secondly, we analyze the effects of different combination sets.

We develop a new way to assess the impact of the different learning stimuli. Within an experimental setup, participants are asked to rank different leasing products before and after information is given to them. As the leasing products only differ in monetary aspects, an objectively optimal ranking obtained by net present value calculations can be determined. By assessing the difference of the concordance between the empirical rankings and the optimal rankings before and after the information is given, the impact of the learning on the ability to evaluate the products is assessed. The preference stability is assessed based on the variances of the aforementioned concordances of four rankings after the learning. Our results indicate the importance of conveying information for learning about RNP. However, we found no support for the different effects of different ways of communicating information. When it comes to preference stabilization, the data draws a different picture. We found that internal learning as well as the external learning dimension of cognitive detail significantly influence preference stability when observed separately. What is striking and provides support for the importance of combining external and internal information stimuli is the fact, that differences in preference stabilization occur when the dimensions are regarded separately, but disappear when information combinations are investigated. This might be due to compensatory effects of the different learning stimuli.

These results have important implications for research and managers trying to develop or sell RNP. To our best knowledge, this study is the first to focus on purely monetary aspects regarding customer preference formation. This approach enabled us to determine the quality of customers’ preference match with the optimal preferences for our experimental setting. In this context our approach may serve as a new way to assess the quality of the benefit evaluation. For managers trying to assess how to sell RNP to customers, our study holds important implications. While it may be tempting to primarily control for the effects of external learning stimuli, such as complexity and amount of information, this is a myopic
approach. Only by regarding combinations of internal and external learning stimuli and determining appropriate information strategies alongside both dimensions can effects on customer preferences really be controlled for in the best possible manner.

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WHO SHOULD WE ASK WHEN MEASURING CONSUMERS’ WILLINGNESS TO PAY FOR PRODUCT INNOVATIONS?

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SUMMARY

The key to a profitable pricing of product innovations is to measure consumers’ willingness to pay (WTP) accurately. To gauge consumers’ WTP for existing products, market researchers may either rely on transaction data or so-called incentive-aligned methods (Ding 2007; Wertenbroch and Skiera 2002) that measure consumers’ actual willingness to pay (i.e., AWTP). In the case of product innovations where no existing product is yet available (i.e., not even a prototype), researchers depend on survey methods such as conjoint analysis (Green and Srinivasan 1990) or direct survey approaches (Mitchell and Carson 1989). These methods determine consumers’ hypothetical willingness to pay (HWTP). It has been found in previous studies that such consumers’ HWTP may deviate from the true or actual WTP value (AWTP). This deviation is known as hypothetical bias (Harrison and Rutström 2008). Various studies on how to reduce this hypothetical bias exist. Most of these studies focus on methodological issues (the “how” to measure) to reduce the bias, such as the choice of the appropriate question format. In such literature, however, little attention is paid to respondent-related factors (the “who”) when it comes to measure WTP.

As we show in this paper, respondent-related factors play an important role for the validity of HWTP measurement. We focus on the direct survey approach which is often used in applied market research and which presents a simple and easy to implement way to eliminate hypothetical bias in such pricing surveys.

To do so, we developed a conceptual framework of respondent characteristics that can explain the hypothetical bias. By applying confirmatory factor analysis on a dataset with 315 consumers, we identified consumers’ certainty in their WTP statement and strategic answering behaviour as two factor that significantly determine hypothetical bias. By excluding respondents based on a combined measure (COMB) of these two factors, we were able to eliminate hypothetical bias without affecting heterogeneity in consumers’ AWTP. We validated the presented data cutting approach in an independent sample which adds a certain generality to our findings.

Nevertheless, there are several limitations to our study: Our data cutting approach is based on self-reported values of the respondents. A different pattern of consumer answering behaviour may therefore affect the validity of our approach. Furthermore, it is unclear at which exact level of COMB the data should be cut. The optimal level may vary by the type of product innovation or the targeted consumer segment. Further research, therefore, could examine an appropriate level across different types of product innovations and consumers. Nevertheless, our findings may allow market researchers to gain a valid forecast of consumer demand for a product innovation based on a direct pricing survey.

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FORWARD CHANNEL INTEGRATION AND PERFORMANCE: AN APPLICATION OF TRANSACTION COST ECONOMICS AND THE MISALIGNMENT CONCEPT

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SUMMARY

In marketing research, TCE has been applied to examine forward channel integration decisions, i.e., the decision between integrated “direct” sales force (hierarchy governance mode; high forward channel integration) and non-integrated “indirect” reps (market governance mode; low forward channel integration). These studies have elaborated theoretically and empirically the determinants of governance decisions, thereby confirming in most cases TCE’s predictions. These studies all have in common that the degree of channel integration has formed the dependent variable of the research models. However, given the long-binding character of distribution decisions, it seems extremely surprising that the integration of the performance construct has not taken place. The rather mixed results from a few pioneering studies on the performance consequences of international market entry building on TCE give reason to question whether TCE is really able to explain the performance consequences of the distribution decision. Hence, justification of TCE’s normative nature in the distribution literature is outstanding.

Building on the TCE’s rationale, the present study addresses this dearth and integrates the performance construct into a research model on transaction cost factors provided by TCE (e.g., uncertainty, transaction frequency). Thereby, we follow a two-step procedure: First, we derive hypotheses for each transaction cost factor, relating it to the decision “direct sales force vs. reps,” as predominantly done in the literature so far. Second, we borrow the so-called misalignment concept from related research streams, such as research on entry mode choices. The misalignment consists of the theoretical relationship between transaction cost factor and channel decisions as predicted by the TCE and the actual relationships as suggested by the empirical data. TCE’s central tenet is that if firms behave exactly in accordance with its predictions, performance is high, whereas low performance consequences result from deviations.

To test our research, we contacted 1.424 German firms not older than 10 years and obtained a usable sample of 196 young firms. Overall, findings indicate that TCE is able to predict the decision between direct sales force and reps in most cases, whereas results on performance consequences do not confirm TCE’s expectations. It thus follows that managers are indeed inclined to behave in accordance with the assumptions of TCE. They decide for the use of direct sales force in case of transaction-specific assets and market-related uncertainty being high, whereas high technological uncertainty gives a reason to install reps. Apparently, they take the potential danger of opportunism into account when deciding between direct sales force and reps and act therefore in line with the predictions of TCE. These results are pretty much in line with previous research in this distribution area drawing on TCE. However, TCE does not manage to predict the performance consequences correctly. Hence, the basic tenet of TCE that firms aligning their governance mode with transaction cost factors will economize on transaction costs which translate into superior performance, is not confirmed by the empirical analysis. Hence, the findings may suggest that TCE is not as powerful a tool as is commonly expected in the distribution literature, at least in terms of its normative character. Firms that follow the TCE’s prescriptions and align their organizational form to economize on transaction costs, are not able to achieve higher performance, except for the prediction in terms of transaction frequency.

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INFLUENCES OF CUSTOMER PARTICIPATION IN INDUSTRIAL SERVICES SELLING

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SUMMARY

In the recent years, customer participation in the value co-creation process has received a great amount of research attention. As a co-producer, customers evolve from a passive buyer’s role to the role of an active exchange participant. This shift of customer status within the service process is considered as a favorable practice for firms in identifying, generating and delivering sustainable customer value. Occupying a boundary-spanner position, salespeople play a critical role in developing and maintaining relational exchanges with customers for industrial firms.

To date, only a small group of researchers has examined possible impacts of customer participation on salespeople within the service environment. The present manuscript develops a conceptual framework depicting different paths through which salesperson’s job outcomes are influenced by customer participation. Specifically, the framework articulates the influences of two dimensions of customer participation on salesperson’s cognitive, i.e., role ambiguity, role conflict, and role overload and behavioral variables (i.e., working hard and working smart and the links between customer participation and salesperson’s attitudinal and performance outcomes). One dimension is customer participation in information provision (CPIP) and the other is customer participation in coproduction (CPC). CPIP refers to the extent to which the customer provides information of service needs and expectations to the salesperson; and CPC refers to the extent to which customer involvement constitutes a portion of the salesperson’s service development and delivery process. In addition, the framework includes salesperson selling self-efficacy as a moderator that may influence the linkages between customer participation and salesperson job outcomes.

Importantly, the present research articulates that CPIP and CPC have different effects on salesperson’s cognitive and behavioral variables, which in turn influence salesperson attitudinal and performance outcomes. Specifically, the research points out that CPC has deleterious impacts on role ambiguity, role conflict, role overload, and working smart behaviors. On the contrary, CPIP may reduce salesperson role ambiguity, role conflict and role overload, and improve working smart behaviors.

In summary, several theoretical and managerial implications are provided in the present research. First, customer participation has both positive and negative influences on the salesperson’s job outcomes. Second, sales management should better understand the mechanisms that customer participation engages to influence salesperson job outcomes. In particular, how customer participation functions to affect the cognitive and behavioral responses of the salesperson needs to be carefully examined. Third, given the detrimental effects of customer participation, sales managers have to consider the pros and cons of incorporating customers into the value co-creation process. Finally, because little evidence on the topic under discussion has been reported, it is suggested that empirical studies should be advanced to modify and/or expand the current research framework.

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SALESPERSON'S CUSTOMER ORIENTATION: DOES IT DIFFER ACROSS B2B AND B2C CONTEXTS?

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SUMMARY

Since the last several years, the practice of marketing concept has been studied at an individual salesperson level, conceptualized as salesperson’s customer orientation or SOCO (Saxe and Weitz 1982). This conceptualization and its measure has been validated in several other studies too (e.g., Donavan, Brown, and Mowen 2004; Beverland 2001; Boles et al. 2000; Frankwick et al. 2001). However, recently Schwepker (2003, p. 166), based on an exhaustive review of the two decades of research on the SOCO perspective note that “SOCO fails to fully assess the behaviors necessary to achieve goals to bring about customer satisfaction. As such, research is needed to fully uncover the dimensions underlying customer-oriented selling.” Moreover, studies that have attempted to discern differences, if any, across B2B and B2C contexts are scanty. Therefore, we have limited understanding on the influence of selling context on salespersons’ customer orientation. This paper addresses two important questions emanating from this context: (1) What constitutes a salespersons’ customer orientation? (2) Whether salespersons’ customer orientation differs in B2B vs. B2C contexts?

While answering the above questions, we examine the limitations of current conceptualization of salesperson’s customer orientation and postulate that overemphasis on customers’ needs satisfaction by the salespeople can lead to inadequate focus on other relevant activities and behaviors by the salespersons that are important in the context of personal selling. We provide an expanded conceptualization of the salesperson’s customer orientation construct by carrying out an extensive review of the literature on the marketing concept and its derivative constructs, and related orientation constructs. To further explore all the facets and dimensions of the salesperson’s customer orientation construct, we cross-validate the results obtained from extensive literature review with qualitative in-depth interviews of customers of B2B and B2C products and services to explore their perspective of salesperson’s customer orientation. Through a theoretical content analysis and synthesis of the relevant literature, we then cull out the following six theoretical factors underlying the construct: (1) Gathering and disseminating relevant information to customers, (2) Understanding expressed and latent customer needs, (3) Fulfilling customer needs continuously, (4) Delivering value to customers, (5) Sustaining long-term customer relationships, and (6) Building customer satisfaction.

In this paper, we propose a new definition of salesperson’s customer orientation as “behaviors in all customer-related activities pertaining to gathering and disseminating information to customers, understanding expressed and latent customer needs and continuously fulfilling these needs with the purpose of sustaining long term customer relationships, while maintaining company’s profitability objectives.”

Empirical Study: Does the Construct Differ Across B2B and B2C Contexts?

To empirically examine the contextual difference, we first used deductive method to generate an initial pool of 147 items, which was finally reduced to 37 scale items through expert classification task and respondents’ discriminating task. We collected data from a sample of 248 B2B customers and 367 B2C customers using 5 point likert-type scale. Exploratory Factor Analysis (EFA) using principle axis factoring with promax rotation was carried out using SPSS 16.0 separately for B2B and B2C samples. Using item analysis, we chose items with high weights (in the pattern matrix). Items with correlations of less than 0.4 were dropped, and those with more than 0.5 were preferred, provided item-factor correlations that were low with other factors. We obtained strong empirical support for a multi-dimensional salesperson’s customer orientation construct. Five factors were obtained in B2B sample with 43.56 percent shared variance explained with the following factors: Relationship (26.93% variance explained), Information, Understanding Needs, Delivering Value, and Customer Satisfaction. In the B2C sample, three factors were obtained with 45.2 percent shared variance explained by the following factors: Understanding Needs (34.6% variance explained), Relationship, and Customer Satisfaction. Confirmatory Factor Analysis was also carried out to validate the factor structure in both B2B and B2C samples. We obtained good model fit (GFI, CFI, and AGFI > 0.85, and RMSEA < 0.06) and adequate reliability (CR > 0.85) indicating that salesperson’s customer orientation is a multi-dimensional construct.
Discussion and Implications

Our results indicate that salesperson’s customer orientation differs across B2B and B2C selling contexts. Indeed these are two fundamentally different contexts, and therefore different facets of salesperson’s orientations are needed in the two selling contexts. Relationship dimension is found to be the most salient factor in the B2B context, and understanding customer needs in the B2C context. We urge future researchers to validate our findings further. References are available upon request.

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THE MODERATING IMPACT OF BUYER’S RELATIONSHIP DURATION AND PRIOR SALES EXPERIENCE IN BUYER-SALESPERSON RELATIONSHIP

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SUMMARY

This study examines the effect of buyer’s social satisfaction and economic satisfaction with the salesperson on buyer’s level of commitment to the salesperson. The effects of two moderators: relationship duration and buyer’s prior sales experience are also examined. Findings support that buyer’s social satisfaction and economic satisfaction have a positive impact on commitment. The findings further support that relationship duration moderates the hypothesized relationships.

Hypotheses

H1: Buyer’s social satisfaction with the salesperson is positively related to the buyer’s level of commitment to the salesperson.

H2: Buyer’s economic satisfaction with the salesperson is positively related to buyer’s level of commitment to the salesperson.

H1a: The positive relationship between social satisfaction with the salesperson and buyer’s level of commitment to the salesperson is stronger for firms with longer relationship duration.

H2a: The positive relationship between economic satisfaction with the salesperson and buyer’s level of commitment to the salesperson is stronger for firms with longer relationship duration.

H1b: The positive relationship between social satisfaction with the salesperson and buyer’s level of commitment to the salesperson is stronger for buyers with prior sales experience.

H2b: The positive relationship between economic satisfaction with the salesperson and buyer’s level of commitment to the salesperson is stronger for buyers with prior sales experience.

Methodology

Employees of firms that worked in purchasing were asked to participate in the study. A total of 509 respondents were eligible and agreed to start the online survey. Once all completed surveys were submitted and after listwise deletion, 196 usable surveys were obtained. The effective usable response rate was 38.5 percent. Data was analyzed using LISREL 8.54. The resulting measurement model had 18 items. All items were above the .70 requirement of Cronbach’s alpha.

Implications

This study advances our understanding of the two moderators: relationship duration and the buyer’s prior sales experience, and their impact on the linkage between buyer’s satisfaction and the buyer’s level of commitment to the salesperson. First, relationship duration was found to enhance the impact of both social and economic satisfaction on buyer’s commitment to the salesperson. The implication for salespeople is that if they can increase the buyer’s tenure in the relationship, while maintaining high levels of buyer satisfaction, then the buyer’s level of commitment to the salesperson will be increased at a faster rate due to the interaction between the constructs. Next, buyer’s prior sales experience was found not to impact the level of importance placed on social and economic satisfaction in relation to commitment. Further, the results suggest that it is possible that buyers without prior sales experience place a higher level of importance on social and economic satisfaction when determining their level of commitment to the relationship.

Our findings suggest that the buyer-salesperson relationship may need to be handled differently if the buyers do not have prior sales experience versus buyers with prior sales experience. Future research is needed to provide additional clarification of the impact of buyer’s prior sales experience on the satisfaction and commitment linkages. References are available upon request.
Hypothesized Model and Results

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SESSION OVERVIEW

Sustainability of sponsorship programs, in terms of continuing and beneficial partnerships, can be found at many levels of organization. The first paper in the session addresses the role of the consumer-event relationship and how choosing the right event can lead to sustainable programs. The second paper deals with number of event successes and failures to identify those program elements that support sustainable partnerships. The last paper considers sustainability broadly in terms of sport’s contribution to society and in particular how measured outcomes of sponsored sport programs in developing countries may lead to additional financial support and thus sustainability of goals.
Special Session: Sport Sponsorship and Organizational Sustainability Goals

CHOOSING THE “RIGHT” EVENT: THE ROLE OF CONSUMER SELF-IMAGE IN SPORTS SPONSORSHIP DECISIONS

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SUMMARY

Despite the growth in sports sponsorships over the past decade, sponsorship investments are coming under increasing scrutiny (Van Riper 2008). Therefore, examining whether sports sponsorship vehicles deliver the desired outcomes remains an important issue. Previous studies have explored the importance of product relevance related to sports sponsorships (e.g., Gwinner and Eaton 1999), the influence of brand equity on consumer response to sponsorship activity (e.g., Roy and Cornwell 2003), and the effect of sport and sponsor congruence on consumers’ behavioral intentions (Koo, Quarterman, and Flynn 2006). However, past research has not considered the role of both event and consumer self-image congruence and brand and consumer self-image congruence on the formation of brand attitudes and behavioral intentions related to sports sponsorships.

Accordingly, this study investigates the extent to which consumers’ self-image congruence with both brand and event images influence brand attitude and purchase intent. In order to examine the impact of brand, event, and self-image fit on resulting brand attitudes and purchase intentions, the authors develop and empirically test a framework including the influence of brand-event, brand-self image, and self image-event congruence on attitudes and intent. Data collection involved a non-probability sample among 291 European respondents related to the 2008 European Football Championships and two primary event sponsors across different product categories: a functional brand with respect to the event (adidas) and an image brand (Carlsberg beer).

Findings suggest that for the image brand, self-image congruence with event and brand image does not moderate the relationship between event-brand image and brand attitude. However, for the functional brand, event-self image congruence and brand-self image congruence positively moderates the relationship between event-brand image and brand attitude. The findings also show that brand attitude is a significant predictor of purchase intent for both brands. Finally, these findings suggest several interaction effects among self-image, brand- and event-image, and brand attitude. The findings yield implications for theory and insights for managers.
SPORTS MARKETING SPONSORSHIPS: IDENTIFYING KEY SUCCESS FACTORS

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SUMMARY

The “advertising business model” has been an engine of creativity and success throughout the 20th century. For instance, American achievements in TV and radio programming are financed by ad revenue streams (Priest 1992). The same is true for the wide variety of magazines that circulate world-wide. In the 21st century, advertisers are looking for alternative media, in order to reach a fragmenting audience. In this paper, we concentrate on the sponsorship of sports marketing events. Such sponsorship owes some of its effectiveness due to the transfer of image from the sponsored entity (e.g., a sports team, a sports league) to the sponsor. In addition, a sporting event (e.g., a bicycle race, the Olympics, a world championship) can last over many days, and thus provide sponsors with an opportunity to make extended contact with potential customers (and other stakeholders).

In this paper, we identify two situations – successful sponsorships and unsuccessful sponsorships. Specifically, we identify 5 examples from each category. In brief, “successful sponsorships” are defined as those that: (a) last over time; (b) provide measurable returns to the sponsor (e.g., in terms of stock price, sales, image building); and (c) provide benefits to both the sponsor and the beneficiary of the sports sponsorship. Using this case study format, the objective of the paper is to identify the key characteristics that distinguish the successful sponsorships from the unsuccessful sponsorships.

The Tour de Georgia is an example of an unsuccessful sports sponsorship. On the surface, this venue could be attractive to sponsors. It is an event that lasts over many days, and it takes place in many locations. Past sponsors include General Motors and the Georgia Cancer Coalition. This Tour is the most successful bicycle race in the U.S., and Lance Armstrong (along with other international cyclists) have competed for many years, as a tune-up for the Tour de France. There is empirical evidence that this event has great potential to communicate with key stakeholders (Sneath et al. 2005). However, the 2009 version of the Tour de Georgia has been cancelled, due to the lack of a viable sponsor.

In contrast, the AT&T Red River Rivalry is a very successful sports sponsorship. This relationship between the sponsor and the event (a football game between the Universities of Texas and Oklahoma) has survived and prospered, despite significant hard times for the corporate sponsor involved. To date, we have some knowledge about key success factors related to sports sponsorships. Using this mini-case study method, we aim to increase our knowledge in this area.
MEASURING THE CONTRIBUTION OF SPORT, EXERCISE, AND PHYSICAL EDUCATION TO SOCIAL AND ECONOMIC DEVELOPMENT

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SUMMARY

Sport, Exercise and Physical Education contribute in many ways to society. Naturally, there are moments when activities in these areas detract from societal good. Moreover, the extremely negative and extremely positive moments are typically the only ones featured in media and thus broadly communicated. Recently, sport has been recognized as a powerful means to promote education, health, development and peace by United Nations Office on Sport for Development and Peace (UNSDP) due to its unique potential based on its universal popularity and its capacity as global communication platforms (Beutler 2007). However, past findings are based on qualitative examinations by surveys, focus group, poetry readings and video messages and there is a need for more quantified and consistent measurement in order to gain the support of policy-makers and sponsors.

In considering past measures that might be directly useful or adaptable to assessing the contribution of sport, exercise and physical education to social and economic development as outlined by Lawson (2005) several criteria were established. Firstly, the measures should be flexible in terms of the application to a variety of sports and exercise programs, a wide range of developmental and cultural backgrounds and a number of different audiences (participants and non-participants, community members, organizers, viewers/attendees). Secondly, the measures selected should be relatively global or summative rather than particular. Thirdly, the measures should be easily understood and as much as possible easily translated into other languages. A measurement tool considering the areas of social capital, individual well-being and healthy environments is advanced.

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COMMERCIAL SPEECH AND THE FIRST AMENDMENT

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SUMMARY

The U.S. Supreme Court categorizes marketing communications as commercial speech – speech for the purpose of creating a transaction. Explicit common law treatment of commercial speech in the context of the First Amendment dates back to 1942 when the U.S. Supreme Court published the Valentine vs. Chrestensen (1942) decision. Legal analysts studying the genesis of First Amendment protection for commercial speech criticize the Chrestensen decision because the Court provided virtually no arguments supporting its decision. In a sense, the commercial-noncommercial dichotomy appeared without any strong historical foundation.

From this inauspicious beginning, the stature of commercial speech has evolved to the point where it has been granted broadened recognition. Langvardt and Richards (1997, p. 486) describe the two decades following Chrestensen as a period of “rejection of a preferred status for commercial speech.” The Court began to relax its “no protection” position in New York Times v. Sullivan (1964) and further examined the commercial-noncommercial division in Pittsburgh Press v. Human Relations Commission (1973) and Bigelow v. Virginia (1975). The Supreme Court finally extended formal protection to commercial speech under the First Amendment in Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council (1976).

The Court continued to distinguish between commercial and noncommercial speech, looking at the motives of the speaker, the interests of the listener, and the importance of the topic to the general public. While not explicating a model for deciding when commercial speech was to be regulated, the Court did point out that the government could easily regulate misleading or false commercial speech.

In Central Hudson Gas & Electric v. Public Service Commission (1980, p. 566), the Court enunciated a four-part test for assessing if commercial speech is lawful.

1. Is the expression protected by the First Amendment, i.e., does it involve lawful activity and not mislead the audience?
2. Does the government have a substantial interest to be achieved by restricting the speech?
3. Does the regulation directly advance the government’s interest?
4. Is the regulation more extensive than necessary to achieve that interest?

By the mid 1990s, the U.S. Supreme Court had gradually clarified its stance regarding the protection it was willing to grant commercial speech under the First Amendment. Central Hudson provided a means for upholding narrowly constructed restrictions of commercial speech, provided the government could demonstrate the importance of its regulatory goals and show how the regulation directly advanced its goals.

Predicting commercial speech trends involves generalizing from specific cases. When the U.S. Supreme Court decides a case, First Amendment scholars provide analyses of what the outcome means for the future of commercial speech. Oftentimes the decision should be bracketed in terms of the product, company, plaintiff, and state involved in the litigation. Each commercial speech case involves the interplay of the facts of the case viewed via the various theories supporting free speech.

The consensus is that the Court is going to take a harder look at the reasons and evidence underlying proposed restrictions of commercial speech. Governments can no longer simply assert that their regulations will accomplish some stated goal, either general or specific; they will have to demonstrate this with tangible evidence. The government is not permitted to be the benevolent overseer of what categories of commercial speech are to be allowed.

A possible exception to this trend seems to be laws promulgated to protect young people from products that are potentially harmful or regarded as vices, e.g., tobacco, alcohol, and pornography. Firms in these industries will continue to be the targets of legislative attempts to minimize promotional efforts across all media.

In the past 15 years the Court has granted expanded protection to commercial speech. However, the expansive growth of digital and electronic communications formats create formidable problems for those seeking to regulate commercial speech. The core rights in commercial speech disputes are simple to enumerate at a basic level, but difficult to evaluate in the context of a specific situation within the precedent of prior commercial speech cases. In examining commercial speech regulations, the U.S. Supreme Court must balance the right of speakers, either individuals or organizations, to promulgate their views with the right of audiences to listen or to choose not to pay attention.
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MARKETING WELLNESS INTERNALLY: EXPLORING HEALTH RISK APPRAISAL VARIABLES ASSOCIATED WITH WELLNESS PROGRAM INTEREST

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SUMMARY

Introduction

Employers are increasingly adopting wellness programs as an employee benefit, to mediate health problems, health care cost increases, and increase productivity. To achieve engagement from employees, wellness programs need to be appealing and fill a need within the target population. The concepts of branding and internal marketing in which the employer is cognizant of the needs and culture within the organization are particularly applicable for wellness programs. Without this underlying understanding of the “target market” of employees, wellness programs may not be well communicated, received, or participated in. Therefore, resources are ineffectively used due to low participation or ineffective wellness programs. Also, effective marketing and programming could replace costly incentives used to increase participation.

Typically, health risk appraisals are a common intervention used by employers to identify health risks within their employee population. Health risk prevalence is often used for decision support around wellness programming. The goal is to reduce health risks prior to manifestation of serious health problems. However, an additional use of health risk appraisals is to identify population characteristics related to wellness program interest. This information can be used to target the approach to the population for increased engagement in wellness programs.

The focus of this study is to investigate the relationship between variables available from the health risk appraisal (stress, health perception, life satisfaction) and wellness program interest through structural equation modeling. These variables were chosen due to ability to be influenced via internal marketing campaigns. The outcome variable of interest was created as a summed index of positive answers to being interested in changing 11 specific items related to health (smoking, physical activity, body weight, alcohol use, fat intake, lowering blood pressure, lowering cholesterol, managing stress sleep habits, willingness to participate in a wellness program, and interest in follow up information). We hypothesized a direct relationship between stress effect and wellness interest. Secondly, that health perception and life satisfaction would be related to wellness program interest.

Methods

Health risk appraisals were completed on a voluntary basis by employees of a financial services organization and informed consent was obtained for anonymous use of the information for research. The study population consisted of 6,616 individuals 49 percent male; average age 43.7 years; 92.8 percent Caucasian who completed a health risk appraisal. An exploratory analysis using Spearman correlation matrix identified potential pathways of relevant variables for structural equation modeling beyond those considered by our hypotheses. The structural equation model analyses were performed using AMOS software by SPSS. Model fit and refinement were based on chi square values with degree of freedom, goodness of fit index (GFI), root mean square residual (RMR) values, root mean square of approximation (RMSEA), modification indices and importance of the variable to the model according to the pathway estimates. Statistical significance level was set at alpha = 0.05. However, due to the large sample size, P-value results were discounted because chi-square tests of large samples (N > 200) has a tendency to reject the null hypothesis despite small differences. Instead, root mean square of approximation was considered as the best critical fit index due to the large sample size and this measure considers sample size (RMSEA= [(chi-square/df – 1)/(N – 1)]).

Results

The structural equation model showed lower health perception (path estimate = -0.44), lower life satisfaction (path estimate = -0.14), and higher levels of stress (path estimate = 0.49) associated with greater interest in wellness programs for this population. No other variables from the health risk appraisal were directly related to wellness program interest. The stress variable was the most prominent in the model impacting wellness program interest, life satisfaction and health perception directly. The overall model fit statistics indicated a good fit between the model and data (chi square = 57 degree of freedom = 7, GFI = 0.998, RMR = 0.02 and RMSEA = 0.03).
Conclusion

The structural equation model showed significant and direct relationships between stress, health perception, life satisfaction, and wellness program interest, with stress influencing multiple other variables. Typically, wellness programs promotions focus on improving diet and increasing physical activity. According to our modeling, a better strategy for this population would be to position programs around stress reduction and encompass diet and exercise with a different focus. Further research and modeling in different employee populations needs to be done to assess how variables associated with wellness program interest may vary according to industry or job type. References are available upon request.

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RESISTANCE AND SELF-RISK: EFFECTS OF MESSAGE CUES ON END-OF-LIFE PLANNING

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SUMMARY

The examination of end-of-life planning and death care consumption involves complex behaviors and processes. The present research considers communication strategies that are derived from the approach-avoidance conflict model (Dollard and Miller 1950; Miller 1944, 1959; Knowles and Linn 2004). These strategies are intended to reduce psychological resistance consumers have toward end-of-life planning.

According to the model, approach motives push opinions and attitudes toward a goal. Other motives enable avoidance. Alpha persuasive strategies activate the approach forces, thereby increasing motivation to move toward the goal. Omega persuasive strategies promote change by minimizing the avoidance forces, reducing the motivation or resistance to move away from the goal (Knowles and Linn 2004). The effectiveness of using both Alpha and Omega strategies in communication messages was investigated empirically in Study 1.

Study 2 in this research examined whether using a message cue that mitigated self-positivity bias would result in more favorable attitudes and higher behavioral intentions toward a message encouraging end-of-life planning. In addition to resistance, unwarranted optimism, or self-positivity bias, may be part of the reason why people defer making plans about funeral arrangements (Weinstein 1980; Raghbir and Menon 1998).

Study 1

A between-subjects experiment was performed. Participants were 309 adult respondents to a household research mail panel in the southern part of the United States. The experiment included two different advertisements. Both ad message stimuli included information about the benefits of planning for a funeral; however, in the Alpha message an added incentive noted that an individual’s “loved ones would appreciate it” if they preplanned. The Omega message also encouraged planning, but in incremental steps. The message stressed that an individual could start planning for end-of-life by “simply writing down their final wishes and requests and sharing them with family and friends.” Subjects rated their attitude toward the ad and their behavioral intentions for engaging in funeral planning after viewing the ads.

Results suggest that there was a main effect for communication message on attitude toward the ad, F(1, 172) = 4.85. Individuals in the Omega message condition expressed more favorable attitudes toward the ad than individuals in the Alpha message condition, M = 5.2 and M = 4.65, p < .01. Additionally, there was a main effect for message on response/behavioral intentions, F(1, 72) = 5.89. Subjects in the Omega message condition exhibited more favorable responses to the ad than those in the Alpha message condition, M = 4.7 and M = 4.1, p < .01. Further analysis indicates that females in the Omega message condition had high behavioral intentions toward the ad than males in the Omega message condition, t(78) = 2.38, M = 4.9 and M = 4.18, p < .05.

Study 2

To ascertain whether using message cues can reduce self-positivity bias toward funeral planning, a 2 (Self-positivity: present/absent) x 2 (Communication message: Alpha/Omega) between-subjects experiment was conducted. Participants were 110 adults from the southern part of the United States. The same Alpha/Omega communications messages from Study 1 were used; however, in the self-positivity condition, the messages were preceded by the following text: “Over 100,000 people die unexpectedly in the United States each year. No one wants to think that it will happen to them – passing away without sharing or making final plans for end-of-life. However, a national survey found that over half of individuals 35 and older had not made plans for end-of-life.” This message did not appear in the control condition. The message in the control condition only included the original Alpha/Omega message content. After being exposed to either an Alpha or Omega communication message, with or without the self-positivity cue, subjects were asked to rate their attitude toward the ad as well as their behavioral intentions for engaging funeral planning.

Results indicate no main effect for communication message on attitude toward the ad, (Alpha = 4.59 and Omega = 4.45, p > .05. However, there was a significant main effect for self-positivity bias on attitudes toward the ad [F(1, 94) = 4.68] with participants having more favorable attitudes toward the ad with the self-positivity cue, M = 4.76 and M = 4.23, p < .05.

Results also indicated that there was no main effect for communication message on intentions (Alpha = 4.75 and Omega = 4.78, p > .05) and self-positivity bias on intentions (Present = 4.78 and Absent = 4.75). Participants in the Alpha condition that were in the self-positivity condition expressed higher behavioral intentions than
individuals in the control condition ($M = 5.11$ and $M = 4.39$, $p < .05$). Likewise, participants in the Omega message condition that were in the control condition expressed higher behavioral intentions (Figure 4) than those in the self-positivity condition, ($M = 5.12$ and $M = 4.44$, $p < .05$).

Implications for social marketing might be that consumer segments could be created that respond differently to different types of messages. Also, social marketing messages that encourage preplanning might include cues that mitigate self-positivity bias.

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ARE CONTEXTUAL ADS ALWAYS EFFECTIVE? THE MODERATING ROLE OF AD’S COMPLEXITY

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SUMMARY

As the Internet environment evolves, marketers have tried to develop more creative and persuasive communication tool that can take advantage of the advancement of information technology. One emerging form of online marketing communication is ‘contextual advertising’, which can be defined as marketers’ persuasive attempts to develop customized images or texts more relevant to customers based on the contents of web pages. Past research has recognized the effectiveness of contextual advertising in print media, and has demonstrated that contextual advertising increases ad attitude and brand evaluation (Shen and Chen 2007), recall and recognition (Norris and Colman 1992), and product judgment (Herr 1989). However, to the best of our knowledge, very little effort has been devoted to investigating the effectiveness of contextual advertising in computer-mediated environment.

This research attempts to develop a theoretical perspective on the effectiveness of contextual ads in the Internet environment. We postulate that (1) the contextual effect observed in conventional media can be duplicated in the Internet environment, and (2) the effectiveness of an Internet contextual advertisement can be moderated by the complexity of the advertisement’s composition. According to the priming paradigm (Higgins, Rholes, and Jones 1977), when a consumer is exposed to an environmental stimulus, she activates related cognitive schema and becomes sensitive to incoming information related to the activated schema. Thus, a consumer to remember information relevant to the first stimulus more easily because her primed status reduces the time and effort required to activate the schema related to the incoming information (Soldow and Principe 1981). In the Internet environment, the content of a web page may prime a consumer to activate the related schema, and, a contextual advertisement, which displays a banner advertisement relevant to the content of the web page the consumer is browsing, will be more effective than non-contextual advertisement due to its relevance with the content of the web page. In this paper, the contextual relation was operationalized in terms of the relevance of ad content to the information in the web page, and the effectiveness of an advertisement was measured with recall and recognition of the advertised brand. Therefore, we suggest the following propositions:

P1-1: Consumers will show higher recall of the advertised brand when they see a banner advertisement with contextual relation than when they see a banner advertisement without contextual relation.

P1-2: Consumers will show higher recognition of the advertised brand when they see a banner advertisement with contextual relation than when they see a banner advertisement without contextual relation.

The advance of information technology on the Internet allowed marketers to develop very complicated banner advertisement with a lot of animating components. The use of more animated banner advertisements can increase the advertising’s complexity, which can influence the advertisement’s effectiveness (Cox and Cox 1988). Here, we propose the complexity of a banner advertisement as a moderating variable affecting the relationship between a contextual advertisement and its effectiveness. We further argue that the complexity of a banner advertisement can generate two distinct priming effects: contrast in high complexity and assimilation in low complexity (e.g., Meyers-Levy and Sternthal 1993; Meyers-Levy and Tybout 1997; Raghunathan and Irwin 2001). When a consumer sees a contextual advertisement with low complexity, the relative salience of contextual relation would be more prominent than one with high complexity because of the low level of intervening noises. Therefore, a consumer can easily identify the relevant information, and the contextual advertisement will receive a higher level of attention from her effort to connect the web page and the advertisement (i.e., assimilation effect). On the other hand, when a consumer sees a contextual advertisement with high complexity, the relative salience of contextual relation decreases because the animated and complicated components may mask the relevancy of the advertisement. Therefore, a consumer may experience difficulties in identifying the relevant information from contextual advertisement, and non-contextual advertisement that a consumer can easily separate from the content of the web page may receive higher attention (i.e., contrast effect). Thus, we propose:

P2: When a banner ad has lower complexity, consumers show higher recall and recognition of the brand displayed in a banner advertisement with high contextual relation.
P3: When a banner ad has higher complexity, consumers show higher recall and recognition of the brand displayed in a banner advertisement with high contextual relation.

This study provides some conceptual model that explains (1) whether the priming effect by contextual relevance may cause the same effect when priming effect is applied to the Internet environment and (2) how the priming effect is moderated by the complexity of the banner advertisements. However, several limitations are drawn from this research. First, our model focuses on the contextual relation between a banner advertisement and the content of a web page. The model does not include other environmental stimuli such as the web-page design or web-page complexity that can influence the effectiveness of a contextual advertisement. Second, we used only two dependent variables – recall and recognition – to explain the effectiveness of Internet contextual advertising. There might be other variables such as brand attitude and click-through rate to measure the effectiveness of Internet advertising. References are available upon request.

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WEBSITE STICKINESS: THE COGNITIVE LOCK-IN PERSPECTIVE

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SUMMARY

Website stickiness is the extent to which a customer intends to stick to a particular Website on a regular basis and will not stop in the near future (Li, Browne, and Wetherbe 2006). It represents a measure of customer loyalty toward a particular Website (Reichheld and Schefter 2000). In contrast to previous studies on cognitive lock-in perspective and Website stickiness (e.g., Johnson et al. 2003; Li et al. 2006; Luna, Peracchio, and de Juan 2002; Murray and Häubl 2007), the current article extends cognitive lock-in perspective and Website research for the purpose of understanding the formation of Website stickiness.

According to the cognitive lock-in perspective (Klemperer 1987, 1995; Newell and Rosenbloom 1981; Shapiro and Varian 1999), three elements are adopted as the premise of model development in our study: Accumulated use experience, cognitive switching costs, and lock-in (Johnson et al. 2003; Murray and Häubl 2007; Zauberman 2003).

In our model, we further specified the underlying constructs that are relevant to the Website context. Specifically, accumulated use experience is represented by three sequential constructs: Perceived personalization, perceived familiarity, and habits of use. We believe that modeling the three constructs sequentially allows the ability to capture the possible routes of the development of accumulated use experience. In particular, perceived personalization stands for the initial attraction of a Website; a highly personalized Website will have a high probability of attracting customers to revisit it. As the number of revisit increases, customers will be more familiar with the Website and will be likely to have more use experience than before. This notion is consistent with previous studies on consumer expertise (e.g., Alba and Hutchinson 1987, 2000).

Consequently, cognitive switching costs, which are generated from accumulated use experience, will have influences on Website stickiness. Based on previous study on consumer switching costs (e.g., Burnham, Frels, and Mahajan 2003), set-up and learning costs are considered as two switching costs in our model since both of them are associated with the costs of customers’ analyzed mental processes. In addition, the lock-in is represented by Website stickiness in our model. Finally, among the constructs, six hypotheses are developed.

We designed our investigation of Website stickiness in the context of retail Websites. We focused on experienced users of retail Websites. Experienced users are defined as consumers who have already used and had transaction experience at least one time with a particular retail Website. A total of 668 questionnaires were collected; among those, 407 responses were considered valid. Among the 407 valid responses, 270 (66.3%) respondents were female; whereas 137 (33.7%) were male. In terms of age, 251 (61.7%) respondents belonged to a group ranging from 20–24 years of age; 121 (29.7%) were 25–29 years of age. With respect to educational level, 268 (65.8%) respondents had an undergraduate degree; 129 (31.7%) of them had a graduate degree.

Structural equation modeling was used in this study with Amos 4.0 software (Arbuckle 1997). We conducted a two-step approach that evaluated the measurement model prior to estimating the hypothesized structural model (Anderson and Gerbing 1988). Six hypotheses were all supported.

In summary, based on cognitive lock-in perspective, the current study provides a further understanding of the formation process of Website stickiness. Specifically, our findings suggest that the cognitive lock-in perspective provides a cognitive explanation of Website stickiness formation (e.g., cognitive loyalty, proposed by Oliver 1999). This is an important explanation of Website stickiness, since customers must need to learn how to use the Website in order to complete their consumption tasks. Finally, this understanding can provide alternative rationales for planning marketing strategy in the Website marketplace. References are available upon request.
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(NOT) JUST FOR THE MONEY? EFFECTS OF INCENTIVES ON MEMBER PARTICIPATION

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SUMMARY

Online communities are a frequently used communication instrument. Firms can profit from online communities in several ways. First, firms can use online communities to create and maintain strong relationships with their customers or between their brands and their customers (Algesheimer, Dholakia, and Herrmann 2005; Andersen 2005; McAlexander, Schouten, and Koenig 2002; Muniz and Schau 2007). Second, customers participating in online communities may benefit the firm by giving feedback on its products and by creating new product ideas (Kozinets 2002; Pitta and Fowler 2005a; Pitta and Fowler 2005b). Third, communities can also be used as an efficient support platform for customers. Problems occurring, e.g., during product usage, can be solved by other customers in the self-help community reducing after sales cost for the firm.

However, many online communities are not successful. One problem often occurring in communities is a low level of active member participation. As knowledge provided within an online community is a public good, free riding naturally occurs. According to a recent study, on average 90 percent of the members of online communities are lurkers, i.e., passive members who only read content but do not actively participate at all, 9 percent actively participate in content creation from time to time, while only 1 percent contributes regularly (Nielsen 2006). Practical evidence shows that such an undersupply in content makes communities less attractive and often leads to the failure of these communities (Ardichvili, Page, and Wentling 2003).

In order to attain a sufficient level of participation, community managers often introduce incentive mechanisms (Tedjamulia et al. 2005). For example, the publishing community helium.com offers incentives for various user activities. With a similar concept, Google Knol tries to motivate members to actively participate by offering monetary incentives. Although some research found such reward systems to be effective in enhancing communication activities within communities (Bartol and Srivastava 2002; Hummel et al. 2005a), Tedjamulia et al. (2005, p. 8) conclude that “very little research has been done in an OC setting to investigate when, how much, and which types of reinforcement should be used to increase membership participation in online communities.”

In this paper, we will investigate whether the introduction of different kinds of incentive systems has an impact on members’ willingness to actively participate in the community. Following Deci (1971) and Lindenberg (2001), we distinguish between extrinsic and obligation-based incentives and analyze whether they affect participation in different ways. We also differentiate between effects of incentives on active community members who have originally been motivated intrinsically to participate as well as on passive members with low intrinsic motivation. In particular, we answer the following research question: Do extrinsic and obligation based rewards influence active and passive members’ participation in online communities?

Recent evidence suggests that, under specific conditions, extrinsic rewards, e.g., monetary rewards, do not necessarily enhance participation in communities, but might be detrimental to members intrinsic motivation (Osterloh and Frey 2000). Hence, rewards may even have negative effects on community participation. This so-called motivation crowding out effect has been empirically confirmed in many different settings (Deci and Koestner 1999; Frey and Jegen 2001). Based on motivation crowding theory, we hypothesize that extrinsic rewards might crowd out intrinsic motivation in the long run.

To test our hypotheses, we conducted a 3 x 2 between-subjects experiment. We manipulated the incentive on three levels: monetary reward (5 *), obligation-based incentive (obligation to contribute to a community goal), no incentive. We used a scenario experiment for data collection. We did not manipulate a member’s activity level within the community, but asked participants about their current activity level within the community, and divided them into two groups: active (i.e., previously intrinsically motivated members) and passive members. This procedure is in line with Ridings, Gefen and Arinze’s (2006) argumentation. In total, 739 community members from a large German knowledge community took part in the experiment.
Study results confirm that different types of incentives have different effects on community members’ intention to post, depending on their previous activity level. We found monetary rewards to increase participation among both active and passive members in the short run. However, the results indicate that monetary rewards tend to decrease active members’ long-term intention to participate. Thus, the study provides evidence for a crowding out effect of monetary rewards on intrinsic motivation of active community members. Obligation-based incentives were found to influence active members’ short term intention to post but do not have any effect on passive members.

Our results have several implications for community managers. First, incentives appear to be effective in increasing members’ short-term willingness to make a contribution. According to Ardichvili et al. (2003), the main reason that prevents community members from posting is that they feel intimidated because they are inexperienced or because they are afraid that their contributions might be inappropriate or not valuable. Thus, offering monetary rewards to new and unacquainted community members are likely to reduce their barrier to start posting and become active members of the community. Second, in order to avoid “the hidden costs of rewards” (Lepper and Greene 1978), community members should distinguish between already active members and passive members. Our results suggest that monetary incentives might have negative long-term effects on active members, who appear to be the most valuable members. Thus, monetary rewards should not be introduced for those members who are already intrinsically motivated to contribute. References are available upon request.

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CRITICAL REVIEWS AND PRODUCTS’ MARKET PERFORMANCE

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SUMMARY

Signals of quality such as critical reviews generated by consumers and experts are becoming increasingly important for firm strategy and consumer decision making. Accordingly, the literature on critical reviews has focused on the individual impact of either expert ratings or consumer ratings and their relationship with product performance in the marketplace. Largely overlooked in the literature however, are issues investigating the interrelationships between expert and consumer critical reviews and between these and other available signals of quality. Drawing on an information economics framework, the current study attempts to fill this gap by examining the interaction between types of critical reviews and by identifying contingent factors, such as product improvement, and market type that may impact the relationship between critical reviews and performance of a product on the market. By exploring these issues, this study addresses the Marketing Science Institute’s call for more research on a top tier topic, namely user generated content (such as critical reviews) and the interplay between the timing of UGC submissions on future submissions, product sales, and other market outcomes (MSI Research Call for Papers, September 2008).

The current research attempts to fill this gap by adopting the view that consumers pay attention to critical reviews because they provide an additional source of information about relative quality of products, given that they aggregate dispersed information from previous consumers and knowledgeable experts. A positive current consumers’ review or positive expert review can be interpreted by future consumers as a signal of higher relative quality and will tend to increase future demand. In this context, we investigate how the two market-based signals of quality (consumer and expert ratings) interact with each other and with other firm-based signals to influence the product performance in the marketplace. In particular, this research addresses the following issues:

1. How do consumer ratings impact product performance?
2. How do expert ratings impact product performance?
3. What is the combined impact of both consumer and expert ratings on performance? and finally,
4. To what extent key drivers of product performance such as product improvement or type of product market moderate the effect the reviews have on performance?

To test our hypotheses we collected four years of secondary data from a major online automotive information provider and employed pooled least square regression analyses. The major findings are as follows: (a) first, we established that both expert ratings and consumer ratings do have an important impact on the success of a product in the marketplace; (b) second, the impact of expert ratings must be interpreted while taking into consideration the level of consumer rating. Specifically, expert ratings seem to have a weaker impact on performance at higher level of consumer ratings than lower levels of consumer ratings. This supports the view that, for search products, with attributes that are easily verifiable, multiple information sources may become less relevant and not work in synergy. This result is interesting because a common misconception on the market is that more or higher reviews are always better. The results appear to say that, at higher levels of consumer ratings information from expert ratings gets discounted.

The interaction between the two market level signals (consumer and expert ratings) highlights the fact that multiple market level signals must be monitored. Also, it suggests an additional use for expert or consumer ratings in advertising to counter unfavorable market level signals. However, since the marketer has little control over the consumer ratings but a lot of control over advertising, the use of favorable expert ratings in advertising may be a useful strategic tool for combating unfavorable consumer ratings.

From our analysis it also appears that the potential of secondary markets is clearer to economists than to marketers. As the volume of trade is almost double on secondary markets, the word of mouth for used goods and the potential implications for building brand values from "underground" is not explored. As the impact of consumer ratings is higher as the age of the product increases, firms can derive value by encouraging long term users to provide information about the product. As a result, they can establish high quality reputation that in turn may increase the sales of their products on both primary and secondary markets. References are available upon request (npomirleanu@bus.ucf.edu).
ENCOUNTERING THE “OTHER” AT THE BAZAAR: POTENTIAL IMPLICATIONS FOR FUTURE MARKETING

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SUMMARY

As major transformations are observed at the end of modernity (Bauman 2000) or the onset of postmodernity (Jameson 1991), consumer orientations toward consumption venues may also be in transformation. The advent of globalization (Applebaum and Robinson 2005; Ritzer 2007) also contributes to the nature of the transformations observed. We aim to shed light on how these phenomena may affect future marketing practices in the “global marketplace.” To achieve this purpose, we needed to find a context where global forces meet to shed light on issues related to globalization and the transformations in focus could freely operate. Venues that are, for example, highly structured by modern shopping principles would not constitute fertile grounds to observe changes. A recent phenomenon of the traditional bazaars becoming fashionable and “high society” venues, especially in Mediterranean countries such as Italy and Turkey, came to our attention. Open air bazaars are increasing their popularity among Turkish consumers, especially in urban areas. Bazaars were originally necessary shopping venues for the lower classes as they offered inexpensive products of lower quality (Özer 2003). Thus, the recent rush of the upper classes into the bazaars took everyone by surprise (Gençyürek 2003), and these periodic bazaars have been renamed “(high) society bazaars’” (HSBs) by the media. In the past, open bazaars were associated with negative images (dirty and ripped tents, disorganized stalls, chaos, poverty, cheapness) (Hürel 2001). HSBs, in contrast, offer a tremendous variety of products in terms of quality and type, and function as places for carnivalesque experience for all social classes. Intriguingly, lower classes no longer feel the stigma of shopping at bazaars as they did in the past, and upper classes frequent these bazaars despite having the means to shop in upscale stores.

Our initial explorations led us to consider the linkages between Orientalism (Said 1979), Exoticism (Bohrer 2006) and the growing interest in encountering the other. In Orientalism, the underlying theme was domination: The West’s enduring fear of the Orient, its impulse to civilize it, yet the thrilling lure of the Oriental. Exoticism also emphasized the influence of the West on the East, though providing a greater give and take through hybridity. However, the reception of the East by the West still represents a dialectical play of differences (Bohrer 2006) leading to the urge of domination. These relationships were similarly observed between the upper and lower strata, and in their orientations toward the bazaars. Upper classes perceived in themselves qualities of the West (refined, superior), thus representing the westernized. The lower class bazaar was approached by the “westernized” in Turkey in a way that reflects the Orientalist narrative. The bazaar is primitive, untamed, and not fully “cultured” or rationally ordered, but it is seductive for the same reasons. The bazaar was, even in the minds of the lower classes, signified by what the “westernized” said about it. However, there remained a titillating wonder about the exotic bazaar that has lured the upper classes into experiencing the other.

Findings reveal that both upper and lower classes cherish encountering and immersing into the exotic other, resulting in a process of negotiating the order that is distinct for all, but transformable in the process. Hence, the encounters in the HSBs reflect negotiation rather than domination. Upper classes are seduced mostly by the fact that in the bazaars they find experiences different from those present in their ordered and relatively sterile everyday environments. Lower classes have a similar interest in the encounter with the “other,” represented by the encounters with members of the upper class. Each represents the exotic for the other. Increasing willingness to experience a multiplicity of life choices is contrary to the culture of the modern idea of knowing what is proper and keeping to it. The order of the bazaar presents difference and possibility that many find lacking in stores. Consumers of the bazaar, rather than find the best way of shopping and stick to it, desire to have the different orders of shopping and experiencing all. No longer is the impulse to impose an order on the oriental or the exotic, or to simply leave behind one’s original order to adopt the other. The contemporary impulse happens to be to maintain the multiplicity. The sense appears to be to thus make each order exotic when viewed from the point of view of the other, thus reinforce and maintain excitement and delight in all experiences. Our informants also expressed a fondness for negotiating their conditions in the order(s) they chose to inhabit. They seek negotiation power; not to transform the other into what they know or otherwise already have, but to construct other orders, hybrid or not.

With the “end of modernity” and effects of globalization, we observe a growing desire to have different orders and multiplicity of life modes available to be immersed in
earlier marketing practices may need to be rethought in light of the global changes and resonate with the idea of highly segmented markets. For example, segmenting the market in terms of upper versus lower class stores, as is the current practice, may not be successful given the growing consumer orientations observed. Rather, segmentation ought to be rethought on the basis of “mode of experience.” One key distinction in the mode of experience will be the differences in the possibility of negotiation of the script for consumption in the shopping venue. Is the mode of experience one where a pre-ordained script (say as in the contemporary supermarkets) has to be followed? Does the mode of experience provide the means to negotiate the script? Once the different degrees of script negotiation are determined, other distinctions under each category will help expand the types of mode of experience. For example, if a given script has to be followed rather than negotiated, is the script one where intermediaries, such as salespeople, have to be employed? Is the script one where the consumer has to perform the sales functions?

Other marketing practices (e.g., co-creation) will also have to be rethought. Consumers increasingly desire to participate in the design and production of products and the processes by which products are produced rather than only be choosers among finished products offered to them. This complements the observations we made on the basis of current research reported in this paper. Yet, this does not mean that they do not want, at times, to be choosers among finished products; this is the consequence of the “this and that” as opposed to the “this or that” mentality. Hence, marketing needs to be rethought as a collaborative and a culturally embedded practice rather than a practice of provisioning or a business activity distinct from consumers (Firat and Dholakia 2006). We advocate research in venues where the need for such changes can be explored to further understand how marketing can respond to the transforming global markets. References are available upon request.

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SOCIO-CULTURAL AND PSYCHOLOGICAL DYNAMICS OF FLOW EXPERIENCE: EVIDENCE FROM MEXICAN CROSS-BORDER SHOPPING

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SUMMARY

Research indicates that flow is a useful construct to explain online shopping behavior. However, the issue of how the flow construct affects the offline shopping experience has been neglected in the literature. We aim to advance research on the cross-border consumption behavior on the Mexico-U.S. border, which has been rarely studied. We posit that the flow construct mediates the distinctive cross-border shopping behavior. We contribute in the following ways: (1) explore the flow construct in the offline retail environment; (2) treat the construct not only as a psychological phenomenon but also a socio-cultural phenomenon by exploring cultural variables related to flow, hence providing a holistic perspective; and (3) adopt a qualitative approach in exploring the construct as a means to provide more fruitful and broader coverage of the likely factors associated with flow.

Using semi-structured in-depth interviews and a focus group, unique gendered representations revealed intriguing contradictions for female shoppers: (1) Escape versus Entrapment: Although shopping provides a sense of escape, shoppers maintain a sense of obligation to serve their families’ needs; (2) Entertainment versus Cause: Shopping entertainment allows the optimal experience while accomplishing the shopping task; and (3) Chaos versus Order: Mexicans’ shopping experience provides thrill and exhilaration as shoppers develop more tolerance for chaos and disorder in the process of experiencing the possibility of shopping in their own way.

Some emerged categories were identical to previous conceptualizations of flow experience at the psychological level: loss of self-consciousness, transformation of time, increased sense of control, and the autotelic nature of an activity. Other emerged concepts were similar to elements of flow experienced in online settings: time urgency, divergent curiosity (novelty seeking), sensory richness and interactivity (characteristics of telepresence). More importantly, we introduced anticipated emotions as antecedents of flow. We found a clear pattern of positive anticipated emotions among the Mexican shoppers.

In sum, we proposed a unique perspective exploring socio-cultural characteristics and redefining individual characteristics of the offline shopping experience. Our study identified several macro (cultural) attributes that influence Mexican national’s propensity to experience flow while either just browsing or fulfilling his shopping goals. Retailers may benefit from the provided insights in order to attract this group of shoppers. References are available upon request.

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THAT'S WHEN I WANT TO TELL ONLINE: THE EFFECT OF REGULATORY FOCUS ON UGC ATTITUDE AND PARTICIPATION

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SUMMARY

The advent of the Internet has created a considerable shift in the asymmetrical information relationship between consumers and manufacturers in marketing communication (Urban 2005). User Generated Content (UGC) – a series of creative works such as digital videos, blogs, multimedia, and wikis produced by web consumers – may provide a good illustration of such structural changes in marketing communication. By creating and distributing various UGCs over the Internet, consumers are now playing a major role in generating marketing information, and cannot be seen as passive users of the information provided by manufacturers (Berthon et al. 2008). Industry leaders that realized the shift in consumers’ role in marketing communication have launched various strategies to utilize the market information generated by consumers. For instance, Amazon.com introduced “Holiday Customer Review Team” composed of six Amazon customers who are providing unbiased advice for gift picks to fellow consumers in 2008 Christmas season (The New York Times, Nov. 26, 2008).

Consumers create informative UGC such as online consumer reviews to share product-related information among themselves. Prior research has indicated that informative UGC may affect consumers’ perceptions of product (Brown et al. 2007; Sen and Lerman 2007) and firms’ performance (Chevalier and Mayzlin 2006; Clemons et al. 2006). However, most of these studies have focused on the impact of informative UGC in various marketing domains, and to the best of our knowledge, there have been only limited attempts to investigate the motivational process of UGC generation. This paper attempts to develop a theoretical perspective that can explain when and why a consumer develops a desire to express her opinion about a product and how she translates such a motivation into a specific behavior – posting informative UGC.

In this paper, we postulate that regulatory focus creates biases in a consumer’s perception on informative content and awards different weights on the importance of positive or negative consumption experiences. Based on these assumptions, the following predictions were developed. First, prevention focused consumers, whose goal is often framed to avoid negative outcomes, would perceive negative consumption experiences more important while promotion focused consumers, whose goal is often framed to approach positive outcomes, would perceive positive consumption experiences more important. Consequently, the congruence between regulatory focus and the valence of consumption experience (i.e., prevention – negative experience vs. promotion – positive experience) would motivate a consumer to share their experiences with other consumers and to develop a higher behavioral intention to generate informative UGC. Second, compared to promotion oriented consumers, prevention oriented consumers are more vigilant in collecting product related information to avoid undesirable purchase decisions. Thus, prevention oriented consumers would develop a favorable attitude toward an informative UGC website that can provide them an easy access to a reliable information source. Further, since the UGC website provides an opportunity to actualize their heightened intention to post informative UGC, consumers who experience congruence between regulatory focus and consumption valence would evaluate an informative UGC website favorably.

The proposed predictions were tested with an experiment conducted in a family restaurant context, and the results demonstrated that consumers in congruent conditions displayed stronger intentions to produce informative UGC. The difference was more prominent when consumers experience negative services and foods. The results also supported the prediction that regulatory focus and its consistency with consumption experiences provides consumers different levels of informational needs, and affects their attitude toward an informative UGC website. Consistent with the findings on behavioral intentions, the congruence effect on the website attitude was more noticeable when consumers experience negative services and foods.

The study provides some managerial and academic implications. First, the findings imply that negative eWOM is generated and spread more easily through the Internet when consumers’ goals are avoiding negative outcomes (prevention focus). Second, our result indicates that prevention-oriented consumers have generally favorable
attitudes toward informative UGC web sites. Therefore, the marketers of products with preventive consumption goals (e.g., an anti-virus program) should continuously monitor informative UGC websites. Third, our theoretical framework was developed based on the congruence effect of regulatory focus. To the best of our knowledge, this is the first application of regulatory focus theory to examine the motivational process of UGC generation, and our results suggest that the theory possess high potential to further our understanding on this new phenomenon. References are available upon request.

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CONSUMER EXPECTATIONS, RETAIL PERCEPTION, AND CHOICE

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SUMMARY

Conceptual Development

We examine the relationship between consumer perceptions and expectations regarding store design elements and store choice. Consumer perceptions of service employees, the service process, and the physical environment in which a service encounter occurs are integral to the overall evaluation of a service experience, an assertion supported by numerous studies (e.g., Babin, Chebat, and Michon 2004; Grewal, Baker, Levy, and Voss 2003; Kotler 1974). Less often studied, however, is how service design elements impact consumer perceptions of risk, a topic that Roberts and Urban (1988) explored in regard to goods marketing, noting that perceived riskiness of a product depends on uncertainty regarding its attributes and the attributes’ inherent variability. In the context of new or unfamiliar retail formats, consumers possess no experience from which to draw attribute reference point information, creating uncertainty and consequently risk. Hawes and Lumpkin (1986) studied risk across six retail types, and concluded that perceived risk varies significantly. Thus, riskiness might influence decisions as to where to shop. In fact, research suggests that consumers perceive the risk associated with store choice to be greater than that associated with product or brand choice (Hisrich, Dornoff, and Kernan 1972).

Customer expectations, in addition to perceptions, impact choice. Kalwani, Yim, and Sugita (1990) found that consumer price expectations influence both price perception and choice of consumer packaged goods. Bridges, Yim, and Briesch (1995) observed the impact of price and technology expectations on market share of high-tech products. In a service context, Bridges (1993) found that consumer expectations influence perceived characteristics of restaurants. To explain the impact of expectations on perception and choice, Rust, Inman, Jia, and Zahorik (1999) viewed customer expectations as a distribution, finding that both mean and variance affect perceived quality and preference. Because this variance is related to customer perceptions of riskiness, these findings provide further support for including perceived store riskiness in the current research.

Methodology and Results

We examine how expectations and perceptions of store design elements drive preferences for retail formats. Babin and Darden (1995) suggest that consumers engaged in hedonic pursuits are more susceptible to contextual influences than shoppers driven by more utilitarian objectives, and consequently evaluate shopping environments along a different set of criteria. Therefore, to extend the range of situationally dependent expectations, respondents viewed one of two scenarios (hedonic or utilitarian) suggesting a reason for shopping. To ensure differences in perceived levels of store characteristics, we consider six different retail formats: department stores, specialty stores, discount stores, thrift stores, online stores, and a new format that we anticipate will be viewed as highly risky, the “pop-up” or short term (physical) storefront. Most commonly used to showcase new lines of merchandise and generate excitement, pop-ups are characterized by very short life spans, some as little as three days. Data were collected from 255 undergraduate students; an appropriate sample given the retail formats under consideration. Expectations and perceptions were measured along published attitude scales related to store quality and risk, supplemented with additional items pertaining to riskiness. Participants were also asked to rank the six retail formats in order of preference.

To obtain a common perceptual field for shopper expectations and store perceptions, factor analysis was conducted using data from both. Three factors were extracted, explaining 62 percent of the variance, including (1) employee performance, (2) physical evidence and service process (atmosphere), and (3) store riskiness. Significant differences were found by store format along the dimensions of employee performance (F = 24.2, p < .001), atmosphere (F = 153.8, p < .001), and riskiness (F = 24.1, p < .001). Because shoppers tended to expect high levels of employee performance, superior atmosphere (physical evidence and process) and low riskiness, they tended to align with specialty stores along all three dimensions.

Preference regression was used to assess the relative influence of each store dimension on consumer choice. The impact of expectations was included in the form of a gap between each shopper’s expectations and store perceptions. The regression equation therefore defined preference as a function of perceptions of employee performance, atmosphere, and riskiness, and gaps along the same three dimensions. Overall results were significant (F = 30.6, p < .001), as were the individual variables, indicating that expectation gaps and store perceptions both significantly impact consumer preference. The studied variables explained 11 percent of the variance, with
perceptions of atmosphere and riskiness having the greatest impact.

**Contributions**

Results of our study extend previous work by illustrating how consumer expectations and perceptions of store design features (including riskiness) jointly impact store choice. Managerially, our results suggest that retailers should pay careful attention to design features and managing shoppers’ expectations, as they impact not only the perceptions of the store format, but also consumer choice of where to shop.

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CULTURAL METAPHORS: ENHANCING CONSUMER PLEASURE IN ETHNIC SERVICESCAPES

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SUMMARY

This paper expands Bitner’s (1992) servicescape framework by exploring how cultural metaphors in ethnic servicescapes enhance representations of pleasure and customer satisfaction and elicit approach and loyalty behaviors. Existing research has examined consumer response to ambience conditions, to functional layout, and to signs and symbols within servicescapes; however, minimal studies have been conducted on consumer pleasure and satisfaction in servicescapes situated in ethnic communities. Understanding servicescapes and cultural metaphors is important, given that they are an integral aspect of today’s contemporary global marketplace. The findings from this research illustrate usage of cultural metaphors in servicescapes to provide consumer pleasure and satisfaction; further, they reveal superordinate pleasure as an additional dimension of consumer pleasure.

The term servicescape encompasses design factors (e.g., layout, furnishings, and decor), ambient conditions (e.g., lighting and temperature), and social interactions between customers and employees (Baker 1987; Bitner 1992) while a metaphor is the experiencing and understanding of one thing in terms of another through associations (Godwin 1996). Cultural metaphors are associations which reflects the underlying values of a culture and with which members of a given culture identify (Gannon 2002). Metaphors have been explored extensively in services marketing research (Goodwin 1996) and researchers have examined the role of visual metaphors in providing consumer pleasure in servicescapes (e.g., Kristensen and Grønhaug 2003; Williams and Dargel 2004; Venkatram and Nelson 2008). These works however, have not incorporated cultural metaphors, nor have they investigated servicescapes situated within an ethnic context. This forms the basis of this research which contributes to theory on the use of visual cultural metaphors in servicescapes situated in ethnic communities to evoke consumer pleasure and satisfaction.

Three streams of research, “servicescapes pleasure,” “metaphors,” and “self-concept” help us understand the role of cultural metaphors in enhancing consumer pleasure in servicescapes. The paper builds on the Mehrabian model (Mehrabian and Russell 1974), which indicates that pleasure and arousal influence customer behaviors, which in turn influence their purchase intentions. The dimensions of pleasure are categorized according to Jordan’s (1997) classification of pleasure. Physio-pleasure (sensory impressions of sight, smell, hearing, touch, and taste); social-pleasure (social relationships and communication that a product or service enables); psycho-pleasure (pleasure felt when a product or service helps the user to establish a task); ideo-pleasure (pleasure derived from values that a product or service and its use represent).

Cultural metaphors provide pleasure for ethnic consumers by relating to their self-concept, their desires associating with their values, goals, or ideals in their symbolic consumption (Ekinci and Hosany 2006). Sirgy (1982) argues that self-concept (congruence), a good match between self-image and product image, will affect consumer intentions to return. The idea of self-concept facilitates pleasure by providing associations to cultural factors that provide physio-pleasure (e.g., aesthetics), ideo-pleasure (e.g., ideals), psycho-pleasure (e.g., sense of organization and control) and social pleasure (e.g., socially-based reassurance). The study therefore proposes superordinate pleasure (pleasure from ethnic identification with the servicescape) as an additional dimension of pleasure. A direct causal relationship between pleasure and consumer satisfaction has been empirically confirmed, e.g., (Oliver 1997). Furthermore, according to Bigné et al. (2005), the impact of pleasure on loyalty is similar to that of satisfaction and is an indication that the experience of pleasure by itself creates loyalty. Due to these theoretical foundations, the following hypotheses were made:

H1: Cultural metaphors relating to consumers’ cultures will have a positive impact on ethnic consumers’ self-concept in servicescapes.

H2: Self-concept will mediate the impact of cultural metaphors on consumer pleasure.

H3a: Cultural metaphors mediated by self-concept in perceived servicescapes will have a positive impact on physio-pleasure, ideo-pleasure, psycho-pleasure and social pleasure.

H3b: Cultural metaphors mediated by self-concept in symbolic servicescapes will have a positive impact on super-ordinate pleasure.

H4: Consumer satisfaction is a consequence of consumer pleasure resulting from self-congruence in servicescapes.
H5: Consumer satisfaction resulting from self-congruence in ethnic servicescapes would have a positive correlation with approach and loyalty behaviors.

A model is developed based on these relationships. An initial study was conducted with observations and phenomenological interviews in a variety of servicescapes in the Pilsen Mexican community. In these servicescapes, cultural metaphors in the form of Mexican paintings, Mexican cultural icons and symbolic functional layout were identified. Various dimensions of consumer pleasure including superordinate pleasure and satisfaction and consumer loyalty were determined. The study therefore makes two important contributions. First, it advances research on the use of metaphors in servicescapes in a cultural context and relates this to consumer pleasure as an antecedent to approach and loyalty behaviors. Second, it extends extant literature by proposing superordinate pleasure as an additional dimension of pleasure, which comes into play with consumer self-congruence in servicescapes.

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WHAT IS BEAUTIFUL IS NOT GOOD THE NEGATIVE EFFECTS OF OTHER CUSTOMER’S PHYSICAL APPEARANCE IN C2C ENCOUNTERS

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SUMMARY

With the prosperity of service industries in past decades, service organizations have devoted themselves to provide customers better service experience. Countless studies have clearly indicated that interactions between customers and frontline employees play a critical role in determining customer’s satisfaction and long-term loyalty. However, many service encounters consist of many customers and only a relatively small proportion of studies have ever explored the encounters between customers. Some recent researches have demonstrated that, as customer-employee encounters, customer-customer (C2C) encounters also affect customer’s overall service evaluations. We browse or evaluate products with other customers in the same store. We can hear what they say, witness what they buy (or not to buy), or learn what they love and hate. Sometimes we even actively seek suggestions from these “strangers.” Service marketing literature explored the phenomenon of oral customer-to-customer interactions in the retailing setting; but none of them have ever empirically tested the effects of other customer’s expressed product appraisal on target customer’s behavior.

In this study, the authors tried to bridge the gap by conducting an experimental study. The theoretical foundation of this article comes from the well-grounded interpersonal attraction researches in social psychology. The authors argued that interpersonal attraction is an important but understudied perspective to understand C2C encounters. The basic premise of current study is that a customer’s interpersonal attraction evaluation toward another customer in the same shopping environment will be based on his/her physical appearance and the valence of product appraisal he/she expressed. The author hypothesized that, while an individual’s self-concepts were involved, negative opinion from another physically-attractive customer would lead to target customer’s lowest interpersonal attraction evaluation, and such interpersonal attraction evaluation will impact target customer’s purchase intention. The authors developed several hypotheses and conducted a $2 \times 2$ full-factorial design to verify these hypotheses. Two important interpersonal attraction antecedents (Another customer’s Physical Appearance and Valence of Product Opinion) were manipulated in a C2C encounter scenario and measured relevant responses. One hundred and twenty female undergraduate and graduate students participated in this experiment.

The results indicated that respondents had higher interpersonal attraction evaluation toward another customer who provided positive product opinion and had higher purchase intention in the same conditions. However, the interaction between appearance and opinion revealed an unexpected result. Respondents in physically unattractive-positive opinion condition didn’t evaluate another customer as interpersonally attractive. That is, respondents didn’t like an unattractive person even she/he provides positive appraisal. Based on evidences from relevant studies, the authors argued that compliments from another physically-unattractive customer would result in target customer’s illusion of association with physically-unattractive person, and such illusions could lower target customer’s attraction evaluation and purchase intention.

To verify the explanation the authors provided, additional 30 female graduate students completed a supplementary study. This study replicated the scenario, procedure, and measurement used in the formal study with only one difference. The authors added an open-end question which asked participants to write down the reason(s) why they had their purchase intention evaluation. Interestingly, 23 out of 30 respondents reported that they feel disliking toward a physically-unattractive customer while being complimented, because the respondents didn’t want to be associated with the physically-unattractive customer manipulated in the scenario. Results from additional analyses also suggested that interpersonal attraction fully mediated the effects of independent variables on purchase intention.

This experiment produced a clear picture on the effects of another customer’s physical appearance and behaviors on target customer’s interpersonal attraction evaluation, and the relationship between attraction and customer’s satisfaction and purchase intention. While another customer’s behaviors threat target customer’s self-concepts (e.g., critique), physical appearance may not produce higher interpersonal attraction evaluation but may worsen the situation.
Current study contributes to consumer behavior and services marketing literature in several ways. This experiment is the first study that investigated how another customer’s physical appearance and product appraisal behavior affect target customer’s interpersonal attraction, and the empirical evidences support that these factors have significant main and interaction effects on interpersonal attraction. The results of this experiment also further consolidate the importance and research potential of interpersonal attraction in the consumer behavior and services marketing fields. Moreover, the supplementary survey suggested that customers tried to avoid being associated with dissociative groups. Until now, scant researches have ever investigated the influences of dissociative group or other’s physical attractiveness. This study could be viewed as a complementary part to the latest research conducted by Argo et al. (2008) which argues that consumers will possess more positive evaluation toward the product physically touched by attractive other. Lastly, evidences from this experiment provide a new possible path to study the effects of an individual’s physical appearance. This article also provides managerial implications. References are available upon request.

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A DYADIC ANALYSIS OF THE ROLE OF TRUST AND RELIANCE IN BUSINESS RELATIONSHIPS: INITIAL CONCEPT AND MODEL DEVELOPMENT

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SUMMARY

In the current turbulent marketing environment, organizations form networks and cooperate within their business relationships closely to survive (Achrol 1997). In business-to-business marketing it is critical to understand the drivers of business relationships based on the interactions between the companies (Ford and Håkansson 2006). It is crucial to understand how trust, as an important aspect for successful business relationships, affects business relationships (Morgan and Hunt 1994). This study distinguishes between two complementary dimensions of trust, which are operating on the inter-personal level (called “trust”) and the inter-organizational level (called “reliance”). “Reliance” is introduced as a complementary construct to “trust,” which involves protective mechanisms that minimize the risk of exchange relationships, i.e., companies can rely on their exchange partner to deliver an agreed exchange offering (Mouzas et al. 2007).

A model is proposed which suggests that inter-personal trust positively affects inter-organizational reliance (Mouzas et al. 2007). Existence or lack of trust at the interpersonal level in two companies (between the employees of the two companies) affects how these two companies can rationally rely on each other at the inter-organizational level. It is also suggested that trust and reliance affect behavioral relationship attributes (i.e., information sharing (Cannon and Perreault 1999) and relationship-specific investments (Palmatier et al. 2007). Trust and reliance also impact on the perceived risk of opportunism; with perceived risk of opportunism in turn impacting on behavioral relationship attributes. Therefore, a mediating role of perceived risk of opportunism is proposed. Finally, behavioral attributes impact on relationship outcomes which are reflected in the long-term orientation and financial outcomes.

Companies cooperate with each other within their interactive relationships (Ford and Håkansson 2006). In this study, we look at the impact of trust and reliance on business relationships considering the dyadic and interactive nature of these relationships, using business relationships as the unit of analysis and collecting data from both buyer side and seller side.

A dyadic operationalization is used for the core constructs; therefore three sub-sets, (1) “total” value (sum), (2) the “asymmetry” value (difference) of scores of the buyer side and the seller side and (3) the “direction of asymmetry” (an indicator of which side of the dyad, i.e., the buyer side or the seller side, has scored higher), are measured and used as part of a proposed testing of the model via Structural Equation Modeling (SEM). A brief introduction of total, asymmetry, and direction of asymmetry scores, which will be used in this study, follows:

Total: the sum (or average) value of the scores of the buyer side and the seller side.

Asymmetry: the absolute difference between the buyer score and seller score. Thus, having scores of the two sides of the dyad as 2 and 6 on a 7-point Likert scale would produce a total score of 8, the same as another two respondents scoring 4 and 4. However, their asymmetry scores would be 4 in the first case (i.e., a high asymmetry of scores) and 0 in the second case (i.e., a perfect symmetry).

Direction of Asymmetry: Dyadic operationalization can also indicate directionality. It is important for some research questions to consider which side of the dyad has scored it higher. In terms of quantification, two dummy variables can indicate the three possible conditions (i.e., in this case whether (1) score of the buyer side is greater than score of the seller side, (2) score of the seller side is greater than score of the buyer side or (3) the two scores are same).

Thus, firstly, this research will contribute to a better understanding of different aspects of trust in business relationships. Secondly, this research also contributes by studying business relationships from a dyadic perspective by considering each of the latent construct conceptualization and operationalization in a dyadic way. Thirdly, understanding trust and reliance vis-à-vis perceived risk of opportunism will provide useful practical suggestions for firms involved in optimizing business relationships.
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SUMMARY

Effective marketing managers in business marketing firms devote considerable time to building, maintaining, and using cross-functional relationships through which they work as advocates for the customer. These cross-unit exchanges are of particular interest because they are an avenue through which marketing managers exert influence in the firm in order to address customer needs (Moorman and Rust 1999).

The purpose of this paper is to identify specific behaviors that are associated with effective and ineffective cross-functional interactions of marketing managers. To better understand how individual marketing manager’s behaviors can contribute to effective cross-functional relationships, we turn to role theory (Katz and Kahn 1978). According to role theory, constituents’ expectations for a focal manager are shaped by organizational, personal, and interpersonal factors. These expectations are communicated as attempts to influence the behavior of the focal manager. The focal manager, in turn, develops an understanding of appropriate role behaviors based on the aggregation of expectations communicated by constituents. The focal manager’s behavioral response to constituent expectations provides feedback that is interpreted by constituents as managerial effectiveness or ineffectiveness (Katz and Kahn 1978; Tsui 1994).

The research was conducted with managers of the entire product life cycle for three different families of market offerings within a Fortune –100 high-technology firm. The managers we studied sought to deliver integrated offerings that, by definition, required inputs from marketing, manufacturing, R&D, and other functional domains. In the context of core business functions such as new product development, the pressures of building cost control, performance, and serviceability into products creates an environment in which marketing managers face a diverse set of constituents with highly differentiated, and often conflicting, expectations.

We used the Critical Incident Technique (CIT) to elicit managers’ detailed accounts of effective and ineffective cross-unit interactions. Two researchers collected critical incident interviews of approximately 40-minute duration with 111 middle and upper-level managers representing marketing; sales; manufacturing; R&D; and a collection of “other” functions including finance, purchasing, public relations. We delimit our report to only those critical incidents in which interactions with marketing managers were described by individuals from other business functions. Six categories of behavior were associated with effective and ineffective cross-functional interactions: communication, sensitivity, task-related behaviors, skills, compatibility, and relationship history/trust.

Over 20 percent of the critical behaviors centered on openness, frequency, or quality of communication. Managers’ descriptions of sensitivity (20.0%) focused on perspective-taking and flexibility. Descriptions of perspective-taking centered on whether a manager developed an understanding of another’s point of view or situation. Examples of flexibility included a willingness to negotiate or make concessions. Task-related behaviors (17.4%) included approaches to the work at hand. Four sub-categories emerged from the disciplined approach of the CIT: responsiveness, follow-through, initiative, and overcoming adversity.

Skills (10.3%) were defined as demonstrations of proficiencies and abilities and included mentions of competence, professionalism, and preparation/organization. Descriptions of compatibility (19.6%) captured the extent to which the interaction partners maintained a shared or complementary understanding of the task or of each other. Finally, several critical incidents included overt references to trust or to the presence or absence of a previous working relationship (7.1%) as contributors to effectiveness in the focal episode.

Implications

Four sets of managerial implications arise from this research. First, the findings can guide marketing managers by providing detailed descriptions of six categories of behavior that are critical to performance in cross-unit interactions. Marketing managers who monitor and modify their behavior across those categories will be shaping behaviors that are critical to satisfying colleagues in cross-functional interactions. Second, individual marketing
managers can enhance the effectiveness of their interactions with other functional specialists by taking responsibility for managing communication with them. This approach requires not only timely and accurate information, but also a sincere effort to overcome conceptual barriers that hinder development of a shared understanding of the project at hand. Third, this study highlights the power of individuals to influence cross-unit effectiveness. Despite incongruities at the subunit level, individual marketing managers can make cross-functional interfaces more effective by focusing their attention on the behaviors that other functional specialists use to assess their effectiveness.

A final set of insights stems from attention to reports of ineffective interactions. Beyond communication behaviors, over 40% of the ineffective incidents in the study were captured in the categories of task-related behaviors and sensitivity. Simple prescriptions like rapidly tending to the tasks that one has promised to complete and not avoiding unpleasant interactions would address many of the task-related concerns raised by those who reported ineffective incidents.

**Future Research**

Because individual managers stand at the intersection of functional units, further inquiry into the interface between marketing and other business functions at the individual manager level may be fruitful. In addition, scholars should seek to identify the organizational levers that senior management can use to encourage behaviors that support effective cross-functional interactions. Reward systems may be effective tools for focusing managers’ attention on responsiveness to constituent expectations (Tsui 1994). Research that isolates the level at which performance is rewarded (e.g., individual, functional subunit, cross-functional team) and its effect on responsive behavior may yield valuable insights to guide senior management actions.

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TRUSTED ADVISOR-PARTNER RELATIONSHIPS: RECIPROCAL TRUST, RELATIONAL BEHAVIORS, AND RELATIONSHIP OUTCOMES

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SUMMARY

Reshaping the roles of key boundary spanners to those of trusted advisors is becoming a common business practice that has received little research attention. The purpose of this study was to explore the concept “trusted advisor” by answering the following research questions: (1) What are the roles of a trusted advisor? (2) How does a trusted advisor create value for their firm and the customer? (3) What personal factors enable one to become a trusted advisor? and (4) When is a trusted advisor needed?

Methodology

In total, we conducted 32, 60 to 90 minute interviews with 20 individuals from 11 different companies. Among the 20 participants there were seven trusted advisor (TA)-partner dyads. All interviews were audio-recorded and transcribed and the resulting 470 pages of single-spaced interview data were open-coded (Straus and Corbet 1998). As a conceptual framework emerged we compared our findings to broad range of extant literature. This process of enfolding literature is an important part of theory building and linking our results to existing literature enhances internal validity and generalizability (Eisenhardt 1989; Jaworski, MacInnis, and Kohli 2004).

Results

Reciprocal Trust and Trustworthiness. A high degree of reciprocal trust (Serva, Fuller, and Mayer 2005) is at the core of the TA-partner relationship. Consistent with Mayer, Davis, and Schoorman (1995) we define trust as the willingness to take risk, and perceived trustworthiness, in the form of one’s beliefs about another’s ability, benevolence, and integrity, is the main precursor to trust. Reciprocal trust is the kind of trust that forms when exchange partners observe relational behaviors of each other, form their beliefs about the other’s trustworthiness, and reconsider subsequent behaviors based on those beliefs (Serva, Fuller, and Mayer 2005).

Relational Behaviors of the Trusted Advisor. A TA forms beliefs about trustworthiness by engaging information processes and activating a high-quality social network for the benefit of the partner. Of the four distinct information processes (e.g., Kohli and Jaworski 1990; Sinkula 1994), dissemination of high quality information is the key TA behavior linked to the partner’s beliefs about a TA’s trustworthiness. Information quality can be judged on several attributes (Nicolaou and McKnight 2006) of which seven emerged during fieldwork. Three attributes characterize the information disseminated by a TA – relevance, bias, and completeness, and four attributes characterize the process through which it is shared – proactiveness, timeliness, frequency, and responsiveness.

Forming and activating a high quality social network for the partner’s benefit are also key relational behaviors of a TA. The quality of a social network can be characterized by several attributes (Van den Bulte and Wuyts 2007) and four emerged during fieldwork. Specifically, TAs maintain a high degree of network centrality which deals with the prominence or importance of an actor in the network (Knoke and Yang 2008). In addition, a TA’s social network is highly diverse, high in contact relevance, and consists of a large number of direct ties.

Partner Decision-Making Quality. A TA creates value for the partner and their firm by enhancing the partner’s decision-making quality. Decision-making quality can be judged in terms of the outcome of a decision and the process through which it was made (Dean and Sharfman 1996). The partner enhances both through their relationship with a TA.

Relational Behaviors of the Partner. Upon forming strong positive beliefs about a TA’s trustworthiness and realizing enhanced decision quality, the partner engages in four key relational behaviors that indicate their trust and create value for the TA and their firm. That is, the partner’s trust manifests itself in loyalty to the TA, share of partner’s business, referral to other decision makers, and information quality.

Context in Which a Trusted Advisor Is Most Needed. Decision makers realize the greatest value from TAs when the business system for which they are responsible is highly complex and when the system is embedded in a dynamic environment. The key issue is that both complexity and dynamism induce uncertainty in decision
making (Duncan 1972). Higher levels of uncertainty stimulate the partner’s need for, and heighten the value of, the high-quality information and access to resources provided by a TA.

Discussion

We believe this study contributes to relationship marketing (RM) theory in several distinct ways. First, while researchers have recognized the need for a strategic perspective in managing interpersonal relationships, little prior research has been conducted to understand the boundary spanners who perform such a role (e.g., Boulding et al. 2005). Therefore, we contribute to RM theory by clarifying the roles of a distinct boundary spanner labeled “trusted advisor.” Second, while several researchers have isolated trust as a key relational asset (e.g., Cannon and Perreault 1999; Morgan and Hunt 1994), our findings indicate that reciprocal trustworthiness is the core asset in the TA-partner relationship. Third, relational behaviors of the TA and their partner are reciprocal and reinforcing; they act as both antecedents to trustworthiness and consequences of trust and lead to the expansion of the TA-partner relationship. Finally, this study provides insights into the nature of relational value and the behaviors that create it. Our general conclusion is that value accrues to both parties at the interpersonal and inter-firm levels of the relationship.

Given the potential value from a TA-partner relationship there are two pressing issues facing practitioners: should managers strive to reshape the behaviors of key boundary spanners to those of a TA, and should decision-makers strive to form interpersonal relationships with other firms’ boundary spanners who can perform the roles of a TA? Not every business-to-business relationship is appropriate for TA-partner-relationships. Rather, this type of bond is most appropriate when a decision-maker is responsible for a complex business system that is subject to environmental dynamism. Given the conditions are “right,” another pressing issue facing practitioners is what should they do to form highly effective TA-partner relationships? Drawing on the basic organization design principle of internal alignment (Galbraith 2002), we contend that the effectiveness of TA-partner relationship will be contingent on the proper design of several salient elements of both organizations. References are available upon request.
WHY TREAT ME LIKE THIS? A STAKEHOLDER APPROACH TO UNDERSTANDING DYNAMICS IN SOCIAL PARTNERSHIPS

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SUMMARY

Increasing competitiveness has motivated firms to build and form new types of complex relationships with various stakeholders in order to access new sources of strategic advantage (Polonsky and Scott 2005; Brennan, Turnbull, and Wilson 2003; Jap 1999). Today’s private businesses are more frequently involved in multi-sector social partnerships (cf., Waddock 1989). Social partnerships are collectivities of organizations that come together to solve “messy problems” that cannot typically be solved by an organization acting alone. Such partnerships represent “social problem-solving mechanisms among organizations from more than one economic sector” (Waddock 1989, p. 79). For-profit firms seeking to sell products and services in such social partnerships typically will find themselves having to work closely with various governmental agencies and non-profit organizations to identify needs, test products, develop systems, train users, and so on. On one hand, involvement in social partnerships represents significant profit potential for commercial firms. On the other hand, the relationship issues surrounding these social partnerships present a great challenge for the participating organizations (Lockwood 2000).

Despite the popularity of social partnerships and the potential opportunities for commercial firms as well as other actors from the public and other sectors to improve their social and financial performance (Bunn, Savage, and Holloway 2002; Waddock 1989), few studies have examined the underlying dynamics of relationship issues in such social partnerships. To fill this gap in the literature, we develop and test a perceptual model of stakeholder management strategies. More specifically, we propose a stakeholder’s perceived salience to be positively influenced by its power, urgency and legitimacy in the social partnership as perceived by the focal organization. Such salience level will encourage other organizations to adopt more integrative strategies and discourage more distributive strategies. In addition, a focal organization’s self-perceived betweenness centrality in the social partnership network was proposed to encourage more distributive strategies when dealing with other stakeholders, and discourage more integrative strategies. We further propose that there will be a positive relationship between the perceived group climate and the frequency of integrative (distributive) strategies adopted by the focal organization when dealing with other stakeholders. On the other hand, we propose that there will be a negative relationship between the perceived group efficacy and the frequency of integrative (distributive) strategies adopted by the focal organization.

Results of a national survey with 331 focal organizations involving 43 intelligent transportation system projects largely support the proposed model: when a focal organization perceives a higher betweenness centrality in the partnership network, deals with a more salient other stakeholder organization, and believes in a lower group efficacy prevailing in the partnership network, it will more frequently adopt integrative strategies such as leading, following, educating, and adaptation strategies. On the other hand, when dealing with a less salient other stakeholder organization with a more negative group climate in the partnership network, the focal organization will more frequently adopt distributive strategies such as pressure and isolation strategies.

To date, there has been little systematic attention given to the complex relationships in social partnerships, which present great opportunities for for-profit firms, non-profit organizations, and governmental agencies (Brennan, Turnbull, and Wilson 2003; Bunn, Savage, and Holloway 2002). Taking a stakeholder approach, we have provided a comprehensive, testable model of stakeholder management strategies. Specifically, we believe the perceptual model of stakeholder strategies contributes to the marketing and management literature in at least three categories: self-perception, other-perception, and group-perception. More specifically, we propose a stakeholder’s perceived salience to be positively influenced by its power, urgency and legitimacy in the social partnership as perceived by the focal organization. Such salience level will encourage other organizations to adopt more integrative strategies and discourage more distributive strategies. In addition, a focal organization’s self-perceived betweenness centrality in the social partnership network was proposed to encourage more distributive strategies when dealing with other stakeholders, and discourage more integrative strategies. We further propose that there will be a positive relationship between the perceived group climate and the frequency of integrative (distributive) strategies adopted by the focal organization when dealing with other stakeholders. On the other hand, we propose that there will be a negative relationship between the perceived group efficacy and the frequency of integrative (distributive) strategies adopted by the focal organization.
ways; First, the proposed model extends the stakeholder approach from the traditional, firm-centered domain to a new context: social partnerships. This shift in context also necessitates a shift in conceptualizing about how a focal organization decides on stakeholder strategies; Second, our study extends the current relationship marketing literature by examining cross-sector, interimistic relationships within social partnerships. Does the conventional wisdom from this body of relationship marketing research apply in the context of social partnerships? The results from our study indicate that building a supportive, trusting group climate is not as important in an interimistic, social partnership as it is in conventional, long-term dyadic business-to-business relationships. Instead, we found that a positive group climate could discourage distributive strategies usage, but not strong enough to encourage integrative strategies usage. On the other hand, we found that group efficacy may actually discourage integrative strategies usage. Even though this finding fits the prospect theory, it appears to be counterintuitive to the traditional relationship marketing literature; Third, this study provides support for the robustness and generality of stakeholder salience as a function of power, urgency, and legitimacy. This finding provides additional support for the theory of stakeholder identification and salience proposed by Mitchell and his colleagues (cf., Mitchell, Agle, and Wood 1997; Angle, Mitchell, and Sonnenfeld 1999). We hope that our study inspires more research that focuses on non-conventional relationships in the marketing field. References are available upon request.
CUSTOMER VALUE CREATION: THE ROLE OF RELATIONSHIP-ENABLED SUPPLY CHAIN RESPONSIVENESS

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SUMMARY

Introduction

Value creation is a core concept in strategy and organization research. Understanding this, firms have increasingly recognized the strategic importance of pursuing value creation to customers (Anderson, Kumar, and Narus 2007). Several recent studies (e.g., Berghman, Matthyssens, and Vandenbempt 2006; Hult, Ketchen, and Arrfelt 2007; Walter, Ritter, and Gemunden 2001), however, point out that a firm by itself is not sufficient to create superior value to customers, calling for both the firm and its supply chain partners to adjust their practices and business models to increase the coordination and integration of their resources. Some researchers even argue that firms have shifted from simply viewing their intermediaries as cost savers to treating them as strategic partners that help improve their overall responsiveness and competitiveness (e.g., Hult, Ketchen, and Arrfelt 2007; Lee 2004; Mentzer, Min, and Zacharia 2001).

The literature further argues that offering value to customers is the means to competitive advantage, resulting in long term firm value creation (Rust, Lemon, and Zeithaml 2004; Shah et al. 2006). Customer value is the perceived benefits customers may obtain through product quality, brand associations, and indispensable information, among others (Lepak, Smith, and Taylor 2007). Recognizing the potent of customer value creation (CVC) and relationship-enabled responsiveness, we build on the behavioral theory of the firm which emphasizes a firm’s motivation and capability, in conjunction with the resource-based theory to develop a theoretical foundation of this study. Further, recent literature on interfirm and supply chain management informs that integration with supply chain partners allows the firm’s overall supply chain to be more responsive to the market (Hult, Ketchen, and Arrfelt 2007), likely enhancing CVC (Berghman, Matthyssens, and Vandenbempt 2006). Thus, we consider two types of integration in exploring how firms, along with their supply chain partners, create customer values in this study: interfirm information technology (IT) alignment and strategic collaborations.

Hypotheses

In investigating how firms use relationship-enabled supply chain responsiveness to create customer values, this study offers the following hypotheses:

H1: Relationship-enabled responsiveness is positively associated with customer value creation.

H2: IT alignment positively relates to relationship-enabled responsiveness.

H3: Strategic collaboration positively relates to relationship-enabled responsiveness.

H4: Strategic collaboration is positively influenced by IT alignment such that increases in IT alignment enhance strategic collaboration.

H5: Strategic importance positively relates to (a) IT alignment and (b) strategic collaboration.

Method

The data (n = 184) come from a survey of logistics and supply chain managers using the member list of the Council of Supply Chain Management Professionals (CSCMP), formerly known as the Council of Logistics Management. Of 1,949 managers initially contacted, 218 emails were returned as undeliverable for various reasons and five managers in their replies expressed no interests in the study. We received a total of 184 usable surveys. Prior to estimating our model, we assessed nonresponse biases. The result indicates that nonresponse bias does not appear to be a major problem in this study.

We conducted confirmatory factor analysis (CFA) using EQS for Windows 6.1 to evaluate the measurement model. The CFA revealed an excellent fit with the covariances provided by the dataset with $\chi^2 = 235.232$ on 142 d.f., NNFI = .949, CFI = .958, and SRMR = .055 (Bentler and Chou 1987). Subsequently, the construct validity was assessed by evaluating convergent and discriminant validities along with construct reliabilities. The CFA results reveal that the study constructs have an adequate level of convergent and discriminant validities with acceptable construct reliabilities. Subsequently, the proposed model with all measurement items from the CFA model is estimated. The results show an excellent fit of the model with the empirical covariances with $\chi^2 = 242.685$ on 146 d.f., NNFI = .949, CFI = .956, and SRMR = .063. Furthermore, all five hypotheses are supported according to the results.
Discussion and Implications

Creating values for customers is a challenging task for individual firms as numerous supply chain partners are mediating such efforts. Recognizing such a crucial role of supply chain partners in generating a firm’s customer values, this study makes important contributions to the literature by investigating several direct and indirect supply chain specific antecedents of CVC. Our research and corresponding findings suggest that CVC can be enabled through relationship-enabled responsiveness. By recognizing the strategic importance of its supply chain partner, the focal firm should integrate not only the information technology, but also its strategy with the partners. This sheds light on the poorly understood process of creating value through relationship-enabled responsiveness. Rather than recognizing the sole effort of individual firms, we suggest that CVC, a firm’s competitive advantage, lies in its ability to respond to the marketplace through the orchestrated effort of its entire supply chain.

In addition, our findings reconcile the behavioral theory of the firm (Cyert and March 1963) and indicate that strategic importance is a significant motivational force to drive the focal firm to establish IT alignment and strategic collaboration with supply chain partners. According to the results, understanding the sequential role of strategic importance and interfirm integrations as driving forces to facilitate relationship-enabled responsiveness is critical. Specifically, IT alignment must be established to effectively enhance relationship-enabled responsiveness. Furthermore, strategic collaboration within the supply chain denotes the synergies derived through taking the partner into consideration when making plans and forecasting demands. Both IT alignment and strategic collaboration are critical antecedents of relationship-enabled responsiveness that leads to CVC.

While firms are increasingly under pressures to create value to shareholders, we suggest to managers that shareholder value can be sustained to the extent a firm can create value to its customers, who are market-based assets to generate long term benefits to the firm (Srivastava, Shervani, and Fahey 1998). References are available upon request.

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CUSTOMER VALUE, SATISFACTION, AND POST-CONSUMPTION BEHAVIOR: A CONSUMER-BASED ASSESSMENT OF MARKETING ALLIANCES

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SUMMARY

The last two decades have seen a surge in strategic alliance formation among firms and this trend continues unabated as evidenced by more than 20,000 alliances reported in just the two years preceding the start of the millennia (Anand and Khanna 2000). The idea that alliances are an important vehicle for value creation is supported by studies suggesting that overall, alliances do create economic value for the partner firms (Chan et al. 1997; Anand and Khanna 2000). Reflecting the increasing trend in alliance formation, the literature on strategic alliances is replete with research investigating various aspects of alliance formation, partner selection, alliance management, and the value strategic alliances generate for participating firms. Largely overlooked however, are the consumer perspectives on alliance formation and their impact on alliance performance. Given that industry statistics consistently show that more than fifty percent of alliances fail (Kale et al. 2002; Kogut 1989), it becomes imperative that firms focus on the role of the customer in the alliance equation, particularly on the type of value the alliance generates for the customer.

The risk associated with strategic alliances raises the question of how firms can create and manage alliances that maximize long-run probability of success (Kale, Dyer, and Singh 2002). In this study, we contend that a potential answer to this question lies in examining the value generated by the alliance for the customer. The viability of an alliance is questioned in the absence of significant additional value being created for the customers. McEnally and de Chernatony (1999) note that firms often lack the customer insight that allows them to engage in successful alliances. They suggest that firms should consider the advantages of engaging in alliances from a consumer’s perspective and only engage in alliances that enable them to create value for the consumer. Simonin and Ruth (1996) highlight the importance of customers in inter-organizational collaborations and note that for an alliance to be successful, customers “should be given respect and attention” when deciding to engage in a strategic alliance.

Building on previous work in the marketing literature on alliances (Bucklin and Sengupta 1993; Rindfleisch and Moorman 2001 2003; Simonin and Ruth 1998), customer value and customer satisfaction (Oliver 1993; Woodruff and Gardial 1996; Woodall 2003), the current research presents and empirically tests a theoretical framework that explains the relationship between marketing alliances, customer value, customer satisfaction, and post-consumption behaviors such as customer loyalty, word-of-mouth, and intention to switch.

This study adds to the marketing alliance literature by providing a comprehensive examination of the role of customer value generated by the alliance and its impact on long-term alliance performance. In particular, the study hypothesizes and tests the role of customer value in determining consumer-based performance of the alliance as measured by customer satisfaction and post-consumption behaviors. The study results are two-fold. First, customer value mediates the relationship between marketing alliances and customer satisfaction, and second, while prior research shows that satisfaction is positively related to loyalty and word of mouth and negatively related to intentions to switch, these relationships seem to be even stronger in the presence of alliances.

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INTERACTIVENESS IN B2C: A CHALLENGE FOR MARKETERS

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SUMMARY

During the 1970s and 1980s service researchers have argued that services present distinctive management challenges that are not addressed by manufacturing research and teaching (e.g., Shostack 1977). Similarly, industrial marketing researchers observed that prevailing theoretical approaches in marketing cannot explain what is happening in industrial markets (e.g., Hakansson 1982). Thus, research in marketing has been bifurcated in consumer and industrial marketing, as well as goods and services marketing. This distinction has led to the development of separate streams of marketing over the years. Recently, however, some scholars have started to challenge this distinction through an emphasis on the common characteristics and not the differences between the streams. For example, the advance of IT and the growing competitive pressure in consumer markets have made possible and even desirable the development of relationships with individual customers in both consumer and industrial markets (Wilson 2000). Anderson (2006) explains that in the future, mainstream marketing is likely to get closer to B2B, relationship marketing and services marketing, than to the traditionally dominant perspective of marketing durable and nondurable goods.

The blurring borders between different marketing streams nowadays invite scholars to reconsider concepts and constructs developed over the years as “pertaining” to one or another side and to look for the application of these concepts across diverse areas in marketing. Interaction is one of these concepts that has been developed in services marketing and industrial marketing and is now becoming often used in the everyday lexicon of marketers as relationship marketing is gaining more prominence (e.g., Grönroos 2004). The importance of interactions and the customer’s participatory role has been long recognized in services marketing. Similarly, within the industrial marketing literature, interaction assumes that outcomes in business are the result of actions or proposals and responses between counterparts and therefore, interaction means that no action by an individual is either isolated or independent (Ford and Hakansson 2006a). In the same vein, relationship marketing has been defined as marketing based on interaction within networks of relationships (Gummesson 2004).

With the advance of IT and its wider use in marketing another research stream has sprung where the concept of interactivity has gained a central role. Internet has become an important marketing tool since the web offers unique advantages over other media in terms of targeting and direct marketing (Briggs and Hollis 1997). Although different definitions of interactivity have been provided in the literature (e.g., Steuer 1992), there is a common view that in an interactive environment the marketing communication is changed from one-way to two-way process (Stewart and Pavlou 2002), where on the one hand, marketers have the advantage to identify customers, differentiate them, and customize purchasing and post-purchase service (Robert and Ko 2001), and on the other hand, consumers have more influence on the process by selecting advertising, and choosing whether, when and how to interact (Pavlou and Stewart 2000).

While the evolution of the concepts of interaction and interactivity has been largely independent from one another, we argue that the underlying logic of both is the focus on bidirectional relationship and a dialogue between customers and firms. Thus, in line with the services marketing and industrial marketing tradition, Steward and Pavlou (2002) within the interactive media stream suggest a focus on continuous interaction among actors where consumers and marketers are interdependent and influence each others’ development and evolution, in contrast to the traditional perspective in marketing communication of focusing on one or the other side of the consumer-marketer interaction.

In this paper interactiveness is used as a unifying concept that refers to continuous interaction and dialogue between marketers and consumers in both online and offline marketplace. The aim of the paper is to suggest interactiveness as a broader construct incorporating the interaction and interactivity concepts and to draw attention to its relevance and applicability in B2C marketing. In so doing, we review related definitions and discuss key drivers of the increasing adoption of the terms interaction and interactivity in the marketing literature, and the growing importance of interactiveness in B2C marketing. We draw on different streams of marketing research to suggest conceptual lenses that can help deepen our understanding of the role of interactiveness in contemporary marketing.

We first review the different uses of the value concept in marketing. Value has been positioned in the last decade as a critical marketing variable. The value concept has
shifted over the last decade from being viewed as merely a trade-off between benefits and sacrifices (Grönroos 1997) toward being a process of interaction in which consumer and firm collaborate to jointly create value (e.g., Prahalad and Ramaswamy 2000, 2004; Grönroos 2006). We argue that if marketing is about creating value (AMA 2007; Grönroos 2006; Lindgreen and Wynstra 2005), and value is about interaction, then the ability of the firm to interact with its customers assumes a central role.

We then present definitions of interactive marketing coming from different marketing streams. A discussion of the definitions suggests that there is a common basis on which interactive marketing, as defined in B2B and services marketing, on the one hand, and in the electronic marketplace literature, on the other hand, can be looked upon and examined. Many of the definitions of interactivity and interactive marketing found within the electronic marketplace stream of research stress that information technology enables more interaction between company and consumers, but that interaction has a broader meaning. It is ultimately how the actors in the interaction make use of the possibilities of the technology that will determine the extent of the interaction within the boundaries of the technology.

Further, we suggest that there are four main factors that drive the increasing attention to interactiveness in mainstream marketing research and in marketing practice in B2C markets. First, technological advancements have given greater possibilities to consumers to actively participate in different aspects of business processes, thus requiring more interactions with the firms. Second, relationship marketing and CRM practices are enjoying growing popularity among practitioners and researchers, opening the way to getting closer to individual consumers and knowing better their needs and expectations. Third, marketers have started to debate on a new logic for marketing (Vargo and Lush 2004) that emphasizes the co-creation of value in the process of interaction between consumers and firms. Fourth, this new logic is well aligned with developments in the strategy literature moving away from the value chain toward “value constellations” (Normann and Ramirez 1994) where value is created jointly by firms, consumers and other collaborators (Prahalad and Ramaswamy 2000).

Finally, we conclude that the interaction approach in marketing has different facets and yet, a common logic. It is a philosophy, a culture and as such it should be built throughout the organization. Interactiveness means a dialogue of equals for joint problem solving taking into consideration the interests of all involved parties. We suggest that greater interactiveness can lead to increased innovation and efficiency through a focus on value co-created with customers, but it will require a change in the managerial mindset and organizational commitment.

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THE RELATIVE EFFICACY OF INSTRUCTOR AND COOPERATIVE LEARNING-BASED EXAMINATION REVIEWS ON STUDENT PERFORMANCE

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ABSTRACT

The effectiveness of using traditional (instructor-generated) and active (cooperative learning) examination review techniques was considered in an experiment involving 130 undergraduate students in a Principles of Marketing class. The cooperative learning procedure had a significant positive impact on student unaided and aided recall scores at one week and three months post exposure as compared to the traditional review. Implications are discussed.

INTRODUCTION

A pedagogical tool that is used to assist in student learning and retention of marketing and business school materials is the process of “examination reviews” (Astin 1993; Balch 2001). The use of examination reviews is widespread; informal interviews with over 200 instructors from four AACSB accredited schools in the United States and Canada over a five-year period showed that 98 percent of instructors used examination reviews. Moreover, for approximately 90 percent of those interviewed, the review process consisted of the instructor presenting either a verbal or written list and summary description of concepts, addressing questions from students about the concepts during the review session and answering individual student questions pertaining to the review by email or during office hours. This type of examination review is hereinafter referred to as a “traditional” review.

Given the apparent prevalence of the examination review and the common use of the “traditional” review format, the question that arises is whether or not the traditional design is optimal for student learning and retention or if there is a more effective way to enhance these pedagogical goals. This paper tests compares the effects of the “traditional” and “cooperative learning-based” examination reviews for aided and unaided recall scores at 1 week and 3 months after exposure for undergraduate students in two Principles of Marketing classes. This paper represents the first empirical research to address this issue in the Marketing and business literature.

LITERATURE REVIEW AND HYPOTHESES

Traditional Examination Review Processes

One of the primary educational justifications for traditional examination reviews is repetition. Historical (e.g., Ebbinghaus 1885/1913; Clark, Lansford, and Dallenbach 1958; Turvey 1967) and contemporary pedagogical research (e.g., Jacoby 1999; Tussing and Greene 2001; Yonelinas 2002; Hintzman 2004; Turvey 1967; Darley and Glass 1975) has shown that student learning occurs through repetition. For example, in marketing, Janieszewski, Noel, and Sawyer show that learning is comprised of retrieval and reconstruction, and one exposure achieves incidental processing and retrieval and subsequent exposures facilitate intentional processing and reconstruction, (e.g., Petty and Cacioppo 1986). Because traditional examination reviews increase the exposure of students to marketing concepts, improved levels of learning should occur. Comparisons between “no examination review” and “traditional” examination review processes and the disparate effects of these techniques have on students of varying performance levels will be addressed in subsequent articles.

Traditional reviews may also assist in the student organization of course materials, which may also lead to greater student performance, (Gurung and Daniel 2005; Aamodt 1982; Kohl 1998; McKeachie 1994). In particular, a study completed by Dickinson and O’Connell (1990) showed a stronger relationship between test scores and time spent organizing the course content than the relationship between test scores and total time spent studying. Since traditional reviews assist in the organization of concepts, (Gurung and Bord 2008; Gurung and Daniel 2005; McKeachie, Pintrich, Lin, and Smith 1986; Thomas and Rohwer 1986), it is likely that these reviews also enhance student scores on this basis as well. There are some pedagogical alternatives, however, that may have an even greater positive impact on student performance, based on the tenets of active, group and experiential learning, (e.g., Goby and Lewis 2000; Smart and Featheringham 2006; Hay, Peltier, and Drago 2004; Hansen 2003; Catterall, Maclaran, and Stevens 2002; Forman 2006), as follows.

Cooperative Learning Examination Review Processes

Cooperative learning (hereinafter, CL) is based on social interdependence theory, (e.g., Deutsch 1962; Lewin 1935) which generally suggests that cooperative processes, as compared to competitive and individualistic processes, significantly improve final individual and group outcomes of action. CL has been shown to improve individual learning, learner attitudes and group skills,
among other things, as will be further discussed, (see Roger and Johnson 1994 for a review). Although a complete review of cooperative teaching methods will not be addressed here, (see Ravenscroft, Buckless, and Hasell 1999 for a review), pragmatically CL refers to the use of student learning groups whose members share interdependent goals and are assessed on individual outcomes. Although CL techniques have diverse forms which will not specifically be addressed here, (e.g., Jigsaw model, Aronson et al. 1978; Scripted Dyadic: Dansereau 1985; Reciprocal Peer Tutoring: Fantuzzo et al. 1989, Group Investigation: Sharan and Sharan 1992; Dyadic Essay Confrontation: Sherman 1988), the essence of the approach is to have students form small heterogeneous groups selected by the instructor, (typically 3–5 members) and have them work toward a well-defined learning task where individual students are held accountable for both individual and group outcomes (which cannot be completed individually). In these processes, the instructor serves as a facilitator or consultant (a “guide on the side”) rather than the focus of student attention (“sage on the stage”). The five basic premises of cooperative learning teams are positive interdependence, interaction, individual accountability, interpersonal and small group skill use, and frequent and regular group processing, (Roger and Johnson 1994).

Empirical support for cooperative techniques is extensive, (Bruffee 1993; Jones and Steinbrink 1988; Schrage 1990; Johnson, Johnson, and Smith 1991; Felder, Felder, and Dietz 1998; Slavin 1990). Learning-based pedagogical design have been found to increase student engagement (e.g., Jeopardy format: Gibson 1991; Keck 2000), increase active learning and practice (Hake 1998) and increase student performance above and beyond the results of traditional pedagogical methods, (Gurung and Bord 2008; Lee 2006; Slavin 1991; Williams 2007).

For example, in their 1991 study, Johnson, Johnson and Smith completed a meta-analysis of 375 studies of cooperative, competitive and individualistic learning. Here, it was found that cooperative learning environments significantly improved student performance compared to competitive or individualistic environments. The cooperative learning environment also led to better levels of high reasoning, more innovative solutions, and greater transfer of knowledge to novel situations, (see Slavin 1990 for similar meta-analysis results).

Cooperative learning techniques are empirically supported in a variety of other business pedagogy fields (accounting: e.g., Smith and Spindle 2007, management: e.g., Akan 2005 and others; information systems: e.g., Hutchinson 2007), however, in the marketing pedagogy literature, only three articles were found which specifically addressed cooperative learning; (Graham, Graham, and Whiting 1997: cooperative learning-whole class par-ticipatory examinations, Munoz and Huser 2008: cooperative learning-class projects, Paladino 2008: general discussion-collaborative learning). Because of this lack of pedagogical research in marketing with respect to cooperative learning and because of previous informal in-class experience with cooperative reviews leading to better student results, the effects of cooperative examination reviews was selected for empirical investigation in this paper.

The specific type of cooperative examination review procedure that is investigated here is a cooperative group investigation technique, based on the Sharan and Sharan (1992) group investigation (GI) procedure. Briefly, in the GI procedure, after group selection, the instructor specifies topics to student groups for investigation, the group members plan how to address the topics, investigate the concept areas, evaluate and summarize the results and finally give presentations on the topic and are evaluated by peers and the instructor on their efforts, (Sherman 1996). In this research, because the study teams were self-selected, temporary, had the authority of the task residing in the group once the task was set by the instructor, (Cooper and Robinson 1997; Smith and MacGregor 1992; Rockwood 1995b) and were used to focus student attention on only selected marketing materials, (Jones and Steinbrink 1988; Steinbrink and Jones 1991), this procedure is classified as a “hybrid cooperative” (as compared to purely cooperative) process. Data for “pure cooperative examination reviews” have been collected and will be addressed in future articles. Nevertheless, because this procedure was based largely on the principles of active (e.g., Young 2005) and cooperative learning, it was expected that the use of this procedure for examination reviews would enhance student learning, as compared to a traditional review alone. Student learning was measured by aided recall (multiple choice questions) and unaided recall (written descriptions of concepts). These measures were chosen because unaided recall and application require more elaborated processing than aided recall or recognition (Roediger and Karpicke 2005; Petty and Caccioppo 1986). Thus, the main hypotheses tested in this research are as follows:

H1: As compared to a traditional examination review, the use of the cooperative examination review improves aided recall of the relevant course materials one week after exposure to the review.

H2: As compared to a traditional examination review, the use of the cooperative examination review improves unaided concept recall and application using the relevant course materials one week after exposure to the review.

H3: As compared to a traditional examination review, the use of the cooperative examination review improves
METHOD

Participants, Design, and Procedure

Participants in this experiment were 130 undergraduate students enrolled in Principles of Marketing classes at an AACSB-accredited university: 56.2 percent were female, 48.5 percent were in their second year of their program, 64.6 percent attended at least 80 percent of the lectures, and 41.5 percent of students reported frequent or very frequent studying of materials throughout the semester. There were two exposure conditions: traditional review (N = 64) and cooperative review (N = 66). Distributions for final course grade, studying style (measured by a five-point scale: how often do you study for this course during the semester: very infrequent-very frequent), class attendance and year of program were normally distributed, and the covariates were not significantly different between the two groups.

Two exposure conditions were used in this research, a traditional examination review process (n = 66) and a cooperative examination procedure (n = 64). For each of the conditions, the same experienced instructor had previously introduced the materials to students in a lecture and PowerPoint presentation, and reviewed the concepts in the class session (1 week) before the midterm examination using either a traditional or cooperative approach. There were two concepts that were tested at both testing occasions: the marketing segmentation variables (geographic, demographic, psychographic, and behavioral) and the external environmental variables in marketing (competition, economic, political, legal, technological, social, and cultural external factors that impact marketing efforts). All students were informed in advance of the initial exposure to the materials that these concepts would be tested on midterm and final exams, in order to facilitate intentional processing, (Biehal and Chakravarti 1982). The concepts were not reviewed again before the final examination in either experimental condition.

For the traditional examination review condition, the instructor presented a written list and summary description of the concepts, addressed questions from students about the concepts during the review session and offered to answer individual student questions pertaining to the review during office hours or by email. For the cooperative examination review condition, the instructor had the students self-select groups of 3–5 students, provided them with two possible long answer questions for each topic, gave time for the groups to prepare verbal answers to the topics, selected one randomly chosen member of each group to discuss each of the answers (individual accountability) in the class and the “best” groups for each topic received a one percent bonus on their final grades for their efforts. The instructor also offered to address any questions by email or during office hours but again, no students participated in this step. The two concepts were tested using multiple choice questions (aided recall) and long answer questions (unaided recall) of similar difficulty, (according to the test bank rating and instructor judgment) at the midterm (1 week post exposure) and the final examination (3 months post exposure). Long answer components of all examinations for both experimental conditions were graded by the same experienced graduate assistant to avoid bias. See Appendix A for the midterm and final long answer questions used here.

RESULTS AND DISCUSSION

Repeated measures MANOVA procedures were used to test the hypotheses with scores for aided (multiple choice) and unaided recall (long answer) as the dependent variable. The between subject factor was the experimental condition, the within subject factors were time and the tasks (multiple choice and long answer responses) and the covariates that were considered in the analysis were sex, year of program, studying style, attendance, and final grade in the course. The significant results are as follows.

Participants were significantly better able to complete multiple choice as compared to long answer questions, F(1, 128) = 33.403, p < .001, and the cooperative review experimental condition significantly enhanced performance on both multiple choice and long answer components, F(1, 128) = 8.570, p < .01. The interaction between the experimental condition and the performance on each of multiple choice or long answer questions was not significant. Thus, the cooperative review assisted students in their aided and unaided recall scores, as compared to traditional review procedures.

TIME (1 week or 3 months after experimental condition exposure) had a significant effect F (1, 128) = 21.933, p < .001, indicating a degradation of results on the final examination; students forgot materials between the first and second testing occasions. TIME did not interact with task type, thus multiple choice and long answer questions did not degrade differently than one another.

The effect of the experimental condition, when collapsed over the multiple choice and long answer tasks and when the covariates were included in the analysis was significant, F (1, 128) = 6.442, p < .05. This indicates that the
cooperative learning review was more effective in enhancing student performance than the traditional review: Cooperative reviews were more helpful to students under these experimental circumstances.

Final course grade had a significant main effect $F_{(1, 123)} = 61.62, p < .001$, but did not interact with or impact the effects of the experimental condition: final course grade did not mediate the experimental condition effect in this experiment; all students benefitted from the cooperative review. The interaction between time and final course grade was significant, $F_{(1, 123)} = 5.35, p < .05$, indicating that “higher grade” student performance did not degrade as much over time as “lower grade student” performance. No other covariates had any impact on the results. A graphical depiction of the results is as follows:

In this diagram, “Mid” is one week and “Fin” is three months after exposure to the experimental conditions. “Trad.” is the traditional review procedure and “Coop.” is the cooperative review procedure.

The results of this experiment imply that the higher active-learning style cooperative examination reviews assist students in achieving higher levels of aided and unaided recall for both time periods considered under these specific experimental conditions. There are, however, a number of limitations and areas of future research that must be addressed, as discussed below.

LIMITATIONS AND FUTURE RESEARCH

There are eight limitations and areas of future research for this study. First, the subject matter of investigation was limited to two specific topics and to a limited time frame; other materials and later testing occasions could provide different outcomes than the results found here.Explicit empirical data should consider this limitation and can be addressed in future research.

Second, the sample may not be generalizable to graduate students, adult students, other majors and other samples. Third, although the same experienced instructor was used for all of the sections and teaching evaluations for each of the sections were not significantly different from each other, there may have been some variations in the manner of instructor presentation that contributed to the results found here. Other instructors or methods and styles of teaching may result in different outcomes.

Fourth, it is likely that there will be boundary conditions on how many concepts can be reviewed in one review class using the cooperative method. The cooperative method is more time consuming that a more traditional process and this may limit the usefulness of this technique. Fifth, there were no specific measures of how much participants studied for the unaided recall and application tasks at each time period. Sixth, other learning measures such as aided recall or recognition may result in different findings. Seventh, only one form of cooperative learning review was utilized here and other methods might prove equally or more effective than the techniques used in this research. Data utilizing a “pure” cooperative review method have been collected and will be addressed in the future articles. Eighth, there was no analysis of any different effects of these processes on “higher and lower final grade” performing students. This will also be addressed in subsequent articles. Despite these limitations,
this research may provide evidence that examination review sessions can be further optimized by using a more active learning-based, cooperative style of review session in the marketing classroom and therefore should be considered as an alternative when planning the examination review session for students.

REFERENCES


APPENDIX A

During both the midterm and final examinations, students were told that they could ask for clarification of the questions, if required, however none of the students in either Principles of Marketing section asked for any assistance with the questions.

Midterm Question: Market Segmentation

You are a manufacturer of toothpaste and are introducing two new products:

1. A purple toothpaste gel with sparkles in it, packaged in a cartoon character wrapping.

2. A white paste with antibacterial properties and baking soda, wrapped in a red and white package which indicates the antibacterial and baking soda properties of the paste.

   a. Using the marketing segmentation variables, explain who you think the target market for these products are. Explain why you think the segmentation variable relates to the product and how you think the product feature will appeal to the target market you identify.

   b. Explain why market segmentation variables are important.

Midterm Question: External Environmental Variables.

What are the components of the external environment in marketing? Define what each of the components are, and describe how they might be relevant to a new non-franchise restaurant which sells fast food hamburgers and fries that is opening in the local mall.

Final Question: Market Segmentation.

What are marketing segmentation variables? What are they used for? Using the example of Diet Coke and Regular Coke, explain, using the segmentation variables you defined earlier, what type of customer might purchase each product, and how the product attributes specifically relate to the market segmentation variables you describe. Specifically, be sure to discuss how the segmentation variable increases the likeliness that a particular type of consumer will purchase either Diet or Regular Coke.

Final Question: External Environmental Variables.

You are the new owner of a local beauty shop. What are the external environmental variables that may impact your business? (list and define) Why might they impact your business? What are the variables that will not impact your business? Why will these variables not have any impact?
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SUSTAINABILITY 101: A COLLEGE CAMPUS CASE STUDY

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SUMMARY

This case study is an attempt to develop a synergy between the campus sustainability movement and the ever important experiential learning in the business classroom. Students had the opportunity to travel to four campuses to explore students’ attitudes toward sustainability and study the possible impact of sustainability on college campuses.

A non-profit organization in the Northeast was interested in understanding students’ perceptions and attitudes toward the idea of sustainability. Thirty students in a marketing research course collected data as teams from 435 students on four campuses in the Middle Atlantic region. Data was collected via surveys across four college campuses in the northeast. Electronic devices, PDAs, were employed to collect the data. Two universities were smaller schools (< 2,000 student population) and two were larger institutions with student populations greater than 3,000. Four hundred and thirty-five surveys were collected.

Survey Results

Student feedback in general was very positive. Seventy-six percent of the students surveyed indicate that they are interested or very interested (6–10 on a 10-point scale) in the green movement. Forty-two percent of students believe that plastic water bottles are a threat to the environment, while 30 percent are undecided. Seventy-two percent of students on these campuses may be amenable to alternative forms of beverage access, and less plastic. Most students (77%) indicate that the reason they use plastic containers, paper plates, etc. is truly a matter of convenience. There was no relationship between interest in the green movement and gender or age (p < .05). Likewise, there was no relationship between gender and age and the use of paper and plastic products (p < .05).

Course/Class Outcomes

In addition to the quantitative data results, a number of important course outcomes were noted in this study:

1. Understanding client sustainability motivations.

Students had difficulty understanding a definition of sustainability. This became more clear as they listened to the organization describe its goals in this research.

2. Conduct primary and secondary research on local college campuses.

As this was a marketing research class, students had the opportunity to experiment with a number of data collection methods, but the teams also quickly found that meeting with university food services and exploring initial sustainability efforts relative to food services was also important.

3. Electronic data collection – use of digital devices (PDAs, Blackberries) familiar to this population.

4. Arrange interviews and press releases with trade journals – this provided a great experience for the students, as they had to “find” trade organizations, research their histories and missions, and involve them in the study. The trade organizations listened to student presentations, then shared their data with their reading audiences. Students had to prepare press releases and other communication pieces.

5. Present results to college community, client and trade journal representatives.

Presentations had to be tailored to each audience, and results had to be presented for publication.

Future Research

This study is important in that it provides students with the opportunities to participate in experiential learning, explore a variety of data collection methods, understand and encourage sustainability, and apply a number of technological tools useful to research and data mining.

Future research should include an exploration of a variety of sustainability projects in a number of disciplines such as healthcare, natural sciences, social sciences, and the humanities. There is also the possibility of productive collaboration among these disciplines. Studying differences in sustainability commitment and organization type (example for-profit versus not-for-profit) would be an interesting study for the business discipline. Regarding the data, there are implications for organizations attempting to understand why college students may choose to use recyclable versus non-recyclable products. These issues warrant further exploration as well.
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THE STUDENT CONSULTING PRACTICUM: APPLIED LEARNING THROUGH COLLABORATION AND COMPETITION

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SUMMARY

Business is becoming more complex which makes the effective blending of theory and practice increasingly important. And, while case studies and simulations may help undergraduate students gain exposure to a wide range of issues, they alone are insufficient in bridging the gap between student knowledge and real world experience. We submit such experiences (e.g., case studies) provide a controlled environment where students may develop capabilities to solve problems, manage people, exhibit leadership and resolve conflicts. However, the experiences lack certain nuances of real life business, such as the role of politics in resource allocation, multiple time horizons, organizational inertia related to change, and the impact of organizational culture on work processes. Conversely, activities involving outside classroom work experience provide a better opportunity to learn firsthand about the interdisciplinary nature of business.

As such, we recommend an innovative approach to preparing students to be more business-ready upon graduation. By combining aspects of Problem-Based Learning and Competition-Based learning, a new undergraduate culminating experience course allows students to gain practical experience while applying knowledge gained in the classroom to real business problems. Students are organized into teams of three to five and act as “consultants” to local businesses and not-for-profit organizations. After defining the issues/problems to be addressed, student consultants then develop prescriptive recommendations and present them to high level managers within the organization.

The benefits of this course are applicable to not only the students who graduate more business-ready, but also to the faculty members who are involved in the course and organizations outside the university. From the students’ perspective the primary benefits of the course are: (1) the course allows students to integrate knowledge gained in the classroom and apply it to real business problems/issues and (2) the course introduces students to the management consulting sector and helps to improve the analytical problem solving, team work, communication, and presentation skills. Furthermore, such a flexible approach can achieve other desired outcomes by increasing their tolerance of ambiguity, self-driven learning, and higher self-esteem and confidence as a result of a successfully completed project. Faculty members also benefit by gaining an opportunity to more closely interact with area business professionals, thus keeping abreast of industry changes and becoming better acquainted with current business problems and opportunities. The different projects require faculty members to confront new materials and new ideas every semester. In addition, the connections made within the business community are valuable for future research and/or consultation opportunities. The institution also benefits since our graduates’ performance provide a direct reflection on how well we are preparing students for the business environment. Specifically, the course benefits the college of business because it allows us to fulfill our mission by creating more business-ready graduates who are capable of creative thinking, advanced problem solving, and effective communication (see Titus 2007 for benefits of enhanced creativity). The course also strengthens ties between the college and local organizations, thus creating additional opportunities for more job offers for our students, grants, and scholarships. And finally, local organizations benefit by receiving thoroughly developed business advice from bright and energetic business students.

And finally, there exist some practical limitations in offering this type of courses. A major consideration is the accessibility of good projects. This requires the presence of an active business community willing to open their doors to eager business students and become client companies. Furthermore, the projects themselves should be appropriate for the 13 week time constraints. We have overcome this limitation by negotiating multi-semester deals with clients wherein the larger projects are broken down into smaller ones. The projects are then completed in semester long phases. Another limitation is the availability of faculty who are enthusiastic about teaching cross-disciplinary courses because while the projects are new and interesting every semester, the amount of time required for the course can be substantial.
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COLLECTIBLE TOYS AS MARKETING TOOLS: UNDERSTANDING PRESCHOOL CHILDREN’S DESIRE TO COLLECT

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SUMMARY

The present research investigates the collecting behavior of preschool children to determine their responses to various marketing efforts involving food and collectible toys. Though the literature is relatively scarce, two prominent and related theories of child development have been used to explain the age at which children develop true collecting tendencies. Piaget’s cognitive stages are frequently used to explain children’s development of various consumer behaviors (see John 1999 for review). The theory describes developmental shifts in basic cognitive abilities occurring over four stages. When used to explain emerging collecting tendencies, it has been argued that the immature cognitive capacity of preoperational children renders them unable to sort objects according to shared features, thereby rendering children incapable of engaging in “true” collecting until approximately eight years of age. Piaget’s stages are useful in understanding general patterns of behavior across age groupings, however, recent research has suggested the need to examine individual differences within age groups to reach a richer understanding of children’s consumer development (e.g., Moses and Baldwin 2005). In the present research, we assess the hypothesis that individual differences in executive functioning explain variance in children’s collecting behavior, since executive functioning encompasses rule adherence and categorization skills which are requisite to collecting behavior.

McNeal and Yeh (1994) specified five stages of children’s consumer development. True collecting behavior is first evident during stage four (copurchase at age 4 to 6 years) when children express a desire to make their own purchases. At two or three years of age, any accumulation of objects does not constitute “true” collecting, since the focus of the behavior is to accumulate as many objects as possible. Categorization is not evident. True collecting emerges around four years of age when children’s collections gradually come to include commercial objects such as toys, stamps, and cards. At this age, collecting becomes more organized and purposeful. Again, the description of collecting behavior put forward in this theory tends to suggest the role of executive functioning as a prerequisite to organized collecting behavior.

In Study 1, the first group of children (n = 38) completed a basic collecting task where they were given an incomplete set of monsters and later offered (a) a set-completing monster or (b) an equally attractive non-collectible toy. Children also completed tests of executive functioning and language. The second group of children (n = 44) completed a collecting “cost” task where they were given an incomplete set of monsters and later offered (a) two non-collectible toys or (b) the set-completing monster and another non-collectible toy. If the child chose option (b), they had to surrender one of the toys, hence, the “cost” of collecting was that a child would receive only one toy rather than two non-collectible toys. Theory of mind and language ability were also assessed.

We confirmed the general expectation that collecting would be prevalent within the sample completing the basic collecting task. Significantly more children chose to obtain the set-completing toy than those who chose either distracter toy. A two-step logistic regression was conducted to test the hypothesis that collecting tendency (present = 1, absent = 0) would be predicted by executive functioning. The results showed that executive functioning is a significant predictor of children’s tendency to collect. A chi-square analysis was used to analyze data from the second group of children. Of the children who chose to share (i.e., to surrender one toy and keep only one), it was found that a significantly greater number did so in order to keep the collectible monster than the non-collectible toy.

Consistent with McNeal and Yeh’s (1994) fourth stage of children’s consumer behavior development, the majority of preschoolers in our first sample (basic collecting task) showed a desire to collect. Counter to the Piagetian notion that preschool children are not yet capable of “true” collecting, we found that the majority of children chose the collectible toy over non-collectible distracter toys. We therefore suggest that some preschool children are capable of the categorization (executive functioning) needed to engage in collecting behavior. When children were required to pay a “cost” to collect, the number who chose to collect was only marginally greater than the number who chose not to collect. It seems that although some preschoolers are “true” collectors, they still exhibit concerns over wanting to accumulate a large number of objects. For marketers and more importantly for policy makers, this raises the question of why some children are dissuaded from collecting, while others appear very driven and will pay a price to collect.
Preschool children are not always willing to do what someone else expects of them and frequently incentives are used to shape their behavior. For instance, parents often offer candy to persuade a child to cooperate. Likewise, fast food vendors offer toys to sway a child’s brand preference. This led us to our second study, where we investigated whether the strength of children’s desire to collect could be used to sway taste preferences. The central question was whether healthy foods could be effectively marketed such that they come to have a greater appeal than fast food options high in salt, fat, and sugar. To answer this question, we considered the ways in which two variables might interact, namely, food type (healthy vs. unhealthy) and toy type (no toy vs. non-collectible vs. collectible). Data collection is not yet complete, however, preliminary analysis suggests that collectible toys may be useful tools to market healthy food options. Moreover, data from a parent survey tend to suggest that parents disapprove of the collectible toys currently used in fast food marketing, but would be receptive to the use of collectible toys in health food marketing. We conclude that marketers of any food type should consider the ways in which their promotional efforts shape the eating patterns and social perceptions of young people, and whether those effects are consistent with long term health goals. References are available upon request.

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DO WOMEN STILL GATHER AND MEN STILL HUNT? MEASURING GENDER RELATED ADVERTISING PRODUCTIVITY IN AN INTERNET COMPANY

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INTRODUCTION AND PURPOSE OF STUDY

Internet advertising and respective online marketing expenses are growing rapidly. The online advertising market in the U.S. has grown to over $22.5 billion in 2007 – a 25 per cent increase over 2006 (Pacheco 2008). But both in the offline as well as in the online world marketers have for too long not been held accountable for showing how advertising expenses add to company value. This lack of accountability has threatened the standing of the marketing function as well as marketing’s existence as a distinct capability within companies and thus undermined marketers’ credibility (Rust et al. 2004). Against that background marketing accountability has been researched extensively – especially for offline research questions (Gronholdt and Martensen 2006; Rust et al. 2004; O’Sullivan and Abela 2007; Uncles 2005).

The purpose of advertising is to communicate to a specific target market and consequently initiate sales (Batra et al. 1996). For practitioners gender is still an important criteria for segmenting the total market into homogeneous target markets (Chang and Samuel 2004; Palanisamy 2004). In this context segmentation via gender has been researched deeply and rich literature can be found for an offline environment. The research that has been reported points to theoretical and empirical differences in the way men and women process advertising information (Darley and Smith 1995). If these gender processing differences really exist, it is essential for marketers to understand them in order to be able to effectively manage their advertising for each segment (Wolin and Korgaonkar 2005; Putrevu and Lord 2003).

A widely accepted theory in this context is the selectivity hypothesis which proposes that men process information in another way then women (Meyers-Levy 1989). Accordingly, the intention of this study is to examine the selectivity model and extend its predictions to an online environment. Thus the present study proposes a model for assessing gender related advertising effect in an internet context and tests it empirically. The research is based on comprehensive data including 2.75 million online purchases.

Purpose of the Study

Our work shows a significant contribution to the research that has already been done in an offline context. Both the subject of advertising accountability and the subject of market segmentation via gender have been researched extensively for an offline environment (Rust et al. 2004; Wolin 2003). However, for the combination of both topics in an online perspective profound research is still missing. In this context the selectivity hypothesis as an acknowledged theory in an offline world (Meyers-Levy 1989) is tested for an online environment.

Furthermore we found contrary viewpoints in today’s research: Most studies show that men and women process advertising information differently (Darley and Smith 1995; Meyers-Levy and Sternthal 1991; Kempf et al. 2006; Fisher and Dubé 2005), others show no or only evanescently small differences (Kring and Gordon 1998; Feldman Barrett et al. 2000).

Additionally the data used for the present research consists of 2.75 million online transactions. This high quality-data allows a deep insight into today’s online advertising activities and has got a surpassing predictive power. No other research was found using a comparably high-level data base.

Besides we decided to apply a new method in that field of research – variance-based Partial Least Squares (PLS). The explanation and prediction quality of the PLS method is superior to other simpler statistical methods (Fornell and Bookstein 1982) as well as the direct tracking via cookies used in praxis (Lipsman 2007). Explicitly, the model is independent of direct tracking-information and explains about 97 per cent of the sales compared to only 70 per cent on average via direct tracking used in praxis (Lipsman 2007). In this way our model provides highly predictive data about advertising effectiveness of miscellaneous advertising channels targeting different genders. As market segmentation via gender is still heavily used in the marketplace a high practical value can be seen as well.

Research Questions

Overall the present study seeks to solve the following general issues:

1. Providing a basic overview about current knowledge in advertising productivity research.
2. Developing a model that allows to measure market segment specific advertising productivity.

3. Analyzing the different gender-specific information processing schemes that are proposed by the selectivity hypothesis using a sample of 2.75 million online transactions.

In particular the study seeks to solve the following specific questions:

1. Does processing of advertising information also works differently for men and women in an online environment?

2. How do sales effects vary for different online advertising channels?

3. Which different sales effects do different online advertising channels have on men and women?

**Approach**

As follows the study provides an overview about the respective theoretical foundations of measurement of advertising productivity in the internet as well as foundations of gender specific market segmentation. Explaining the research model we elaborate on selectivity hypothesis and our derivation of hypotheses. Subsequently the methodology including sample description, measures and method of analysis is explained. Finally the results are proposed and critically reflected. Implications and avenues for further research close the present study.

**THEORETICAL FOUNDATION OF STUDY**

**Measuring Advertising Productivity in the Internet**

During the last years the marketing function has been under increased pressure for monetary accountability (Ambler 2003; Rust et al. 2004; Sheth and Sisodia 2002). Marketers have generally looked upon marketing expenditures as short-term costs with no documentable monetary effect rather than long-term investments with a financial return (Rust et al. 2004). Munoz and Kumar (2004) state that by demonstrating marketing’s “influence on broader business outcomes and returns, the marketer’s role will be elevated to the highest levels inside an organization” (Munoz and Kumar 2004, p. 387). In consequence, the challenge of the marketing function was to show, how marketing activities can contribute to the firm’s financial performance (Ambler 2003; Gronholdt and Martensen 2006; Woodburn 2004). According to that development advanced tools and key ratios have been developed to comply with today’s managerial requirements (O’Sullivan and Abela 2007; Woodburn 2004).

With the emergence of the internet and its growing importance as an advertising medium, online advertising accountability became a topic in academic research (Ha 2008). As off today direct tracking via cookies is the common method in praxis for measuring online advertising effects. But via direct tracking it is not possible to entirely measure all advertising effects because internet users often reject or delete respective cookies needed for tracking (Lipsman 2007; Lavin 2006). Respective shortcomings are as follows:

- Direct type-ins cannot be related to a certain advertising channel.

- Around 30 percent of internet users delete or reject cookies which leads to missing or misleading data (Lipsman 2007).

- The part of sales that cannot be measured via direct tracking methods is mostly prorated (Lipsman 2007).

- Target groups can only hardly be separated.

- Advertising lag effects cannot be measured via direct tracking.

**Market Segmentation via Gender**

For years, researchers have attempted to outline the elemental similarities and differences between the sexes (Deaux and Kite 1987). In the field of advertising, these differences are particularly important because gender has for long been used as a basis for market segmentation. For instance, in 1911 J. Walter Thompson attempted to target every segment by setting up “separate men’s and women’s copy writer groups . . .” (Carsky and Zuckerman 1991, p. 43). In today’s world of business gender is still repeatedly used to apply segmentation strategies (Meyers-Levy and Sternthal 1991; Wolin and Korgaonkar 2005) because it is one of a small number of segmentation criteria that meets the requirements for successful implementation: (1) gender is easily identifiable, (2) gender segments are accessible, and (3) gender segments are large enough to be profitable (Darley and Smith 1995; Palanisamy 2004).

Forming homogenous segments and thus being more customer-centric allows more efficient advertising, a higher level of customer satisfaction, and finally more sales (Kumar and Petersen 2005). Assael and Cannon (1979) suggest respectively “advertising channel selection require matching vehicles to target-market members, generally defined as prospective or actual product or brand users” (Assael and Cannon 1979, p. 7). In contrast to that, alternative concepts propose not to match media and markets indirectly via gender but skipping market segmentation and linking media directly to product-usage.
(Cannon and Rashid 1990). This method might come up with more precise results but the segmentation via product-usage does not meet the mentioned requirements for successful implementation. Especially the accessibility of the respective data is not given.

**Research Model and Hypotheses**

Both in psychology and in marketing there is a rich literature base suggesting that males and females process information differently (e.g., Wolin 2003; Kempf et al. 2006; Fisher and Dubé 2005). The most-cited concept explaining gender differences in processing of information is the selectivity hypothesis (Meyers-Levy 1989). The selectivity hypothesis states that generally women are likely to engage in elaborative, more detailed, and comprehensive information processing than do men. Furthermore, apart from this kind of extrinsic motivations, females tend to attempt to assimilate all available information, while males are more likely to rely on one single prompt that is readily accessible during processing. (Meyers-Levy 1989; Meyers-Levy and Maheswaran 1991; Darley and Smith 1995).

A more detailed explanation of gender differences in information processing is offered by Putrevu (2001). The approach is complementary to the predictions of the selectivity hypothesis and suggests that males tend to perform item-specific information processing (Einstein and Hunt 1980), whereby they are likely to concentrate on individual aspects or message cues in advertisements, and do not try to decode the interrelationships between them (Putrevu 2001). Conversely, he suggests that females tend to engage in relational processing (Einstein and Hunt 1980), in which they try to find similarities, differences and interrelationships between multiple aspects or message cues, as they process advertising information (Putrevu 2001). The predictions of the selectivity hypothesis and its expansions have been tested in an offline advertising context and have been generally confirmed (e.g., Darley and Smith 1995; Kempf et al. 2006; Meyers-Levy and Maheswaran 1991).

As elaborated above, theory suggests that women are comprehensive processors who take a wide range of information into account and potentially include that what is associated but unobservable in the processing environment (Meyers-Levy 1989) as well as related information held in memory (Baird et al. 2007). Therefore women tend to gather as much information as possible before purchase (Meyers-Levy 1989) for example searching the web via search engine.

**H1**: The sales effect of search engine marketing such as Google AdWords is greater for women than it is for men.

The same holds true for price comparisons. Specifically, women gather information before finally coming up with a purchase decision (Darley and Smith 1995).

**H2**: The sales effect of price comparison affiliate websites is smaller for men than it is for women.

From discussions with the marketing responsibilities of the company researched we learnt that additional information such as product description and images are provided in email newsletters. This again supports women’s traits of gathering information. Hence, it is likely that more women than men will perceive promotional emails favorably and react with product purchase (Phillip and Suri 2004).

**H3**: The sales effect of email newsletters is smaller for men than it is for women.

Research showed for an offline environment that men often rely on a single cue. We argue that men are not in favor of comparing and gathering much information before purchase but rather focus on the target (Meyers-Levy 1989) – visit the website directly and purchase the product.

**H4**: The sales effect of direct website type-ins is greater for men than it is for women.

Purchasing a product numerous purchase-related criteria can be taken into account but theory suggests that men tend to rely only on one single item when purchasing. Looking on coupon and rebate promotion partner websites (affiliates), the price of a product as one single item is put into the focus of the buyer (Meyers-Levy 1989).

**H5**: The sales effect of coupon and rebate promotions is greater for men than it is for women.

**METHODOLOGY**

**Sample**

To test our hypotheses field data obtained from a leading online platform for new and used books has been analyzed. Several studies support that books are frequently bought online, and are in general viewed as homogeneous products (Smith and Brynjolfsson 2001; Montgomery et al. 2004).

The data was provided by the company, it has been extracted from its marketing and sales databases. The longitudinal sample includes a period of 358 days (02/01/2007 to 01/24/2008) and provides indicators on advertising activity and sales on a day-by-day basis. Furthermore
specific customer data such as gender and individual purchase volumes were provided on a per-purchase basis. Overall, the data contains more than 2.75 million online transactions and around 25 million website visits. The sample only includes data from US-customers visiting the .com top-level domain of the analyzed company. The company has an age of 13 years and can be seen as a well-known and well-branded player in the U.S. online book market.

**Measures and Method of Analysis**

A two-step structural equation model was applied and reflective as well as formative constructs were used (Bagozzi 1994; Chin 1998). The first step of the model consists of constructs representing advertising exposure to potential customers, as follows: (1) email newsletter advertising exposure, (2) direct type-in advertising exposure, (3) sponsored search advertising exposure, (4) coupon and rebate affiliate partners advertising exposure and (5) price comparison affiliate partners advertising exposure. All five constructs load on the second step of the structural equation model representing company success (revenues), as follows: (a) total revenues, (b) revenues by men, (c) revenues by women.

For the data analysis we applied Partial Least Squares (PLS) as a variance-based structural equation modeling (SEM) technique (Chin 1998; Fornell and Larcker 1981). We used PLS because of numerous moderating factors, formative and reflective causal relations between the variables, chronological order of events described through the variables, stability of the relations is given and interaction effects between the variables can be seen (Jarvis et al. 2003; Fornell and Larcker 1981). We further chose PLS over the more commonly used covariance-based approaches (LISREL or AMOS) because, due to its re-sampling approach where parameter estimation is optimized in numerous sub models, PLS proves more robust for smaller sample sizes (Fornell and Bookstein 1982).

**RESULTS, EVALUATION OF MODEL, AND TESTING OF HYPOTHESES**

The data that has been analyzed only consists of observed variables. Therefore our model is comprised only of the structural model with no associated measurement models to be tested. The model quality assessment indicates a very good fit of the model.

In the model the influence of online advertising channels on sales separated in total sales, sales related to men and sales related to women was tested. Therefore, on the structural model level, three coefficients of determination $R^2$ and Stone-Geisser-Criterion $Q^2$ as well as 15 path coefficients with their respective t-values were estimated in PLS (Bagozzi and Baumgartner 1994; Chin 1998). With values of $R^2$-total = 0.97, $R^2$-men = 0.91 and $R^2$-women = 0.95, the model’s coefficients of determination indicate a surpassing explanatory power. The Stone-Geisser-Test criteria $Q^2$-total = 0.96, $Q^2$-men = 0.90 and $Q^2$-women = 0.94 yield for firm revenues, indicating a very strong predictive relevance of the model (Chin 1998).

As expected, all path coefficients are significantly positive with at least a level of $p < 0.1$ (one-sided t-test) (see Table A-1). Based on this, we proceed with hypotheses testing. The individual path estimates show that, with exception of H1, all hypothesized relationships are present (see Table A-1). Thus, H2, H3, H4, and H5 can be supported by our data.

H1 proposing that the sales effect of search engine marketing such as Google AdWords is greater for women than it is for men had to be rejected. This result does not go along with the predictions of the selectivity hypothesis. But in general the support of the rest of the hypotheses show that women are likely to gather more information while relying on price comparing websites and information rich email newsletters before making their purchase decision (H2, H3). On the other hand the empirical results show that also in an online environment men only need view information to base their purchase decision on. Either they go directly to a website (direct type-in) or they only rely on a single product item – price (coupon and rebate affiliate websites) (H4, H5).

**DISCUSSION**

**Discussion of Results and Theoretical Implications**

Discussing the results of our research we are first of all answering our research questions:

1. Does processing of advertising information also works differently for men and women in an online environment?

   Online advertising works differently for men and women. The results of the study mainly support the findings of the selectivity hypothesis and the research that has already been done in an offline environment.

2. How do sales effects vary for different online advertising channels?

   The results show that in the overall model all channels have a different effect on sales (see Table A-1). For the examined company the advertising channel of price comparison affiliates seems to have the strongest sales effect in general.
3. Which different sales effects do different online advertising channels have on men and women?

The results of the study show significant differences between both genders (see Table A-1). The strongest sales effect can be seen from price comparison affiliates on women’s purchases. This relationship is significant at a level of $p < 0.01$ (one-sided). According to the contradictory view mentioned above the present study supports the view of (Darley and Smith 1995; Meyers-Levy and Sternthal 1991; Kempf et al. 2006; Fisher and Dubé 2005). We found a significant difference of processing of advertising information between men and women in the internet context.

The question “Do women still gather and men still hunt?” can now be answered. Coming from the Stone Age where life was dictated by gathering and hunting, men and women still find themselves in that role today. The present study shows that even in an online world women are still gatherers in terms of information gatherers. Needing more information to base their more detailed, elaborative, and comprehensive processing of information and thus purchase decision on. Men on the other hand can still be seen as hunters. Not loosing time while gathering information but focusing directly on the purchase. For example visiting a website directly (direct type-in) without gathering information from other websites. This implies that the propositions of selectivity hypothesis can be supported for an online context as well.

Remarkably the sales effect of search engine marketing did not meet the predictions of the selectivity hypothesis. The model revealed a greater impact on men-related sales through search engine advertisements.

### Managerial Implications

Our findings have wide-ranging implications for practitioners. Compared to the common tracking approach using cookies a deeper insight into advertising functionality is provided by applying the proposed variance-based structural equation model. Seventy percent of internet users delete or reject cookies. Once a cookie has been deleted and the user re-enters a website his visit will be counted again (Lipsman 2007). This overestimation of the common approach can be avoided by using the described SEM. The limitations in cookie tracking should lead marketers to question their current strategies and their allocation of resources to advertising channels. Associating these total effects with the cost for generating the corresponding advertising exposures allows practitioners to optimize their online advertising spending.

During our interviews with practitioners, we furthermore faced the question how to promote gender-specific products and which advertising channel meets the recipient’s information processing strategy best. Our findings on email newsletters for example show that women-specific products will be promoted best through this or similar channels to satisfy women’s needs for information-rich advertising.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path (women)</th>
<th>Exp. sign</th>
<th>Path estimate</th>
<th>Exp. relation</th>
<th>Path (men)</th>
<th>Exp. sign</th>
<th>Path estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Search engine marketing → Revenues by women</td>
<td>+</td>
<td>0.052*</td>
<td>&gt;</td>
<td>Search engine marketing → Revenues by men</td>
<td>+</td>
<td>0.112***</td>
</tr>
<tr>
<td>H2</td>
<td>Price comparison affiliates → Revenues by women</td>
<td>+</td>
<td>0.840***</td>
<td>&gt;</td>
<td>Price comparison affiliates → Revenues by men</td>
<td>+</td>
<td>0.555***</td>
</tr>
<tr>
<td>H3</td>
<td>Email newsletters → Revenues by women</td>
<td>+</td>
<td>0.041**</td>
<td>&gt;</td>
<td>Email newsletters → Revenues by men</td>
<td>+</td>
<td>0.027***</td>
</tr>
<tr>
<td>H4</td>
<td>Direct website type-ins → Revenues by women</td>
<td>+</td>
<td>0.055***</td>
<td>&lt;</td>
<td>Direct website type-ins → Revenues by men</td>
<td>+</td>
<td>0.293***</td>
</tr>
<tr>
<td>H5</td>
<td>Coupon / rebate promotions → Revenues by women</td>
<td>+</td>
<td>0.047*</td>
<td>&lt;</td>
<td>Coupon / rebate promotions → Revenues by men</td>
<td>+</td>
<td>0.105***</td>
</tr>
</tbody>
</table>

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$
Limitations and Avenues for Further Research

For the present study introducing a new method for analyzing advertising effectiveness in an online context, we found several avenues for further research. Since we have tested the model for one company only, avenues for further research are seen in testing the issue of gender related advertising productivity in internet companies empirically on a lateral level.

Moreover the data employed in the present study did not include information on design, creative content and format of the several advertisements (Burns and Lutz 2006). Additional research including such data could provide further insight into the effect of advertisement’s design and content on gender-specific reaction (see, e.g., Lohtia et al. 2003). Additionally the present research does not explicitly address how branding of a company or product affects advertising effectiveness both for men and women. Our data was obtained from a well-branded internet company with significant customer brand awareness and online visibility. It would be interesting to see whether our findings can be generalized for less well-known brands as well.

Further limitations might be cultural biases due to the sample structure. Analyzing gender-differences across different countries would again help generalizing the findings of the present study. Likewise sales are not only driven by advertising. In a complex business environment numerous factors such as competitor activities, governmental regulations etc. play an important role on firm performance. Once again, including further external factors into the database would help generalizing the research.

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SOCIAL INFLUENCES ON CONSUMER BEHAVIOR IN SMALL GROUPS LIKE FAMILY

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SUMMARY

While consumers may mostly behave individually, there are number of instances when a consumer uses social or collective concepts in everyday behavior. They can be seen displaying the use of collective concepts in their behavior in social settings as simple as a two-person dyad to as big and complex as diffused form of social settings wherein the members of a particular group are not that interdependent and the membership is not that conscious. The literature reveals that in spite of being so conspicuous social influences on consumer behavior in groups has received little attention in terms of academic research in marketing. Available researches have focused on narrow set of issues. Most extant theories of behavior and personality in psychology and social psychology have focused at the individual level. Since groups like family are not a simple sum of two or more individuals, these theories do not facilitate an explanation of behavior observed in different forms of social settings.

We, therefore, attempt toward the construction of a stronger explanation of reasons for consumer participation in group-based activities wherein collective intentions determine the performance of behavior to a greater extent than personal intention. A theoretical framework is developed by considering the model of goal-directed behavior at its core. In addition to examining the role of some of the traditional individual-level determinants of behavior, the proposed model examines some of the group-level variables as antecedents of consumer participation behavior in collective activities. In conjunction to this, self-regulatory orientation is another key variable from psychology discipline that has been investigated as moderator.

Method

The conceptual model has been empirically tested in the context of family and in the situation of “whole family dining at a restaurant with the desire of building good relationship and having fun together.” We collected data using the key informant methodology. Both husband and wife from each family acted as the key informants. Their responses have been collected separately using structured questionnaires at two points of time with a gap of one month.

The operationalization of most of the variables in the current research is done by taking guide for constructing items from relevant previous researches; while for the remaining ones corresponding scales have been adopted. In view of this, both test-retest method and internal consistency for ascertaining the reliability of scales for each phase of assessments have been employed. To discover the factor structure of measures and to examine its internal reliability, exploratory factor analysis (EFA) has been employed. Each multiple item scale that was used to collect data in the phase I of the study has been subjected to factor analysis. The results of exploratory factor analysis in addition to test-retest and internal consistency check reveal that all the scales used in the present study were both valid and reliable. But since EFA and other item statistics don’t reveal potential correlated errors among items, the construct validity is ascertained by two more approaches. The first approach is through the estimation of measurement model via confirmatory factor analysis and the second one is by the use of key informant model. After testing the adequacy of measurements and verifying the discriminant validity of the constructs in the structural model, structural equation modeling (SEM) has been used to test the theoretical framework and its robustness.

Major Research Findings

The examination of structural model reveals that all of the model estimates are in the hypothesized direction as per the proposed research framework. We-intention is an essential proximal antecedent of a consumers’ participation behavior in collective marketing activities. Hence, in place of personal intention, we conclude that a consumer’s we-intentions provide better predictability of a consumer’s participation behavior in family buying and consumption activity. The desires, just like in case of traditional theories of behavior, determine we-intentions of a consumer. They are also found to channel the influence of group level variables on participation behavior either fully or partially. Amongst the group level variables, social identity is found to directly predict the desires of a consumer and through desires, indirectly predicts we-intentions and participation behavior. Group norms, on the other hand, have significant impact on both desires and we-intention. They also positively influence the social identity of a consumer. The results of hierarchical regressions however indicate that self-regulatory orientation, which has
been found to act as a source of motivation to an individual in a variety of contexts, failed to moderate the relationship between we-intentions and a consumer’s participation behavior.

This study can be considered as an important step in establishing the role of we-intentions as a proximal determinant of social consumer behavior especially in the context of a two-person family dyad. It is also the pioneer in empirically investigating the consistency of each group member in assessing both his/her own we-ness or degree of sharing of a particular construct and the we-ness and assessments of other group member’s extent of we-ness. The fact that group level processes also influence consumer behavior along with individual level variables is conclusively established through the current study. The degree of influence may vary depending upon the level of group dynamics. Hence, present study suggests that consumer behavior should not be studied by focusing on one consumer per se and by considering individual level processes only. References are available upon request.

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ADVERTISING EFFECTIVENESS IN THE WORLD WIDE WEB: A CROSS-CULTURAL COMPARISON

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SUMMARY

Accountability in advertising is an important issue in marketing research and practice and has been extensively researched in the offline world. The advent of e-commerce and the increasing volume of online purchases have instigated new opportunities for tracking the origin of online purchases. The analysis of advertising effectiveness and consumer behavior has emerged as a key concept in the marketing discipline for researchers and for practitioners, because it bridges consumer behavior and marketing strategy. The purpose of this research is to investigate how culture impacts the perception of advertisements in the online world and whether similar results for the offline world can be ascertained in this new context. We compare customers’ reactions to online advertisements in the USA and in France. The analyzed research question is: Does online advertising have a different impact on American and French customers, do they react in different ways, and what are the key facts of a culture involved in shaping consumers’ decisions in the purchase of books?

Culture is a complex phenomenon one of the most established is the framework developed by Hofstede. In the present study, we use these cultural dimensions and discuss whether and how they affect customers’ reactions to online advertisements and whether these reactions translate into real purchases. Power distance, i.e., the degree of inequality among people which the population of a country considers as normal. Individualism, i.e., the degree to which people in a country have learned to act as individuals or as members of cohesive groups. Masculinity, i.e., the degree to which “masculine” values such as performance, success, and competition prevail over “feminine” values such as quality of life, personal relationships, service, caring, or solidarity. Uncertainty avoidance, or the degree to which people in a country prefer structured over unstructured situations.

We used real data from a leading online book company. All data were collected directly from the company’s marketing and orders databases. The sample includes all transactions in the time period between 31/01/2007 and 01/02/2008, which removes a seasonal bias from our data. In total, 2.1 million orders and 34 million website visits are included in our analysis and are aggregated on a day-by-day basis. For our analysis, we considered only orders cheaper than US$20, containing one book only, in order to be able to generate generalizable results of the advertising effects in the price class of a typical consumer good. Using the data of a bookseller makes sense because these products are frequently bought online and because they are fairly homogeneous, which reduces the dispersion when it comes to assessing the impact of internet advertisements.

The online channels are measured by clicks. Newsletters are measured by the number of delivered and sent mails. For the paper in focus we only analyze the four main important channels, namely affiliate price comparison, affiliate coupon loyalty, newsletters, and search corporates. We chose structural equation modeling (SEM) as a method for data analysis and partial least squares (PLS) as the most accepted variance-based structural equation modeling approach. We calculated path coefficients with the software Smart-PLS 2.0 M3.

The results show that channel effectiveness of affiliate price comparison and search corporate have a significantly different impact on customer behavior in the USA and France. While for masculine US customers the most important information is the price rather than knowledge of the shop, French customers, characterized by uncertainty avoidance, prefer familiar shops. The price is not of primary importance for them. The result even shows a negative path coefficient for France. This means that advertising can actually have negative effects possibly affecting the reputation of the company. Especially considering the strong uncertainty avoidance in France, companies should think about whether long-term brand advertising in France might be more successful than short-term price competition such as affiliate price comparison websites. A strong affinity is even underlined in the results of search corporate. While search corporate has no influence in the USA, this has a significant positive effect on French customers. Again this phenomenon underlines a strong affinity to the company’s name which is typical for uncertainty avoidant cultures. In addition, the hypothesis that coupon and loyalty programs have a stronger impact on US customers was proven. So, U.S. customers seeking their individual optimum will be more strongly attracted by rebate campaigns than French customers. The estimated effect of e-mail and newsletter to have a stronger impact in France could not be supported. The effect of existing customer relationships cannot be transferred into orders in this channel.
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ANTECEDENTS OF CONSUMER ANIMOSITY AND THE ROLE OF PRODUCT INVOLVEMENT ON PURCHASE INTENTIONS

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SUMMARY

Consumer animosity has gained considerable attention in international marketing literature as a determinant of foreign product purchase behavior. As the literature review of animosity demonstrates, companies’ sales tend to be severely jeopardized by consumers’ anger toward the firms’ home country. Many studies about animosity focus on the types and dimensions of animosity and their reciprocal effects of animosity consequently bringing decrease of consumption. However, our understanding of the antecedents of animosity remains limited even though some studies have uncovered important findings. For example, consumers harboring high levels of animosity are more likely to be patriotic and older (Klein and Ettenson 1999) and have a tendency to harbor more dogmatism, nationalism, and less internationalism (Shoham et al. 2006). A key goal of this study is therefore to bring more clarity to the understanding of animosity by examining additional antecedents of animosity, specifically the role of susceptibility to normative influence (SNI), consumer ethnocentrism, and cosmopolitanism. Furthermore, while animosity has been shown to affect willingness to buy (e.g., Klein et al. 1998), we examine the role of consumer involvement on intention to purchase.

In this study we investigate animosity in the context of South Korean consumers’ animosity toward Japan. Korea, and Japan have grown closer through interactions based on trade and geographical proximity since the close of the Second World War. However, South Korea (hereafter referred to as simply “Korea”) and Japan have had notoriously prickly relations over the centuries. The Japanese occupation of Korea in World War II, and more recently, the territorial disputes, political differences, and the Japanese government’s attempt to distort or deny previous war-time wrongdoings has resulted in long-standing tensions between Korea and Japan. Given the background and relationship between the two countries, the study of Korean animosity toward Japan is an appropriate setting for this study.

In order to identify more detailed segment of Korean consumers holding animosity toward Japan, we seek to explore if specific value orientations contribute to the explanation of the animosity construct. The specific hypotheses are put forward linking susceptibility to normative influence (SNI), consumer ethnocentrism, and cosmopolitanism to consumer animosity. In general, the hypotheses suggest that individuals who exhibit the higher tendency of ethnocentrism and SNI will be more likely to have the higher level of animosity. Conversely, individuals that exhibit the higher tendency of cosmopolitanism will be more likely to have the lower level of animosity. Extant literature suggests that animosity would have negative effect on intention to purchase; however, we suggest that the relationship will differ based upon the type of product, i.e., high versus low involvement.

To empirically test our hypotheses, we collected survey data and estimated a structural equation model. A total of 240 surveys were completed. After eliminating 45 incomplete cases, the final sample consisted of 195 usable responses. We evaluated the psychometric properties of the eight latent constructs involving 24 items in one confirmatory factor analysis (CFA) using LISREL 8.80 (Jöreskog et al. 2000). Animosity was measured similar to Klein, Ettenson, and Morris (1998) as a second-order latent construct, and support was found for the higher-order structure: war animosity (loading = 0.82, p < 0.001), economic animosity (loading = 0.51, p < 0.001), political animosity (loading = 0.77, p < 0.001), and the first-order item (loading = 0.50, p < 0.001). The model fit for the second-order animosity construct was acceptable: χ² = 14.78, χ²/d.f.(11) = 1.34, RMSEA = 0.042, SRMR = 0.02, NNFI = 0.99, CFI = 0.99.

Unidimensionality and convergent validity was evident by all items significantly loading on their respective constructs, and the CFA produced respectable fit: χ² = 361.40, χ²/d.f.(163) = 2.22, RMSEA = 0.079, SRMR = 0.07, NNFI = 0.91, CFI = 0.93. Discriminant validity was evident in that no confidence interval for the phi correlations between pairs of variables contain 1.0 (e.g., Anderson and Gerbing 1988), and all squared phi correlations were less than the respective variance extracted estimates for all pairs of constructs (e.g., Fornell and Larcker 1981). We assessed construct reliability by calculating composite reliability for each construct (Fornell and Larcker 1981). The scales’ reliabilities exceeded recommended thresholds and ranged from 0.77 to 0.96.

The analysis provides evidence for the hypothesized relationships among all the variables of interest. As predicted, the hypothesized antecedents are all significantly related to consumer animosity. This research study pro-
vides evidence that Korean consumers who are more susceptible to normative influence or more ethnocentric feel more animosity toward Japan, but Korean consumers who have a more cosmopolitan orientation feel less animosity toward Japan. It also presents evidence that animosity negatively influences intentions to purchase for high involvement product (digital camera) while animosity does not affect purchase intention for low involvement product (pens and pencils). These findings are important because they are in contrast to the previous findings (e.g., Klein et al. 1998) that in general animosity has a negative impact on consumers’ willingness to buy products of countries for which consumers have animosity. Globally, animosity has a major role in determining consumption decision of consumers. Thus, marketing executives should consider the implications of animosity on consumer purchase behavior across different market segments. References are available upon request.

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GLOBAL STRATEGIC ALLIANCES: HOW DOES NATIONAL CULTURE INFLUENCE FINANCIAL PERFORMANCE?

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SUMMARY

Globalization and cross-border collaborations among firms are inescapable realities of the emerging world. Today, IBM (according to Hofstede 1980) must not only understand the impact of national culture on subsidiary performance but also examine the impact of various alliance management skills and approaches the firm has deployed to become more efficient and, consequently, profitable. Three decades since Hofstede (1980) undertook one of the most comprehensive and empirically based examinations of national culture, firms have increasingly adopted strategic global alliances for both upstream alliances (e.g., suppliers, new product development) and downstream alliances (e.g., marketing, customer service, after sales support). Alliances are now common for market entry and expansion, and on the supply side with increased outsourcing (Anand and Khanna 2000). Alliances have become ubiquitous, and cultural distance has become more understood and possibly narrowed. However, firms have also been grappling with improving coordination and teamwork in global project teams in the context of cultural differences (Tiwana and Keil 2007). If they work, alliances can reduce the cost of subsidiaries on the market entry side (Eramilli and Rao 1993) and avoid the cost of international purchasing offices on the sourcing side (Watts, Kim, and Hahn 1995).

However, it is unclear how firm profit is related to the alliance skills and strategies a firm adopts in the face of national culture difference between alliance partners. This research attempts to explore the question of how national culture and certain other alliance characteristics affect firm profit. Firms need to be adept at both managing foreign alliances for market entry and expansion and managing foreign alliances for the supply of goods and services that are globally sourced. In market expansion, inter-firm alliances can help firms devise optimal modes of market entry (Eisenhardt and Schoonhoven 1996; Hagedoorn 1993), while global sourcing can be facilitated by alliances (Hamel 1991; Parkhe 1991). Over time, strategic alliances should lead to improved firm performance. However, when different cultures are involved, firm performance may be hampered by cultural distance between alliance partners.

Researchers have examined several aspects of strategic alliances, including the antecedents, governance mechanisms, and consequences of such alliances. An important expectation from the alliances is the anticipated performance outcomes for the firm entering into strategic alliances. We consider this the dependent variable in our article.

The role of culture in strategy has been extensively investigated (Shenkar 2001; Tihanyi, Griffith, and Russell 2005). However, its specific relationship to the financial performance of the firm in the context of strategic global alliances has not received adequate attention. In addition, the roles of alliance characteristics on financial performance—especially, how these alliance characteristics can moderate the relationship between national culture and financial performance—have not been investigated.

To alleviate these gaps in the literature, we conduct an empirical study of the relationship between national culture and financial performance in strategic alliances and the moderating role of some alliance characteristics on this link. Research and managerial implications of our findings are also discussed.
THE MODERATING ROLE OF CONSUMER REGULATORY FOCUS ORIENTATION IN COUNTRY-OF-ORIGIN EFFECTS

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ABSTRACT

This paper presents a conceptual framework that applies the principles of regulatory focus theory to the context of country-of-origin (COO) effects on consumer behavior. It proposes that consumers' regulatory focus orientation moderates the effect of a product's country-of-origin on their pre-purchase product preferences, selection set size, and post-purchase product evaluations.

INTRODUCTION

Consumer product perceptions are shaped by numerous internal and external factors. The individual consumer characteristics make up the internal factors whereas cues such as product attributes, packaging, advertising, price, and country-of-origin (COO) image constitute the external determinants (Koubaa 2008; Meenaghan 1995; Sirgy 1982). In particular, previous research has shown that a product’s COO exerts a broad range of influences on consumer purchase decisions and product evaluations (Peterson and Jolibert 1995; Piron 2000; Verlegh and Steenkamp 1999; Yasin, Noor, and Mohamad 2007).

Yet, consumers’ attitudes toward products from other countries of origin vary substantially as a result of both the product-based and individual-specific variables that moderate COO effects on product evaluations. Although the impact of product-based variables on COO effects is often evident, individual-specific factors such as psychographics usually play a more subtle role in consumers’ decision-making processes. Among these more subtle determinants, the regulatory focus orientation of consumers is expected to play a significant role in moderating COO effects on product evaluations and therefore deserves further attention.

Prior research has thoroughly examined the influence of COO information on consumers’ preference construction, judgment and evaluation formation, and decision making processes. Similarly, regulatory focus theory has also been widely studied in the context of consumer persuasion, attitude creation, and purchase intent reflecting the differences in cognitive, affective, and conative processes utilized by promotion- and prevention-focus consumers. However, extant research has so far not integrated these two important streams of literature. Therefore, the purpose of this paper is to provide new insights into the impact of COO phenomenon on consumer behavior from the perspective of the relatively chronic personality trait of regulatory focus orientation.

Following a review of literature on COO and regulatory focus, this paper develops a conceptual framework that applies the regulatory focus theory to the context of COO effects on consumer behavior. It is proposed that regulatory focus orientation of consumers may exert a considerable influence on their use of COO information in pre-purchase product preferences, selection of decision alternatives, and post-purchase product evaluations. Specifically, the framework provides insights into the differences in behavior of promotion- and prevention-focus consumers toward products from other countries of origin. After the framework and the associated research propositions are presented, the implications of the study are discussed from both an academic and a managerial perspective. Consequently, suggestions for future research to strengthen the framework are delineated.

THEORETICAL BACKGROUND

Country-of-Origin (COO) Effects on Product Evaluations

COO influences are quite powerful in forming product evaluations as they can be activated automatically when relevant cues are present in the environment (Liu and Johnson 2005). One such source of COO cue is the brand name (Thakor and Kohli 1996). Especially in low involvement purchase situations which do not require effortful cognitive processing, consumers may involuntarily form product judgments based on COO information (Liu and Johnson 2005).

Likewise, Gurhan-Canli and Maheswaran (2000b) stated that low motivation consumers tend to base their product perceptions on COO information while high motivation consumers employ an elaborate attribute-based processing and are less likely to rely on COO information to form their product judgments. These findings indicate that the impact of COO cues on product evaluations is weakened when these cues are processed along with additional attribute-related information. On the other hand, d’Astous and Ahmed (1999) asserted that consumers may not actively seek COO information but when presented with such information, COO becomes a significant factor in their product evaluations.

Consumers tend to draw inferences from COO cues in the absence of specific product attribute information (Ahmed and d’Astous 1996; Essoussi and Merunka 2007;
Reardon et al. 2005). Known as the halo view, this argument holds that consumers use COO cues as a surrogate to form their judgments about unfamiliar products (Han 1989). For instance, consumers tend to rely more on COO information in their evaluation of luxury goods with complex features compared to common necessities with simple features (Li and Wyer 1994; Piron 2000).

On the contrary to this perspective, Johansson and Nebenzahl (1986) observed that the tendency to use COO information actually increased with product familiarity. These findings can be explained through the summary construct view which posits that consumers can also utilize country image to summarize product characteristics in order to eliminate unnecessary information processing (Ahmed and d’Astous 1996).

Consumers’ perceptions of the COO of a product consist of a cognitive, an affective, and a conative dimension (Papadopoulos, Heslop, and The IKON Research Group 2000). Building on this three-dimensional structure of country image, Laroche et al. (2005) confirmed that when a country image emphasizes a strong affective component, it will exert a direct influence on product evaluations; whereas when it highlights a strong cognitive component, it will have an indirect influence on product evaluations through product beliefs. Country image is used as a summary construct when it directly influences product evaluations and as a halo when it indirectly affects product evaluations (Laroche et al. 2005).

Consumers’ COO perceptions influence not only their product evaluations but also their specific brand choices, thereby significantly impacting the formation of brand equity. Due to the carryover effect that transfers from consumers’ COO perceptions to brands from those countries, a favorable country image creates brand distinctiveness, loyalty, and awareness (Yasin, Noor, and Mohamad 2007). As a result of this carryover effect, products from the same country tend to be viewed as similar, forming a perceived aggregate image of products from a specific country (Chinen, Jun, and Hampton 2000).

The impact of country image on brand image perceptions has been demonstrated by many studies (Cervino, Sanchez, and Cubillo 2005; d’Astous and Ahmed 1999; Kotler and Gertner 2002). Hui and Zhou (2003) found that the relationship between country image and brand image is moderated by both country and brand reputation. In other words, the image of a well-known brand will be positively affected by a well-known COO for that product and it will be negatively influenced by an unknown COO for that product (Koubaa 2008). Similarly, Essoussi and Merunka (2007) concluded that consumers’ perceived product quality is higher when the fit between the product and its COD and COM is stronger. Also, brands with stronger initial reputations are subject to a smaller degree of negative evaluations than brands with weaker initial images when produced in an unfavorable COO (Jo, Nakamoto, and Nelson 2003).

In accordance with the current trend of global production and outsourcing, several researchers have broken down the COO construct into subcategories such as country-of-design (COD), country-of-parts (COP), country-of-assembly (COA), country-of-manufacture (COM), and brand-origin (Insch and McBride 2004; Thakor and Lavack 2003; Ulgado 2002). The distinction among the different COO subcategories for hybrid (bi-national and multinational) products has significant implications on consumer perceptions toward such brands.

In particular, the perceived incongruence between the brand-origin and the COP, COA, or COM may play an adverse role in shaping consumers’ evaluations of hybrid brands. For instance, Hui and Zhou (2003) reported that when a product is manufactured in a country with a less favorable image than the brand-origin, the COM information exerts a negative influence on product evaluations whereas the COM information has no significant effect on product evaluations when the COM is perceived to be congruent with the brand-origin. Ahmed and d’Astous (1996) found that developed country brands indeed face a loss of value when manufactured in a newly industrialized country (NIC) but no major changes in consumers’ perception of value were realized when NIC brands are assembled in a developed country.

Economic development level of a COO is one of the most significant factors that influence consumers’ purchase intentions (Verlegh and Steenkamp 1999). Although consumer preference for domestic or foreign products varies across different product categories, several studies have shown that consumers in developed countries generally prefer domestic products to foreign ones (Balabanis et al. 2001). This is usually due to ethnocentrism, patriotism, or the negative stereotypical images attributed to the developing countries of origin (Chinen, Jun, and Hampton 2000; Cordell 1992; Han 1988; Orth and Firbasova 2003). Products from developing countries of origin are often characterized to be riskier and of lower quality than those from developed countries of origin as a result of the perceived differences in capabilities (Laroche et al. 2005).

Furthermore, such negative perceptions toward products from developing countries prevail among not only developed country consumers but also developing country consumers themselves (Wang et al. 2000). As a result, on the contrary to their counterparts in developed countries, consumers in developing countries are observed to prefer foreign products over domestic ones (Batra et al. 2000). In particular, preference for developed country
goods by developing country consumers is common in the consumption of public goods since a well-known COD or COM enhances the symbolic value attached to such products in these societies (Essoussi and Merunka 2007; Piron 2000).

Above all, a wide range of consumer-specific factors including consumer demographics and psychographics have been shown to impact the strength of COO effects. Gurhan-Canli and Maheswaran (2000a) and Insch and McBride (2004) examined the moderating effect of consumers’ cultural orientation on COO effects. Furthermore, COO effects have also been studied in the context of gender (Hong and Toner 1989), age (Wall, Heslop, and Hofstra 1988), educational level (Wall and Heslop 1989), and information processing style (Liefeld 1993).

Yet, several recent studies have seriously challenged the traditional literature on COO effects by arguing that COO information does not have a critical effect on consumer behavior since consumers often have very limited knowledge of products’ countries of origin (Balabanis and Diamantopoulos 2008; Liefeld 2004; Samiee, Shimp, and Sharma 2005). However, this perspective does not take into consideration the moderating influence of consumer regulatory focus orientation on the relationship between a product’s COO and consumer purchase behavior. This paper proposes that when examined in interaction with consumer regulatory focus orientation, a product’s COO may exert a substantial impact on consumer purchase behavior.

Regulatory Focus Influences on Individual Behavior

People strive to reduce discrepancies between current states and desired end-states in a process known as approach motivation (Higgins 1997). The two types of desired end-states that people are motivated to approach are either promotion-focus aspirations and accomplishments or prevention-focus responsibilities and safety. A promotion-focus is associated with self-regulation of hopes and wishes (ideals) whereas a prevention-focus is related to self-regulation of duties and obligations (oughts) (Cesario, Grant, and Higgins 2004; Higgins 2000b).

The types of goals pursued by an individual are related to an accessible independent or interdependent view of the self. While people with an independent self-view have goals defined by achievement and autonomy, those with an interdependent self-view have goals that involve belonging and fulfillment of obligations to others (Heine et al. 1999). Hence, individuals with a more accessible independent self-view tend to be promotion-focused whereas those with a more accessible interdependent self-view tend to be prevention-focused (Lee, Aaker, and Gardner 2000).

According to the regulatory focus theory, individuals possess different strategic inclinations to approach different types of desired end-states (Higgins 1997). People with a promotion-focus are concerned with maximizing the presence or minimizing the absence of positive outcomes and thus attempt to approach matches to desired end-states such as advancement, growth, and accomplishment (Higgins 2000b, 2002). On the other hand, people with a prevention-focus are interested in minimizing the presence or maximizing the absence of negative outcomes and hence tend to avoid mismatches to desired end-states in order to attain protection, safety, and responsibility (Higgins 2000b, 2002).

This difference in strategic inclinations between promotion- and prevention-focus people plays a significant role in their decision making and problem solving processes. Individuals with a promotion-focus display eagerness to develop alternative decision criteria and therefore take risks in order to accomplish gains whereas prevention-focus people tend to repeat the same decision criterion to simplify the task and reduce the potential risk involved in an attempt to avoid losses (Higgins 1997).

Individuals experience a regulatory fit when they employ goal pursuit means that complement their regulatory focus orientation (Higgins 2000b). This compatibility increases the value of their goal pursuit activities resulting in value from fit (Higgins 2002). Cesario, Grant, and Higgins (2004) reported that there is a natural fit between promotion-focus concerns and the use of eagerness means since these means ensure the presence of gains and the absence of nongains. Therefore, promotion-focus people display a tendency toward strategic eagerness means to approach gains (Higgins 2000b). There is also a natural fit between prevention-focus concerns and the use of vigilance means as these means ensure the absence of losses and the presence of nonlosses (Crowe and Higgins 1997). Thus, prevention-focus individuals are inclined to express strategic vigilance means to avoid losses (Higgins 2000b).

An individual’s regulatory focus orientation also exerts a substantial impact on his or her emotional state. That is, when the desired-end states are not attained, people face different kinds of pain based on their regulatory focus (Higgins 1997). When people fail to reach their ideals or hopes, they feel dejection-related emotions such as disappointment, dissatisfaction, or sadness (Higgins 1987). On the other hand, when individuals fail to meet their responsibilities or obligations, they experience agitation-related emotions such as uneasiness, threat, or fear (Higgins 1987). Furthermore, regulatory focus also determines the different types of pleasure people feel as a result of fulfilling their goals (Higgins, Shah, and Friedman 1997). When individuals achieve their ideals or hopes,
they feel cheerfulness-related emotions such as happiness or satisfaction whereas when they meet their responsibilities or obligations, they experience quiescence-related emotions such as calmness or relaxation (Higgins 2000a).

People with different regulatory focus also differ in their emotional evaluations of attitude objects. Shah and Higgins (1997) stated that when a specific emotional dimension is significant for a person, he or she tends to evaluate the world along that dimension. Objects are evaluated in terms of their cheerfulness-dejection qualities by promotion-focus individuals and based on their quiescence-agitation features by prevention-focus individuals (Higgins 1997).

People’s feelings about their prospective choices depend on the regulatory fit experienced (Higgins 2000b). Accordingly, individuals with different regulatory focus orientations differ in their sensitivities toward positive or negative outcomes (Brendl, Higgins, and Lemm 1995). Idson, Liberman, and Higgins (2000a) found that imagining positive outcomes happen resulted in more positive feelings for people with a promotion-focus than a prevention-focus. In other words, promotion-focus individuals who imagine acquiring gains feel better than prevention-focus people who imagine attaining nonlosses (Higgins 2000b).

Similarly, imagining negative outcomes happen leads to more negative feelings for individuals with a prevention-focus than a promotion-focus (Idson, Liberman, and Higgins 2000a). That is, prevention-focus individuals who imagine facing losses feel worse than promotion-focus people who imagine encountering nongains (Higgins 2000b). These differences in emotional intensity arise from the differences in the salience of the perceived outcome as well as higher motivation of goal pursuit experienced when the regulatory fit is stronger (Aaker and Lee 2001; Higgins 2000b).

Moreover, regulatory fit also influences people’s retrospective evaluations of their past decisions (Higgins 2000b). Individuals who make their decisions with higher regulatory fit subsequently evaluate their decisions more positively and describe their goal pursuit as more enjoyable regardless of outcomes (Freitas and Higgins 2000; Higgins and Idson 2000). Therefore, people judge their choices as better when they made promotion success (gain) happen or prevention failure (loss) not happen than when they made prevention success (nonloss) happen or promotion failure (nongain) not happen (Idson, Liberman, and Higgins 2000b).

Above all, individuals perceive information that is consistent with their accessible self-view to be more important and process such information more carefully (Lee, Aaker, and Gardner 2000). In other words, people whose independent self-view is more accessible tend to pay greater attention to promotion-focused information and individuals whose interdependent self-view is more accessible are more inclined to scrutinize prevention-focused information (Aaker and Lee 2001). As a result, persuasive messages that utilize promotion or prevention-focused information that matches an individual’s self-regulatory goal results in increased persuasion and better recall of the information presented (Aaker and Lee 2001). However, under conditions of information-goal compatibility, people are observed to form more favorable attitudes toward the advertised brands only when arguments are strong but less favorable attitudes are developed when arguments are weak (Aaker and Lee 2001).

Recent research has demonstrated that when people feel right from regulatory fit, this value from fit can be carried over to their evaluations of objects or issues (Avnet and Higgins 2003; Camacho, Higgins, and Luger 2003; Higgins et al. 2003). Therefore, when people feel right from the fit between their regulatory focus orientation and the strategic means (eagerness or vigilance means) used in a persuasive communication, both the perceived persuasiveness of the communication and agreement with its message are increased (Cesario, Grant, and Higgins 2004).

However, it was observed that this transfer of feeling right to the persuasion context will occur only when the individual considers the source of feeling right as relevant information to the evaluation being made (Forster and Strack 1998). Also, Cesario, Grant, and Higgins (2004) noted that regulatory fit has an opposite effect of decreasing the perceived persuasiveness of a message when an individual experiences feeling right about his or her negative thoughts toward a message indicating a disagreement with it.

Lee and Aaker (2004) indicated that increased persuasion also occurs when the message frame employed complements the regulatory focus of the information highlighted in an argument. That is, a message emphasizing promotion concerns becomes more persuasive when a gain frame is used and a message stressing prevention concerns becomes more effective when a loss frame is utilized. In addition, perceived risk acts as a moderator of framing effects on persuasion (Lee and Aaker 2004). When perceived risk is low, people focus on positive outcomes. Thus, gain-framed messages accentuating the benefits gained would carry a stronger fit and be more persuasive (Lee and Aaker 2004). On the other hand, when perceived risk is high, people direct their attention to negative outcomes. Hence, loss-framed messages stating benefits lost would carry a stronger fit and be more persuasive (Lee and Aaker 2004).
These high-levels of fit result in enhanced message processing fluency which, in turn, creates increased persuasion and more favorable attitudes toward the argument (Higgins et al. 2003; Lee and Aaker 2004). When people process messages more easily, they tend to understand the supporting arguments better and thus are more persuaded (Lee and Aaker 2004). Likewise, people perceive messages that are easily processed to be more effective and therefore develop more favorable attitudes toward them (Lee and Aaker 2004).

**A CONCEPTUAL FRAMEWORK**

The conceptual framework developed in this section serves to apply the regulatory focus theory to the context of COO effects on consumer behavior. Building on these two streams of literature, it is proposed that when consumers consider purchasing products from other countries of origin, their regulatory focus orientation exerts a substantial influence on their goals, preferences, selection set size, decision criteria, and post-purchase evaluations. As a result, the framework sheds more light into the differences in behavior of promotion- and prevention-focus consumers toward products from other countries of origin.

The different strategic inclinations displayed by consumers as a result of their regulatory focus orientation can influence their purchase decisions considerably. For instance, as promotion-focus consumers are motivated to approach advancement and accomplishments, they would be more likely to choose products on the basis of the features that would provide them with the maximum benefits. In contrast, as prevention-focus consumers are inclined to attain safety and responsibility, they would be more likely to select products in terms of the characteristics that would provide them with the minimum losses.

**Proposition 1a:** Promotion-focus consumers would aim to buy products from countries of origin that they perceive to match their advancement and accomplishment goals.

**Proposition 1b:** Prevention-focus consumers would aim to buy products from countries of origin that they perceive to match their safety and responsibility goals.

Additionally, the different goal pursuit means utilized by consumers shape their decision-making processes. Based on the regulatory fit principle, promotion-focus consumers are expected to employ eagerness means to ensure gains in their purchase decisions. In other words, they would be more likely to take risks in order to maximize their potential benefits. Hence, even if these consumers achieve their desired gains with a product from a particular COO, they would still be inclined to try similar products from other countries of origin with the hopes of acquiring additional benefits.

On the other hand, prevention-focus consumers are expected to utilize vigilance means to avoid losses in their purchase decisions. They would be more risk-averse in an attempt to minimize their potential mistakes. Therefore, once these consumers avoid potential losses with a product from a specific COO, they would be reluctant to try similar products from other countries of origin in order to reduce the potential risk involved.

**Proposition 2a:** Promotion-focus consumers would buy from a greater number of countries of origin in a given product category.

**Proposition 2b:** Prevention-focus consumers would buy from a fewer number of countries of origin in a given product category.

In addition to the difference in absolute size of their consideration sets, promotion- and prevention-focus consumers are also expected to have different post-purchase product evaluations. Consumers’ emotional evaluations toward products intensify as their motivation of goal pursuit increases with stronger regulatory fit. For example, since promotion-focus consumers are more sensitive toward positive outcomes, they are highly motivated to acquire gains by purchasing products from favorable countries of origin. In contrast, purchasing products from unfavorable countries of origin would mean nonlosses for prevention-focus consumers. Thus, due to the transfer of value from regulatory fit, promotion-focus consumers who receive gains would experience more positive post-purchase feelings toward products from favorable countries of origin than prevention-focus consumers who ensure nonlosses.

Conversely, as prevention-focus consumers are more sensitive toward negative outcomes, they are highly motivated to avoid losses by not purchasing products from unfavorable countries of origin. In contrast, purchasing products from unfavorable countries of origin would mean nongains for promotion-focus consumers. Hence, prevention-focus consumers who incur losses would experience more negative post-purchase feelings toward products from unfavorable countries of origin than promotion-focus consumers who encounter nongains.

**Proposition 3a:** Promotion focus consumers would evaluate products from favorable countries of origin more positively than prevention focus consumers.

**Proposition 3b:** Prevention focus consumers would evaluate products from unfavorable countries of origin more negatively than promotion focus consumers.
IMPLICATIONS

Past research has extensively investigated the impact of individual-specific variables on COO effects. This research extends the literature on COO effects by proposing that consumers’ regulatory focus orientation may also influence their attitudes toward products from other countries of origin. Therefore, this study presents a regulatory focus theory-based explanation of the varying COO information influences on the behavior of promotion- and prevention-focus consumers. The article also contributes to the body of literature on regulatory focus theory by applying the underlying principles of this theory to the context of COO effects. It especially points out that the value from regulatory fit can be transferred to consumers’ pre-purchase preferences and post-purchase evaluations of products from other countries of origin.

Above all, the current research has several implications for global marketers who emphasize COO information in their branding and communication strategy. Since the differences in the behavior of promotion- and prevention-focus consumers are expected to reflect on their evaluations of products from other countries of origin, marketers should address the unique purchase goals of both types of consumers. In order to attract both promotion- and prevention-focus consumers, marketers should utilize market segmentation and craft customized strategies that highlight COO information as it relates to the specific consumer type targeted.

In particular, advertising campaigns aimed at promotion-focus consumers should convince them that the COO of the product marketed is favorable for that product and emphasize the benefits that would be gained by using that product from that specific COO. That is, marketing communications employed should be gain-framed stressing the advancement, growth, and accomplishment aspects of using the product. On the other hand, advertising campaigns directed toward prevention-focus consumers should convince them that the COO of the product marketed is not unfavorable for that product and underline the losses that would be avoided by using that product from that specific COO. In other words, marketing communications used should be loss-framed emphasizing the protection, safety, and vigilance aspects of using the product. Once marketers establish a fit between their communication strategies and the type(s) of consumer(s) they serve, they are more likely to receive favorable product evaluations and repeat business.

Moreover, since prevention-focus consumers tend to be risk-averse and thus more vigilant to purchase products from different countries of origin, they would be more likely to continue buying a particular product from the same COO. Due to these loyalty effects, marketers need to spend more effort into convincing prevention-focus consumers to switch to products from a different COO than promotion-focus consumers.

CONCLUSION

As the importance of COO influences on consumer behavior intensifies with global production, research on the numerous factors that shape these effects continues to reveal important insights for academics and practitioners alike. This article has examined the moderating role of consumer regulatory focus orientation in COO effects by proposing a framework that integrates the two streams of literature. Building on this conceptual framework, we have provided three research propositions that investigate the wide range of influences consumers’ regulatory focus orientation exerts on their attitudes toward foreign products. In particular, it was suggested that when faced with foreign products, promotion- and prevention-focus consumers would differ in their pre-purchase product preferences, selection of decision alternatives, and post-purchase product evaluations.

In addition, the study indicates that current and prospective customers may form varying attitudes toward foreign product purchases depending on their regulatory focus orientation. Therefore, it is of utmost importance for global marketers to explore the different inherent motivations associated with their target customers. In order to serve their customers effectively, marketers should also tailor their strategic use of COO information to the unique goals of promotion- and prevention-focus consumers.

Consequently, it should be noted that future empirical research is needed to test the validity of the framework and the propositions presented in this research. Facilitation of the study through field surveys and laboratory experiments that utilize various countries of origin and product categories would especially prove fruitful to our understanding of the moderating role of consumer regulatory focus orientation in COO effects.

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SUMMARY

The direct marketing retailers have traditionally provided their customers with order channels such as mail order and call center. With the advent of the Internet channel, direct marketing retailers have reported a “channel shift” toward Internet-based orders. They also might have perceived that maintaining a Call Center would be much costlier than the Internet channel and encouraged their customers to use Internet order channel. Some have thought that the Internet channel would dominate the direct marketing purchases due to availability, convenience, and information source. However, we have observed over a decade of Internet usage that the Internet channel never eliminated the other order channels in direct marketing. Hence, our research questions are: (1) Why is the Internet channel not completely dominating the purchases for direct marketing retailers? (2) Once a consumer has decided the products to order, what additional benefits would an order channel provide the consumers?

The study assumes that the consumer has decided to purchase from a direct marketing retailer and must now decide on the order channel to complete the process. In studying the relative benefits of using the order channels of the direct marketing retailer, we consider the problem-solving situations of the consumer. In a routine problem-solving situation, the consumers would have low perceived risk and high experience and familiarity with the purchase. However, in an extended problem-solving situation, the consumers have high perceived risk and low experience and familiarity with the purchase. Under this conceptual background, we set up hypotheses about two main perceived costs of the consumers in choosing the order channel: perceived channel access costs and the perceived shopping basket-related costs. The perceived channel access costs represent the costs of accessing the channel regardless of the nature of what is in the shopping basket. The perceived shopping basket-related costs are the costs that the customers perceive due to the nature of the shopping basket.

Perceived Channel Access Costs

H1: The perceived cost of accessing the Call Center is higher than that of the Internet channel.

Perceived Shopping Basket-Related Costs

H2: When there are more products to order in the shopping basket, the consumers are more likely to use the Internet channel than the Call Center.

H3: When the value of the shopping basket is larger, the consumers are more likely to use the Call Center channel than the Internet.

H4: When there are more products in the shopping basket that the consumers order for the first time, the consumers are more likely to use the Call Center channel than the Internet.

We use a dataset from a direct marketing retailer that operates multiple order channels and formulate a logit model for channel choice at the individual level where the total shopping cost in the model is related to the perceived channel access cost, perceived shopping basket-related costs, and the situational factors. The perceived shopping basket-related costs are represented by the size and the value of the shopping basket, and the proportion of product categories that are new to the customer.

The model performance shows that 76.14 percent in-sample hit rate and 67.36 percent holdout sample hit rate. The estimated perceived channel access costs are positive and statistically significant for the Call Center channel. The cost for Internet channel is not statistically significant, which means that the perceived channel access cost for Internet channel is virtually none in relative to other channels. This result supports H1. This result shows that the cost of dialing up, potential wait times, and the time in providing account information and going through a verification process in the Call Center is perceived very high. The Basket Size coefficient for the Internet channel is positive and significant but that for the Call Center channel is not significant. This result supports H2. When there are more products in the shopping basket, the consumers are more likely to use Internet than the Call Center. The Value coefficient for the Internet is negative and significant but that for the Call Center channel is positive and significant. This result supports H3. When the value of the basket is larger, the consumers are more likely to use the Call Center than the Internet. The First coefficient for the Internet and the Call Center are both positive and signifi-
cant but the magnitude of coefficient for the Call Center is much larger. Since the coefficients for both channels are positive, it is likely that the consumers use both channels when the purchase is a new experience for them. However, they are more likely to choose the Call Center than the Internet channel. This supports \( H_4 \).

Our empirical results support the hypotheses and show that there are different relative benefits of using channels and the consumers would need different order channels in different problem-solving situations. When there are many products to order in the shopping basket, the consumers are more likely to use the Internet channel but in an extended problem-solving situation, the consumers are more likely to use the Call Center. When the value of the shopping basket is high and there are more products in the basket that are new to the consumers, they are more likely to use the Call Center than the Internet channel. It is found from this study that it is not the best interest of the direct marketing retailer and the consumers to encourage their customers to use the Internet channel. For different problem-solving situations of the consumers, they need to keep both the Internet and the Call Center channels and cater to the individual needs. References are available upon request.

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EXPLORING CUSTOMER VALUE DIMENSIONS OF TRADE SHOW INTERNET PLATFORMS: CONNECTING TRADE SHOWS AND WEB-BASED SERVICES

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SUMMARY

Introduction and Background

Being continuous accelerators boosting economic effectiveness as well as innovativeness of involved firms (Association of the German Trade Fair Industry 2007; Täger and Penzkofer 2003), trade shows have to incorporate state of the art business and media developments. Virtualization and globalization trends therefore are a major challenge for traditional trade shows. Especially web-based B2B internet portals take a more and more important role (Lee-Kelley et al. 2004), as they also offer new business fields and sources of income for trade show organizers (Berne and García-Uceda 2008). Despite the fact that nowadays there is no trade show without an internet platform accompanying it, only little research has been done exploring the interplay of online and offline elements regarding the success of trade shows. Being frequently used before, during and after a trade show, it can be presumed that trade show internet portals constitute a substantial value for their users (both visitors and exhibitors). In order to explore the characteristics and strength of these benefits, the concept of customers’ perceived value is a well-established approach.

Customer Perceived Value: In order to enhance the current understanding of value perception in view of trade show internet platforms, the question of what really adds value in consumer’s perception is defined in this paper through the existence of four latent customer value dimensions: functional, affective, symbolic and economic value.

The functional value dimension of customer value represents the core benefit and basic utilities such as, e.g., the quality, the uniqueness, the usability, the reliability, and durability of a web service (Sheth et al. 1991). The affective value dimension of customer value refers to the experiences, feelings, and emotions a certain web service

FIGURE 1
The Basic Framework
provides to the consumer in addition to its functional utility (Hirschman and Holbrook 1982; Sheth et al. 1991; Westbrook and Oliver 1991). The symbolic value dimension of customer value focuses a customer’s personal orientation toward a web service and addresses personal matters such as consumer’s self-concepts, self-worth or self-identity value (e.g., Vigneron and Johnson 2004; Hirschman and Holbrook 1982). The economic value dimension of customer value addresses direct monetary aspects such as price, resale price, discount, investment etc. It refers to the value of the web service expressed in dollars and cents, to what is given up or sacrificed to obtain it (e.g., Ahtola 1984; Chapman 1986; Mazumdar 1986; Monroe and Krishnan 1985). Figure 1 shows our basic framework.

Methodology and Results

To measure the underlying dimensions of value using trade show internet platforms, we did both, using already existing and tested scales (e.g., Internet Interest and Usage measures by Lin 1999; Korgaonkar/Wolin 1999; Keaveney/Madhavan 2001; the Attractiveness Scale by Boyd/Mason 1999; Customer Value Dimensions by Smith/Colgate 2006; as well as Behavioral Intention Measures by Coyle/Thorson 2001) and generating further items resulting from exploratory interviews with trade show visitors and exhibitors. The wording of scales was adapted to suit trade show interaction performance. Items were rated on five-point Likert scales (1 = strongly agree, 5 = strongly disagree). The questionnaire was face validated twice using exploratory interviews (Malhotra et al. 1996) and pre-tested offline and online to identify the most important questions and to reduce the total number of items. The data collection was organized using an Internet form. Based on related business contacts, 920 trade show exhibitors and visitors received an email invitation with a link to the questionnaire. A total amount of 332 valid questionnaires (115 trade show exhibitors, 217 trade show visitors) was received in August 2008.

Data were analyzed in three stages: First, the various dimensions underlying customer value using trade show internet platforms were uncovered by a factor analysis using the principal component method with varimax rotation. The factor analysis produced a nine-factor structure (consisting of Factor 1 internet experience, Factor 2 internet expertise, Factor 3 internet usage (content), Factor 4 internet usage (value), Factor 5 affective/symbolic value of using trade show internet platforms, Factor 6 functional/economical value of using trade show internet platforms, Factor 7 visitor specific value of trade show internet platforms, Factor 8 exhibitor specific value of trade show internet platforms and Factor 9 behavioral intention) with a Kaiser-Meyer-Olkin measure of .887; the factors’ Cronbach’s alphas were .690 up to .894. In the next step, the nine factor structure scores for each respondent were saved and consequently used in stage two for clustering them into market segments. We used both hierarchical and non-hierarchical clustering techniques including discriminant analysis. Our analysis revealed a five-cluster solution consisting of the conservative skeptics, the enthusiastic innovators, the internet-averse supporters, the passive doubters, the internet-oriented hesitators. References are available upon request.

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NEW PRODUCT EVALUATION: THE ROLE OF THE RETAILER IN INFLUENCING NEW PRODUCT SUCCESS

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SUMMARY

New products are crucial to the survival and prosperity of modern firms. Every year, a great number of new consumer products are introduced into the market. The new product launch is risky and typically the most expensive stage in the new product development process, thus it represents a pivotal factor in determining the success of new consumer products (Calantone, di Benedetto, and Stank 2005). Unfortunately, many new products fail during the new product launch process. The reasons for failures are many and range from the inferior technology of a new product to intense competition to insufficient marketing support (Calantone and di Benedetto 1988). Among the different factors relevant to new product failure, very little attention is paid to distribution (Pellegrini and Zanderighi 1991; Calantone, di Benedetto, and Stank 2005). Overall the literature tends to underestimate the role played by distributors in the process of new product launch of consumer products.

Theoretical Framework

A review of previous work reveals the following two major gaps. First, extant studies generally provide a limited understanding of the retailer new product buying process. The retailer’s first role as a gatekeeper has caught the attention of researchers and has been examined by several studies (e.g., Rao and McLaughlin 1989; McLaughlin and Rao 1991; Rao, McLaughlin, and Hawkes 1995; Hansen and Skytte 1998). Previous studies, however, have been centered on developing models to predict retailers’ decisions about whether to accept or reject a new product and these models in general proved to be poor predictors of the accept decision (Rao, McLaughlin, and Hawkes 1995). As a result, researchers have called for a better model for explaining the accept decision (e.g., Rao, McLaughlin and Hawkes 1995). Therefore, the extant approach to new product buying seems to have a limited understanding of the retailer’s role of a gatekeeper in a new product launch. Second, the second role of the retailer in determining the success of a new product launch has been virtually overlooked in the literature. Although previous studies allude to the importance of the retailer in determining new product success, they usually “treat the variable in an ad hoc way or do not consider it at all” (Rao and McLaughlin 1989, p. 81). Little research has been dedicated to investigating how retailers influence new product performance. In this study, we contend that the retailer’s behavior toward new products influences new product performance in the market. The retailer, being the customer of the manufacturer, is not only a receiver of a new product but also a co-producer of the new product offering to consumers. In order to close the aforementioned gaps, an integrated model (see Figure 1) incorporating the retailer new product evaluation and the post-evaluation stages is proposed based on Sheth’s (1981) model of Merchandising Buying Behavior and Transaction Cost Analysis. We chose China as a research context to study new product evaluation and new product performance.

Methods

A questionnaire was used to collect data. The development of construct measures in the questionnaire followed Churchill’s (1979) recommendation. First, previous research and relevant literature were reviewed for well-established scales appropriate to this study. New measures were then developed if no existing scales are available. Items were generated based on in-depth face-to-face interviews and then reviewed by U.S. and Chinese academic experts in retailing and changes were made based on their recommendations. A pretest and a pilot study of the second draft of the questionnaire with retail buyers in Beijing were conducted.

Analyses and Results

The Cronbach’s alphas of all constructs are larger than 0.72. Convergent validity and discriminant validity of the constructs are assessed through CFA analyses. Overall, the measurement validity of the constructs is achieved. The model fit is satisfactory (S-B = 77.27, p = .006, df = 49, CFI = .934; IFI = .939; MFI = .910; RMSEA = .062; 90% CI (.034, .088)). All hypothesized paths are significant.

Discussion and Conclusion

Buying new products is not a trivial decision for retailers. Retailers need to learn to better allocate scarce
resources, reduce costs, and thereby maximize both organizational and channel efficiency. Therefore, retailers need to understand their own behavior and the consequences of their behavior.

Marketing scholars have paid little attention to examining the importance of retailers in determining new product success despite the critical role of retailers play in new product introductions (Rao and McLaughlin 1989). In this study, we argue that retailers not only make buying decisions regarding new products but also influence the performance of new products in the market. Drawing theories from different disciplines, we proposed an integrated conceptual model explaining retailer new product evaluation and new product success and conducted an empirical study to test the model with data collected in China. Overall, the model showed good fit properties. Therefore, it can be concluded that the results of this study support the proposed model.

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THE RELATIONSHIP QUALITY – EXPORT PERFORMANCE LINKAGE: AN INVESTIGATION OF CROSS-BORDER CHANNELS

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Irena Vida, University of Ljubljana, Slovenia

SUMMARY

Introduction

The relational paradigm views exporters and importers as proactive, interdependent entities that interact with each other over time (e.g., Ambler and Styles 2000; Leonidou 2003). The export literature has investigated how attitudes and behavioral norms, help the exporter achieve economic success in an international venture. Many researchers emphasize the role of the foreign representative in achieving international success. However, the majority of the empirical research on export performance anchored in the relationship paradigm ignores the effect of the importer role performance on exporter economic performance.

To the best of our knowledge, this study represents the first attempt (1) to investigate the importer’s role performance as an antecedent of export performance, (2) to model the importer’s impact and thus demonstrate its mediating effect on the link between relationships and economic performance, and (3) to verify these hypotheses in two countries.

Conceptual Framework

When researchers discuss the effect of organizational attitudes (e.g., trust – commitment) and behavioral norms in the context of export performance, they typically introduce intermediate variables in their conceptual model, but they do not include these in their tested model. Nes et al. (2007, p. 412) recognize that it is difficult to hypothesize a direct relationship between trust–commitment and export performance: “While we have seen an enthusiastic interest in this line of research in marketing, we still need more documentation of the link between commitment and financial performance” (see also Ambler et al. 1999; Zhang et al. 2003).

The empirical neglect of importer role performance as an antecedent to export success is problematic for several reasons. First, omitting a major explanatory factor results in an incomplete theory of export performance. Second, most models posit direct links among attitudes, norms, and economic performance and thus do not respect the basic principles of the theories on which the focal paradigm is based (Cannon and Perreault 1999). Third, the incomplete representation of the export process in the literature is paralleled by a common exporter misconception that transactions end when the goods are shipped.

Hence, we intend to test the following four hypotheses:

Hypothesis 1. Importer role performance mediates the relationship between relationship quality and export performance.

Hypothesis 2. Relationship quality has a positive impact on importer role performance.

Hypothesis 3. Importer role performance influences exporter economic performance positively.

Hypothesis 4a. Relationship quality is associated with higher export performance.

Hypothesis 4b. Relationship quality is associated with lower export performance.

Methodology

Using structural equations modeling, we tested these four hypotheses with data from two samples of French and Slovene exporters. After we ensured the competence of our respondents and their responses, our final samples consisted of 283 French (26.8% response rate) and 224 Slovenia (27.05% response rate) respondents.

Adapting scales from the literature, we assessed their validity through a Confirmatory Factor Analysis.

To prove our hypothesized mediating effect we compared two models: a direct model M1 (including two relationships, between Relationship Quality and Export Performance and between Relationship Quality and Importer Role Performance) and a mediated Model M2, corresponding to our conceptual model.

We confirmed the association between relationship quality and export performance (Hypothesis 4a) in the
direct model. Hypotheses 2 and 3 were also supported, indicating that relationship quality enhances the performance of the importer, which in turn improves export performance. In the mediated model M2, we found a negative link – or “suppressing effect” (see Shrout and Bolger 2002) – between relationship quality and export performance. This extreme form of mediation (thus verifying Hypotheses 1 and 4b) occurs when all the positive effects of a variable are channeled through the mediating variable and the direct effect accounts only for its negative influence on the dependent variable (for a discussion of the “dark side” of relationships, see Selnes and Sallis 2003). The results of the structural models are summarized in Table 1.

![FIGURE 1 Mediated Model (M2)](image)

<table>
<thead>
<tr>
<th>TABLE 1 Results of the Structural Models</th>
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<tbody>
<tr>
<td>Hypothesis</td>
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<td>-----------------------------------------------</td>
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<tr>
<td>Direct Model M1</td>
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<tr>
<td>H2 Relationship quality → Importer’s performance</td>
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<tr>
<td>H4.a Relationship quality → Export performance</td>
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<tr>
<td>Mediated Model M2</td>
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<tr>
<td>H2 Relationship quality → Importer’s performance</td>
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<tr>
<td>H3 Importer’s performance → Export performance</td>
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<tr>
<td>H4.b Relationship quality → Export performance</td>
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<table>
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<tr>
<th>Fit Indexes for M1</th>
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<tbody>
<tr>
<td>FRA: $\chi^2 = 172$, d.f. = 99, $p = .00$; GFI = .91; NFI = .94; TLI = .97; CFI = .97, RMSEA = .06</td>
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<tr>
<td>SLO: $\chi^2 = 239$, d.f. = 99, $p = .00$; GFI = .88; NFI = .91; TLI = .93; CFI = .94, RMSEA = .08</td>
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<tr>
<td>Fit Indexes for M2</td>
<td></td>
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<tr>
<td>FRA: $\chi^2 = 123$, d.f. = 98, $p = .05$; GFI = .94; NFI = .96; TLI = .99; CFI = .99, RMSEA = .03</td>
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<tr>
<td>SLO: $\chi^2 = 196$, d.f. = 98, $p = .00$; GFI = .90; NFI = .92; TLI = .95; CFI = .96, RMSEA = .06</td>
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*Significant at $p \leq 0.05$ if $|t| \geq 1.96$, significant at $p \leq 0.10$ if $|t| \geq 1.64$

Notes: Results for Slovenia appear in parentheses. FRA = France, and SLO = Slovenia.
Conclusions

The analysis of the data from the French and Slovene exporters demonstrates that importer role performance mediates the impact of relational factors on export performance. Furthermore, the explanatory power of our parsimonious model (only two antecedents to Export Performance) is much higher than that of the direct model. The percentage of variance in export performance reached 74.4 percent (mediated model) versus 37.6 percent (direct model) with the French data and, 76.4 percent versus 34.3 percent with the Slovene data, thus demonstrating the increased explanatory power achieved from injecting the focal variable into the model.

Our findings suggest that though good relationships are an effective lubricant, they should not be considered an end in themselves. Good relationships are only one means by which an adequate exporting managerial process can achieve successful outcomes; sometimes, they might even prove detrimental to success (i.e., the dark side of relationships; see Selnes and Sallis 2003).

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BREAKING THROUGH THE GLASS CEILING OF BRAND PERSONALITY: A FIVE-STAGE PROCESS OF BRAND ANTHROPOMORPHIZATION

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SUMMARY

The tendency for consumers to perceive brands as actual human beings has significant implications in the area of branding. However, there is a significant gap in the marketing literature regarding the process that may influence the degree to which consumers perceive brands as complete human beings. The present research introduces the concept of anthropomorphized brands (AB) and discusses the psychological mechanisms that underlie the process of brand anthropomorphpization. Our study builds on the three-factor theory of anthropomorphism, dehumanization, and self-concept theories, as well as the extant theoretical work on the knowledge activation to explain a five-stage process of brand anthropomorphization. Furthermore, we suggest that the inference process of brand anthropomorphization begins with primary cognition stages and proceeds through secondary cognition stages. Primary cognition stages begin with the accessibility of self-knowledge at the point of judgment regarding a brand. Psychology literature provides evidence that supports the notion that self-knowledge operates naturally in the inference processes and is automatically accessible in making judgments for both humans and nonhumans. Furthermore, we argue that accessible egocentric knowledge is assimilated into further inference regarding a brand through the perceived cognitive match between the aspect of self-schema and one of the dimensions of brand personality. Importantly, we argue that during the brand anthropomorphization process two types of AB perceptions are being formed – one that is more transient and one that persists longer. Thus, the result of the primary cognition stage is the formation of more transient anthropomorphic brand representation. Finally, we provide a theoretical explanation of the conditions under which enduring and more persisting AB perceptions fail to form. Theoretical and managerial implications are also discussed. References are available upon request.
CHANGING BRAND ASSOCIATIONS IN TAIWAN: NIKE’S SPONSORSHIP OF HIGH SCHOOL BASKETBALL

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SUMMARY

The purpose of this research is to investigate the specific effects that sport sponsorship has on brand associations. Our study explores sponsorship’s influence on brand attributes as well as functional, experiential, and symbolic brand benefits. This research contributes uniquely to the body of knowledge in three ways. First, by studying sponsorship effects amongst fifteen to eighteen year-old senior high school students we gain original insights into the minds of younger consumers. Second, by testing and controlling for levels of involvement we can see how sponsorship effects relate to involvement. Third, by conducting the research in an international context we can better understand global sponsorship effects, the emerging global consumer, and we can set the stage for future international comparison studies.

A longitudinal two-stage survey investigated NIKE’s sponsorship of the High-School Basketball League (HBL) in seven major cities throughout Taiwan. Respondents were drawn from 20 different high schools. While convenience sampling yielded a sizeable total of 900 responses, 828 questionnaires were deemed useable. The paper-and-pencil survey contained three parts. The first part of the survey recorded demographic information and personal consumption details. The second part of the survey measured consumer involvement through the revised personal involvement inventory (RPII) by McQuarrie and Munson (1992). The third part of the survey contained seventeen questions regarding NIKE’s brand equity. Questions were derived from Keller’s (1993) three major types of brand associations: brand attributes, brand benefits and brand attitudes. A set of paired-samples t-tests were employed to evaluate the differences between measurements at Time-1 and Time-2 (the start and end of the season – an interval of approximately four months) across the three main dependent variables.

The results of this study yield four major conclusions. First, a positive relationship between sponsorship and brand associations does exist, even amongst teenagers in an international context. This finding adds a global perspective in support of past research (Pioe and Voges 2000; Levin, Joiner, and Cameron 2001; Henseler et al. 2007). Furthermore, we found positive relationships between sponsorship and non–product-related brand attributes, functional and symbolic brand benefits, and brand attitudes. Interestingly, NIKE’s sponsorship did not sway subjects’ ratings of product-related attributes or perceived experiential benefits. These findings seem to imply that sponsorship is a viable strategy to influence consumers’ tangential brand associations. Sponsorship can positively change consumers’ perceptions of the symbolic, non-product related brand attributes and associations. Thus, it would appear that sponsorship helps a firm’s image more than it helps the more tangible, “real” product judgments.

Second, the results suggest that sponsorship does not significantly influence purchase intentions for the brand. This is contrary to the findings of Pioe and Voges (2000) who, as hypothesized, found positive brand effects related to purchase intentions. We conclude that NIKE’s sponsorship of the HBL was not a strong enough marketing strategy to motivate consumers to purchase its products, especially amongst this age group, wherein NIKE is already likely the most well-known brand and at (or near) the top of young consumers’ consideration sets. It appears that sponsorship may change brand image perceptions, brand associations, and brand attitudes, but it is just not a strong enough influence to sway purchase intentions.

Third, we found a positive relationship between sponsorship and perceptions of price. This finding supports the work of Cornwell et al. (2001) and their suggestion that sponsorships can strategically impart price differentiations across brands. Amongst high school consumers, sport sponsorship results in incremental price differentiation and sponsors appear to gain a price advantage in comparison with competitors.

Finally, our research reveals that when consumer involvement is low, sponsorship has a positive affect on brand associations. This notion is contrary to past studies (Jan 1996; Levin, Joiner, and Cameron 2001) that found that when consumer involvement is high, sponsorship has a more significant effect on brand equity than when consumer involvement is low. Our findings strongly indicate that sport sponsorship has stronger effects on consumers who rate lower involvement (and often had no effect or even a negative influence on subjects in the high involvement group). Our findings may be indicative of an age-related effect relative to the sample. We believe that teenage consumers who are highly involved are probably
already quite familiar with *NIKE* and have well-developed brand associations and attitudes, and consequently sponsorship has little influence. Conversely, consumers with low involvement are unfamiliar with *NIKE*, so sport sponsorship can efficiently increase their brand associations. References are available upon request.

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FOREIGN VERSUS LOCAL NON-CELEBRITY ENDORSER EFFECT IN EMERGING ECONOMIES: THE ROLE OF IDEAL IDENTITY SALIENCE

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Chenting Su, City University of Hong Kong
Nan Zhou, City University of Hong Kong
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ABSTRACT

This study investigates the mediating mechanism of consumers’ exposure to advertisements endorsed by a foreign versus local non-celebrity for both status and non-status products in emerging economies. Experimental results indicate that such ads could activate ideal identity salience, which, in turn, influences source credibility and consumers’ attitudes toward the advertisement.

INTRODUCTION

Non-celebrity endorsers have been used widely in advertising to save costs or to display similarity or affective appeals to the audience. In emerging economies such as China, a foreign non-celebrity endorser is typically utilized for status products (i.e., products that symbolize social status) to arouse symbolic meanings such as social distinctions, technology, or modernity (Zhou and Belk 2004); whereas a local non-celebrity is often used for non-status products because he/she could inspire the feeling of similarity in consumers’ mind, and thus positively influence consumers’ attitudes (Stafford, Stafford, and Day 2002). It is suggested in advertising literature that certain mediating mechanisms exist between ads and consumers’ attitudes toward the ads. Source credibility, for example, is found to be a partial mediator across advertised product types (Hanssens and Weitz 1980) and could influence consumers’ perception of the ads (Kamins 1989). The mediating mechanism of such endorser effects by a foreign versus a local non-celebrity for both status and non-status products on consumers’ ad attitudes in emerging economies, however, has remained uncharted.

Advertising research on source effect suggests that congruence between endorser type and product type plays a key role in advertising effectiveness (Hong and Zinkhan 1995). In emerging economies such as China, a foreign (typically a Caucasian) non-celebrity endorser is often a status symbol and regarded as the consumers’ ideal identity. She/he may make a congruent match with a status product. By contrast, a local non-celebrity endorser is often used for similarity appeals. She/he may embody consumers’ ideal identity when matched with a non-status product. These congruent states are supposed to influence consumers’ attitudes toward ads more favorably than other incongruent situations, i.e., a foreign non-celebrity with a non-status product or a local one endorsing a status product.

Social psychologists have pointed out that activating the salience of an individual’s identification with the advertising endorser’s identity could result in identification with the particular group, thus causing in-group bias in which consumers are more likely to perceive mutual similarity, attraction, emotional empathy, and attitudinal and behavioral uniformity (Turner 1982). The bias in turn influences favorably consumers’ perception of the advertisement (Belk, Bahn, and Mayer 1982). This study integrates source-effect and ideal identity salience research to posit that both a foreign and a local non-celebrity endorser could activate consumers’ salience of ideal identity for both status and non-status products. The salience further influences source credibility and consumers’ attitudes toward ads. The extent of ideal identity salience varies across different matches between the endorser type (a foreign non-celebrity versus a local non-celebrity) and the product type (a status product versus a non-status product).

CONCEPTUAL BACKGROUND AND HYPOTHESES

Foreign versus Local Non-Celebrity Endorser Effect in Emerging Economies

Since Belk (1975) introduces the situational variables into marketing research, the contingency approach has received significant attention. It has been pointed out that for different consumption situations, there may exist different ideals. The situational ideal image is the ideal image consumers want to express for a specific situation (Graeff 1997). In other words, the situational ideal image is congruent with an individual’s perception of a specific situation. In a similar vein, for different product types, there may exist different ideal endorser images. The self-referencing process indicates that an individual often relates his/her own experiences or expectations to adver-
tising messages to project self in a situation. In the advertising context (Burnkrant and Uppana 1989), people often picture themselves as being like the endorser. The ideal endorser image is often the embodiment of the ideal self-image that one aspires for a specific product type. Therefore, the situational ideal identity in our study refers to a congruent state between endorser type and product type in an advertisement. We focus on the identity aspect in one’s self-concept or self-image to avoid confusion with other components, i.e., an individual’s dispositions and physical characteristics (Rosenberg 1979).

Global advertising elements, such as a foreign identity (i.e., being like a foreigner), are valued as signs or symbols for status, cosmopolitanism, and modernity in emerging economies (Zhou and Belk 2004). A foreign identity is considered as a highly valued status characteristic that consumers would like to be associated with to achieve a higher self-esteem in emerging economies (Batra et al. 2000). Therefore, a foreign endorser, who relates to a status imagination, can be regarded as consumers’ ideal identity. However, only a situationally congruent ideal identity could prime more favorable responses. In other words, the extent of ideal identity activation varies across product contexts in an advertisement. A foreign non-celebrity endorser may make a congruent match with a status product, and thus elicit greater extent of identification with the ideal identity; whereas he/she might not perform well with a less congruently matched non-status product.

A local non-celebrity endorser is often related to perceived similarity to general consumers rather than social distinctions (Coleman 1983). A communicator’s similarity to the intended audience is an important aspect of credibility (Berscheid 1966). A non-status product, such as a simple fixed telephone, is usually an ordinary product. A local non-celebrity endorser could make a congruent match with a non-status product; thus can be regarded as consumers’ situational ideal identity and can activate more ideal identity salience in their mind than less congruent matches. By comparison, a status product emphasizes social distinction (Coleman 1983); therefore, is less congruent with a local non-celebrity endorser. However, the status product can project its positive symbolic meaning to the local non-celebrity endorser, thus priming certain extent of identification with the ideal identity (i.e., status).

An individual’s self-concept consists of many concurrent social identities. Whether a specific identity plays an important role in influencing advertising effectiveness depends on whether it is salient when consumers are exposed to an advertisement. Identity salience is the relative importance of an identity to define oneself under a certain context (Hoelter 1985) and can increase the influence of one’s membership of a group on his/her perception and behavior (Oakes 1987). The two determinants of identity salience are accessibility (i.e., the readiness of an individual to self-categorize with a particular identity) and contextual fit (i.e., whether the context that activates a particular identity can match the criteria that define the identity) (Oakes 1987).

Foreign or local non-celebrity endorsed ads both satisfy these two preconditions of identity salience activation. For accessibility, the use of non-local symbols as expressions of social aspirations (for status) for consumers in the less affluent world have been well observed (Batra et al. 2000), which results in easy accessibility to this foreign identity; whereas a local individual’s familiarity with local ads and his/her past experiences with local life would help to readily activate the salience of local identity (i.e., being like a local person). For contextual fit, the more congruent the endorser type is with the product type, the more salient the corresponding ideal identity is. In other words, the foreign ideal identity would become more salient when a foreign non-celebrity endorses a status product; while the local ideal identity would become more salient when a local non-celebrity endorser is matched with a non-status product.

The more congruent match between the endorser type and the product type in an ad can also elicit higher source credibility and may influence attitudes more favorably than the less congruent appeals. Advertising source-effect research suggests that congruence between the endorser type and the product type plays an important role in influencing consumers’ perception of the advertising source (Hawkins, Best, and Coney 1983). Kamins and Gupta (1994) further point out that a higher degree of congruence between the endorser type and the product type would result in greater believability of the endorser. Source credibility in an advertising context is generally considered as the positive traits possessed by an endorser and they can influence consumers’ attitudes toward the advertisement (Ohanian 1990). It generally includes three components: attractiveness (in association with the source’s perceived image), trustworthiness (the extent of the audiences’ confidence and acceptance level to the source), and expertise (the source’s perceived skills in a persuasive communication). Because the tested ads did not emphasize the expertise dimension of source credibility, we assumed that there were no significant differences between the two types of endorsers in this regard, which was also supported by subsequent experimental results. Based upon the literature review, the following four hypotheses are advanced:

H1: An advertisement endorsed by a foreign non-celebrity for a status product is likely to elicit (a) more ideal identity salience (b) higher levels of source credibil-
ity in terms of attractiveness and trustworthiness and (c) more favorable attitudes toward the advertisement than by a local non-celebrity.

H2: An advertisement that uses a foreign non-celebrity endorser is likely to elicit (a) more ideal identity salience (b) higher levels of source credibility in terms of attractiveness and trustworthiness and (c) more favorable attitudes toward the advertisement for a status product than for a non-status product.

H3: An advertisement endorsed by a local non-celebrity for a non-status product is likely to elicit (a) more ideal identity salience (b) higher levels of source credibility in terms of attractiveness and trustworthiness and (c) more favorable attitudes toward the advertisement than by a foreign non-celebrity.

H4: An advertisement that uses a local non-celebrity endorser is likely to elicit (a) more ideal identity salience (b) higher levels of source credibility in terms of attractiveness and trustworthiness and (c) more favorable attitudes toward the advertisement for a non-status product than for a status product.

Ideal Identity Salience and Source Credibility, Attitudes Toward the Ad

Activating the salience of a social identity can result in identification with the particular group, causing in-group bias and influencing consumers’ perceptions and behavior. In-group bias refers to the favorable attitudes toward in-group members. Turner (1987) emphasizes the important effects of collective membership on our behavior, including preferential treatment and feelings of attraction toward members of the in-group. Specifically, self-categorization or social identification research suggests that identity salience tends to lead to the perceived similarity of members, mutual attraction between members or mutual esteem, emotional empathy, and attitudinal and behavioral uniformity (Turner 1982). Thus, we posit that identification with the ideal identity may elicit in-group bias which results in higher levels of source credibility and more favorable attitudes toward an advertisement.

H5: A more salient ideal identity is likely to lead to higher perceptions of source credibility among consumers.

H6: A more salient ideal identity is likely to lead to more favorable attitudes toward the advertisement among consumers.

METHODOLOGY

To investigate the hypotheses, a 2 (a foreign versus a local non-celebrity endorser) × 2 (a status versus a non-status product) full-factorial, randomized, between-subjects experimental design was conducted in China, an emerging economy.

Development of Stimulus Materials

Fictitious names were given to the brand to avoid any potential confound with pre-existing attitudes toward real brands. In the survey, the respondents were asked to indicate whether they had seen or known the endorser before. Four print advertisements were finally developed. All advertisements were the same with the exception of the endorser or/and the product.

Questionnaire and Measures

The questionnaire includes three parts. In part I, the first question was asking the respondents’ first impression of the endorsers in order to find out whether there was a significant difference between the two endorsers’ appearances. The second question aimed to examine whether the respondents could clearly recognize the endorser type (foreign versus local). The third question was asked about whether they knew the endorsers or not. The fourth question asked the respondents whether owning the product could improve their social status. Part III recorded the demographic information.

In part II, Callero’s (1985) scale was used to measure ideal identity salience (Cronbach’s alpha = .83). Ohanian’s (1990) three-part scales, i.e., attractiveness, trustworthiness, and expertise, were used to measure source credibility (Cronbach’s alpha = .83, .91, and .81 respectively). Attitudes toward the advertisement were measured by four pairs of 7-point items (Cronbach’s alpha = .95) used in a study conducted by Muehling, Laczniak, and Stoltman (1991). Involvement with the ads was included as a covariate which was assessed by Schlinger (1979)’s scale.

Sample and Procedure

Participants were undergraduate students from a university located in Shandong province, China. They were recruited and participated on a voluntary basis for the experiments. They were randomly assigned to one of the four cells. In each of the four cells, respondents were first-given a packet that included instructions, a test ad, and the questionnaire. All materials in the four packets are the same except the tested advertisement. Respondents were told that a new business was coming to the area and the advertisement was a trial test for its products which were made in China. They were instructed to look at the advertisement as if they were looking at a magazine. No time limit was placed on viewing the ad or completing the questionnaire. A total of 361 usable questionnaires were finally obtained; cell sizes were 90 or 91. There were 41.4
percent of male and 58.6 percent of female students with ages ranging from 18 to 23. No significant differences were found for the four groups in terms of gender and age.

RESULTS

Manipulation Checks

All participants could recognize whether the endorser was a foreigner or not. The means for notebook computer and telephone showed a significant difference ($t = 7.30, p < .001$) on the symbolic meanings attached to the two products. No significant difference was found on first impressions or appearances of the two endorsers ($t = .39, p > .05$). No respondent had seen or known either endorser in advance.

Reliability and Validity

The Cronbach’s coefficient alphas of the five factors (ideal identity salience, three components of source credibility, and attitudes toward the ad) were found to be in the range of .81 to .93, which were consistently above .70. The dependent measures were then subjected to a confirmatory factor analysis (CFA) through AMOS 5.0. A CFA allows for a validity assessment of the measures used. The indices ($\chi^2$/df = 1.56, $p = .000$, GFI = .93, AGFI = .90, CFI = .97, NFI = .93, RMSEA = .04) suggest a good fit of the measurement model; specifically $\chi^2$/df ratios less than 5 are preferable, according to Kline (2005) and Schumacker and Lomax (2004). All items loaded significantly (C.R. > 1.96) on their corresponding constructs. Therefore, evidence of trait validity is provided for the dependent measures.

Hypotheses Testing

The product of the two dummy variables, i.e., the endorser type and the product type (the foreign non-celebrity endorser and the notebook computer are coded as 1 respectively; the counterparts are coded as 0), was calculated as the interaction term according to the prior literature on structural equation modeling in experimental research (Ping 1995). The two dummy variables were excluded from the path model since they were highly correlated with the interaction term. Thus, the path model consisted of an interaction variable and the three dependent measures. The indices ($\chi^2$/df = 1.74, $p = .000$, GFI = .92, AGFI = .89, CFI = .96, NFI = .92, RMSEA = .045) suggest a good fit of the path model. The AMOS estimates showed that the critical ratios of the causal paths were all statistically significant ($p < .05$), providing strong support for the conceptual model. The path coefficients between the interaction term and ideal identity salience, source credibility, attitudes toward the advertisement are .55, .21, and .14 respectively with significant critical ratios. It was hypothesized by H5 and H6 that ideal identity salience was positively related to source credibility and attitudes toward the advertisement. The path coefficients of .34 and .42 with critical ratios of 3.54 and 3.12 respectively were calculated and both were statistically significant ($p < .05$), thus supporting these two hypotheses.

To clarify the effect of the four different matches and to incorporate the covariate, MANCOVA was conducted. A test of slope homogeneity was conducted first for the covariate of involvement because a key assumption of MANCOVA is homogeneity of the covariates. The statistics ($F = 1.26, p = .11$) indicate that the assumption was met. Thus, it was considered appropriate to use MANCOVA for analysis. As shown in Table 1, the initial results for the full model yielded significant Wilk’s Lambdas for the endorser by product interaction, as well as for both main effects. Therefore, univariate analyses were then conducted.

The endorser by product interaction was significant for the ideal identity salience and two components of

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>Multivariate and Univariate $F$ Tests</th>
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<tr>
<td>Source of Variation</td>
<td>Wilk’s $\lambda$</td>
</tr>
<tr>
<td>Endorser type ($A$)</td>
<td>.96*</td>
</tr>
<tr>
<td>Product type ($B$)</td>
<td>.76***</td>
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<tr>
<td>$A \times B$</td>
<td>.57***</td>
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<tr>
<td>Involvement</td>
<td>7.61*</td>
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Notes: * $p < .05$; ** $p < .01$; *** $p < .001$
source credibility, as well as for attitudes toward the ad: ideal identity salience, $F = 129.40$ ($p < .001$); attractiveness, $F = 65.14$ ($p < .001$); trustworthiness, $F = 64.19$ ($p < .001$); and attitudes toward the ads, $F = 115.68$ ($p < .001$). The interaction was only marginally significant for expertise ($F = 3.99$, $p < .05$).

Regarding H1, for a notebook computer, the foreign endorser generated significantly higher means of ideal identity salience ($\bar{x} = 5.71$), attractiveness ($\bar{x} = 5.28$), trustworthiness ($\bar{x} = 5.32$), and attitudes toward the ads ($\bar{x} = 5.50$) than the local endorser: ideal identity salience ($\bar{x} = 4.44$, $t = 8.08$, $p < .001$), attractiveness ($\bar{x} = 4.45$, $t = 6.28$, $p < .001$), trustworthiness ($\bar{x} = 4.72$, $t = 3.65$, $p < .001$), and attitudes ($\bar{x} = 4.32$, $t = 7.29$, $p < .001$). Thus, H1 is supported.

As to H2, the foreign non-celebrity endorser produced significantly higher means of ideal identity salience ($\bar{x} = 5.71$), attractiveness ($\bar{x} = 5.28$), trustworthiness ($\bar{x} = 5.32$), and attitudes ($\bar{x} = 5.50$) when matched with a notebook computer than when matched with a telephone: ideal identity salience ($\bar{x} = 4.00$, $t = 10.69$, $p < .001$), attractiveness ($\bar{x} = 3.96$, $t = 10.93$, $p < .001$), trustworthiness ($\bar{x} = 3.58$, $t = 11.27$, $p < .001$), and attitudes ($\bar{x} = 3.77$, $t = 10.18$, $p < .001$). So H2 is supported.

With regard to H3, for an average telephone, the local non-celebrity endorser generated significantly higher means of ideal identity salience ($\bar{x} = 5.30$), attractiveness ($\bar{x} = 4.62$), trustworthiness ($\bar{x} = 4.71$), and attitudes ($\bar{x} = 4.74$) than the foreign counterpart: ideal identity salience ($\bar{x} = 4.00$, $t = 4.46$, $p < .001$), attractiveness ($\bar{x} = 3.96$, $t = 4.46$, $p < .001$); trustworthiness ($\bar{x} = 3.58$, $t = 7.35$, $p < .001$), and attitudes ($\bar{x} = 3.77$, $t = 5.44$, $p < .001$). Therefore, H3 is supported.

Concerning H4, the local non-celebrity produced significantly higher means of ideal identity salience ($\bar{x} = 5.30$) and attitudes toward the ad ($\bar{x} = 4.74$) when matched with an average telephone than when matched with a notebook computer: ideal identity salience ($\bar{x} = 4.44$, $t = 5.15$, $p < .001$), attitudes ($\bar{x} = 4.32$, $t = 2.46$, $p < .05$). So H4 (a) and H4 (c) are supported. However, the local endorser didn’t show significant differences when he was matched with a notebook computer and an average telephone on attractiveness ($\bar{x} = 4.45$ and 4.62 respectively, $t = 1.11$, $p > .05$) and trustworthiness ($\bar{x} = 4.72$ and 4.71 respectively, $t = .06$, $p > .05$), reflecting that his image was considered to also be congruent with a status product. Therefore, H4 (b) is not supported.

**DISCUSSION**

Our findings reveal that advertisements endorsed by a foreign versus a local non-celebrity for both a status and a non-status product could activate ideal identity salience. Ideal identity salience is further found to be a new partial mediator in the ads and consumers’ attitudes toward the ads relationship, which, in turn, could positively influence source credibility, another partial mediator which is already established in advertising literature. Interactions between a foreign non-celebrity endorser and a status product or between a local counterpart and a non-status product were revealed to be the more congruent states, thus resulting in more ideal identity salience, higher levels of source credibility and more favorable attitudes toward the advertisement. One point deserving attention is that with China’s economic status improved rapidly in the world, ads endorsed by a local non-celebrity for a status product are also considered to be attractive and trustworthy.

First, the extent of consumers’ ideal identity salience can positively impact their perception of a source’s credibility. As ideal identity salience increases, consumers may consider the source more representative of their ideal image, thus producing in-group bias and resulting in higher levels of source credibility as well as more favorable attitudes toward the advertisement. Second, a foreign non-celebrity endorser is found to be more effective to communicate a status product than the local counterpart (Zhou and Belk 2004). For consumers in emerging economies, foreign products and brands are associated not only with images of high quality but also with high social status. It surpasses the utilitarian value of these products and brands and is a crucial determinant in consumers’ decision making (Zhou and Hui 2003). The symbolic meaning of status is also attached to a foreign endorser, even she/he is a non-celebrity. Therefore, his/her endorsement of a status product can achieve higher advertising effectiveness.

Third, the local non-celebrity endorser matched with a non-status product results in more favorable responses than the foreign counterpart in emerging economies. A telephone advertisement is usually used to arouse similarity or affection feelings while a foreign non-celebrity endorser is often associated with social distinctions. As described by one of the respondents, “it is very strange to see a foreigner who endorses an average telephone.” This kind of feelings may be due to the incongruence produced by this mismatch. Therefore, the local non-celebrity endorser rather than the foreign counterpart can meet people’s expectations to match with a non-status product. This is also the case for some developed countries. For instance, Chao, Wührer, and Werani (2005) in a recent study find that a local non-celebrity endorser scores higher than the U.S. celebrity counterpart when they are matched with an average VCR product on purchase intention for Austrian consumers.

Finally, a local non-celebrity endorser is found to also be congruent in matching a status product. One reason may be that with China’s improved status in the world, a local non-celebrity is also considered appropriate
to endorse a status product. Another possible reason is that during the turn from a central planning economy to a market-oriented economy in China, businesses have received enormous attention from society. Businessmen have emerged as a new class in China since the beginning of the open-door policy, i.e., a middle class besides the dominant agrarian and working class. The new class symbolizes more wealth, higher social status, and owning more decent jobs. In addition, a businessman uses notebook frequently. Therefore, it seems reasonable for a businessman-like local non-celebrity endorser to match a notebook computer.

Advertisers should understand whether their products are assigned with special symbolic meanings by society. If their products relate to status symbols, then using a foreign non-celebrity endorser rather than a local counterpart could achieve better advertising effectiveness. However, using a local non-celebrity with a middle-class image also performs well to create an attractive and trustworthy source, though consumers may not produce the same amount of favorable attitudes toward the endorsed ads. In contrast, using a local non-celebrity endorser instead of the foreign counterpart for a non-status product would fit well with people’s general perceptions.

University students were respondents in this study. Thus, it is desirable that more types of respondents are recruited to represent the population more accurately. In addition, it might be helpful if further research incorporate attitudes toward the brand in the mechanism.

REFERENCES


MANAGING BOUNDARY-SPANNING MARKETING ACTIVITIES FOR OPERATIONAL EFFICIENCY

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SUMMARY

One of the primary determinants of organizational success in a turbulent and competitive environment is operational efficiency. Maximizing operational efficiency is essential to organizational survival since it enables flexibility in production and delivery, thereby reducing inventory costs and production costs. To ensure that the operations process is finely tuned at each stage, from product fabrication to customer delivery, organizations need to align the internal organizational resources with external market needs. The alignment of internal resources with external needs requires two kinds of boundary-spanning marketing activities: (1) activities that facilitate cross-functional market information exchange within the organization (cross-functional communication), and (2) activities that connect the organization with the external customers (customer connections).

Although researchers commonly acknowledge that these two kinds of boundary-spanning marketing activities: cross-functional communication and customer connections are key components of the marketing function (e.g., Bettencourt, Brown, and MacKenzie 2005; Song et al. 2005), little is known about what factors can promote these two kinds of boundary-spanning marketing activities and how specifically these activities impact operational efficiency. Furthermore, operational efficiency has long been examined through simulation with analytical tools (e.g., Ross and Droge 2004), while empirical research from a behavioral perspective is generally scant. This paper fills in the research gap by introducing a behavioral perspective into the study of the operations function. Specifically, the paper has two main objectives. First, the paper suggests that perceived organizational support significantly impacts marketing managers’ commitment to the marketing function, which in turn enhances boundary-spanning marketing activities. Second, the paper argues that the enhanced boundary-spanning marketing activities will contribute to operational efficiency, and the relationship between boundary-spanning marketing activities and operational efficiency will be mediated by cross-functional team spirit.

Data from 331 marketing managers in the United States were collected to empirically test the hypothesized relationships. The results of the structural equation model demonstrate the positive relationships between perceived organizational support, boundary-spanning marketing activities, and operational efficiency. Results also support the mediating effects of commitment and cross-functional team spirit in the above relationships.

From a managerial standpoint, these findings provide valuable information on how to manage boundary-spanning marketing activities for operational efficiency. First, the achievement of operational efficiency involves not just the technical monitoring of the physical flow of the products. More importantly, special managerial attention must be paid to the active role of personnel involved in the process, especially the marketing personnel who coordinate internal and external information flow in the operations function. The operations function spans multiple business areas in the organization, such as order management, production and distribution. The critical decisions involving those operational business areas are dependent on accurate information from both the functional departments and the customer marketplace. Boundary-spanning marketing activities that contribute to information sharing within and beyond the organization help to boost the cross-functional team spirit, which in turn enhances operational efficiency.

Second, organizational support is vital to the development and maintenance of boundary-spanning marketing activities. Marketing personnel have as their responsibility the sharing of information with both customers and personnel from other functional departments. Favorable treatment and socio-emotional assurance from the organization are important for marketing personnel to develop an active interest in and a strong commitment to the functional department, welfare, which are prerequisite to the successful execution of their challenging boundary-spanning tasks. References are available upon request.
THE MARKET VALUATION OF BRAND LEVERAGE STRATEGIES

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SUMMARY

The 2006 Interbrand report (Interbrand 2008) shows that the total value of the world’s top 10 brands is around US$424,934 million, equaling about 20 percent of these companies’ market value at the year end of 2008. With these highly valuable brands, companies face the challenge of how to maximize the benefits from them. A common practice is to leverage established brands to launch new products. In this way, firms reduce the high marketing costs associated with new products as well as increase sales driven by established brand names. In this study, I define brand leverage strategy as companies use established brands to launch new products. In the realm of inquiry, marketing scholars have investigated three types of brand leverage strategies: line extension refers to the use of an established brand in the same category with changes in relatively minor ways, such as flavors, sizes, and compositions (Lomax and McWiliam 2001; Nijssen 1999; Reddy, Holak, and Bhat 1994); brand extensions stretch the established brands to different product categories (Aaker and Keller 1990; Broniarczyk and Alba 1994; Keller and Aaker 1992). Brand alliances refer to any cooperative marketing activity involving short-term or long-term association and/or combination of two or more individual brands (Park, Jun, and Shocker 1996; Simonin and Ruth 1998). Most of these studies focus only on one strategy, and few compare the three closely related strategies. To fill the gap, the goal of the study is to establish the link between three brand leverage strategies and a firm’s shareholder value.

Srivastava et al. (1998) developed a three-component framework: linking together the market based-asset, market performance and the shareholder value. The framework suggested that the direct outcome of the brand equity is the improved market performance. Ultimately, a valuable brand helps improve market performance, and therefore leads to improve the shareholder value. Specifically, brand equity maximizes shareholder value through two ways: accelerate the cash flow and reduce the volatility of the cash flow.

Based on this, this study proposes that the three brands leverage strategies have different degrees of potential to generate future cash flow. Brand alliances expand to different markets with the greatest potential among the three to generate cash flow. Meanwhile, the main purpose of line extension is to strengthen brand position rather than sales increase, this strategy is associated with minimum risk and benefits. Brand extension is in the middle of these strategies with moderate potential to bring in cash flow.

The event study including 114 announcements from Fortune 500 companies provides empirical evidences to support the differences among the three brand leverage strategies. The sample consists of 55 line extensions, 24 brand extensions and 34 brand alliances. Results show that the market responds positively to three types of strategies: line extension, brand extension and brand alliances. Meanwhile, the stock market responses vary with the type of the strategy. The magnitudes of stock market responses are different for each strategy. Brand alliances show the greatest market responses while lines extension reflects minimum responses with the brand extension in the middle.

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UNDERSTANDING INDUSTRY COMMODITIZATION: ITS NATURE AND ROLE FOR MARKETING STRATEGY EFFECTIVENESS

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SUMMARY

A major theme in the study of evolving marketing competition has been understanding the causes of differing competitive environments and the implications of environmental changes for firms’ strategic orientations (Heil and Montgomery 2001; Weitz 1985). One specific phenomenon, the commoditization of industries, has increasingly been brought forward by marketing scholars as a critical factor in evolving markets (Olson and Sharma 2008; Sharma and Sheth 2004; Ulaga and Chacour 2001). A preliminary definition of commoditization includes the following: A high commoditization level is characterized by competitors offering increasingly homogenous products to price sensitive customers who incur relatively low costs as a result of changing suppliers in stable industries.

Researchers have demonstrated that the phenomenon of commoditization is not only a single-industry incident but a trend that pertains to an increasing number of diverse industries (Greenstein 2004; Olson and Sharma 2008; Sharma and Sheth 2004). Thus, commoditization is seen as an important phenomenon in regards to evolving marketing competition (Heil and Helsen 2001; Unger 1983). For example, many high-tech industries currently face the challenge of commoditization, as an increasing number of the offerings from their component suppliers are undifferentiated, including computer memory, television parts, and disk drives (Christensen and Raynor 2003; Greenstein 2004; Kohli and Thakor 1997).

Despite the increasing practical importance of commoditization and recent academic interest in the topic, there are at least two opportunities to improve our understanding of the phenomenon. First, there is a need for a commonly accepted conceptualization and operationalization of an industry’s level of commoditization. Several key characteristics related to commoditization, such as homogenous products (Pelham 1997) and industry stability (Hambrick 1983b), have been mentioned within different studies. However, no comprehensive construct exists in the literature that captures multiple dimensions of commoditization. Second, it is unclear how firms can effectively leverage marketing strategies as markets trend toward commoditization. Specifically, marketing managers may need to rebalance their firms’ strategic orientations. While some researchers assert that only operational excellence may count in commoditized markets (Pelham 1997), others claim that product- and customer-centered strategies are key to performance in these environments (Hill 1990; Robinson et al. 2002). Generalizable empirical evidence, however, is still lacking.

Thus, the primary purpose of the current article is to fill these two major gaps in the existing literature. First, we explore the nature and facets of commoditization and develop new scale items and adapt existing scales to ascertain the industry’s level of commoditization. Second, we investigate the differential impact of various strategic orientations on firm performance, comparing high and low commodity markets. In doing so, we draw from the value discipline framework by Treacy and Wiersema (1993) in order to investigate those potential differences.

In total, we address three essential questions, which – in a more general form – have been raised as essential to marketing strategy research (Day and Montgomery 1999): (1) How do commoditized and non-commoditized industries function? (2) How do firms in these industries relate to their environment? and (3) What are the contributions of different strategic orientations to firm performance in these industries?

To address these issues, we initially conducted in-depth field interviews to identify the commoditization phenomenon. This was followed by a large-scale empirical study among 141 marketing executives, which applies a multidimensional measure to assess an industry’s commoditization level and enables us to explore differences in the impact of different marketing strategy levers on firm performance between high and low commodity markets.

The empirical results support our conceptualization and operationalization of the commoditization level as a formative second-order construct, composed of the dimensions (high) product homogeneity, (high) price sensitivity, (low) switching cost, and (high) industry stability.

Further, we find that marketing strategy can drive performance in both low and highly commoditized environments. However, firms leverage marketing strategies
to drive performance differently based on the environment. Operational excellence and product leadership are standard levers for competing in all competitive markets. However, as markets become more commoditized, our empirical analysis shows that firms leverage these strategies to drive performance much less, but rather focus on customer intimacy. References are available upon request.

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MARKET-DRIVING BEHAVIOR: PERFORMANCE CONSEQUENCES IN HIGH-TECH START-UPS

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SUMMARY

The concept of market orientation has received significant attention from researchers and practitioners alike since the early 1990s. Two schools of thought have developed with regard to two facets of market orientation. The first one – which has been considerably more researched – is mostly referred to as the “market-driven” approach to market orientation which implies that businesses seek to understand customers’ expressed and latent needs, and develop superior solutions to those needs. The second one – labeled as the “market-driving approach” – on the other hand involves influencing the structure of the market and/or the behavior(s) of market players in a direction that enhances the competitive position of the business.

Recent contributions have emphasized the relevance of market-driving behavior for company success. This notion has been confirmed empirically on the basis of case studies, but still awaits further quantitative validation. The present paper addresses these shortcomings by conducting a survey-based empirical study on the performance consequences of market driving behavior verifying existing conceptual reasoning and anecdotal evidence. In addition to this absolute performance relationship, we aim at deepening the understanding of the market driving’s performance consequences by examining situation dependent relationships. More concretely, the impact of technological and market turbulence on the relationship between market driving and the performance outcomes is investigated.

An empirical survey-based study is conducted in the context of high-tech start-ups as these companies and their environments seem especially appropriate for the examination of market-driving behavior. The empirical results show that a significant positive relationship between market-driving behavior and performance exists in the context of high-tech start-ups. Although there are moderating effects in all sub-samples (i.e., low and high market/technology turbulence), a significant positive performance impact of market-driving behavior can be observed suggesting that this relationship – in absolute terms – is a pretty robust one across contexts. Consequently, the conceptual notion about its positive performance implications can be substantiated by empirical evidence for the first time. Besides, this relationship turns out to be stronger in environments with low technological and market turbulence. These findings suggest that – in analogy with the research on market-driven behavior – more research is needed to understand antecedents and situation-dependent performance consequences of this facet of market orientation.

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MEASURING INTERACTIVE REMOTE SERVICES ACCEPTANCE: A QUANTITATIVE STUDY ON B2B-SERVICES ADOPTION

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SUMMARY

The paper focuses on interactive remote services, which are provided via technology-mediation to a connected service object in a collaborative production process based on a high level of human-to-human interaction between an active provider (employee) and an active customer (employee). While this new service type offers fascinating opportunities for service providers, it is also associated with substantial challenges and barriers, for which – due to their newness – neither practitioners nor academics have found an ideal solution. This paper addresses this gap and focuses on the factors that determine the initial usage of interactive remote services in a B2B-setting. This research uses a multi-method approach to address the following key research questions:

1. What determines the adoption of remote services?
2. Do the identified beliefs affect the intention to use remote services and to which extent? and
3. Do organizational characteristics like company size, organizational remote technology expertise and the function of the respondent interact with the identified antecedents of usage behavior and to what extent?

The study contributes to the literature by combining two different research streams pertaining to services marketing and technology acceptance, which previously have been pursued rather isolated. Most importantly, a new unified model that explains interactive remote services usage in B2B-settings – the Interactive Technology-Mediated Service Usage Model (ITSUM) – is developed.

The ITSUM was developed based on literature on related technology-mediated services and on the results of an international qualitative interview study. Within the ITSUM, beliefs groups of a potential interactive remote service customer including predictability beliefs (controllability and trustworthiness of the remote service technician), perception of the usefulness of remote services, technology perceptions (ease of use, trustworthiness of the technology), co-production readiness beliefs (role clarity, role ability, motivation), and organizational characteristics are modeled as antecedents for an organization’s intention to use interactive remote services.

To validate the ITSUM and to measure the acceptance of interactive remote services we conducted a large-scale empirical study in the German printing industry (n = 717). The analysis revealed that the proposed antecedents of behavioral intention – perceived controllability and

FIGURE 1
The Interactive Technology-Mediated Service Usage Model (ITSUM)
trustworthiness – have a significant positive effect on intention to use. For the first time, it can be shown that the perception of a service counterpart’s actions has a significant and strong effect on adoption behavior of a customer company. Role clarity next to perceived usefulness had the strongest effects on intention to use remote services. Also, the results show that technology perceptions have an important influence on the company’s intention to use remote services.

The current study contributes to contemporary research by offering insights into factors that contribute to B2B usage of interactive remote services. This study shows that although remote services are provided with no direct face-to-face contact between the service provider and the customer, a sole focus on technology acceptance is not enough to increase the customer’s intention to use remote services. The process of co-creation of value by the service provider employee and the customer strongly affects the perception of such services and should be considered at every stage in the service production process. References are available upon request.

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WHEN THINGS GO WRONG: RELYING ON CUSTOMER SERVICE TO MAINTAIN BRAND PREFERENCE, LOYALTY, AND SHARE OF WALLET

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SUMMARY

Service failures are not uncommon among even the best of companies, a reality amplified by rising service expectations among customers (Smith, Bolton, and Wagner 1999). Fortunately, service recovery efforts, i.e., actions a company takes to resolve or mitigate problems experienced by the customer in the company’s provision of a service, have been shown to favorably influence customer evaluations of the firm, their willingness to continue doing business with the firm, and the tailoring of supportive customer behaviors. More specifically, an effective company response to service failures can result in satisfaction with the service encounter and recovery effort (Smith, Bolton, and Wagner 1999; Hoffman and Kelley 2000), overall satisfaction (Spreng, Harrell, and Mackoy 1995; Smith and Bolton 1998), purchase/repatronage intentions (Maxham and Nedemeyer 2003; Blodgett et al. 1997), favorable word of mouth or reduced negative word of mouth activity (Spreng et al. 1995; Blodgett et al. 1997; Maxham and Nedemeyer 2003), and improved customer-firm relationships (Tax, Brown, and Chandrashekaran 1998; Aurier and Siadou-Martin 2007).

Although the importance of service recovery in restoring customer satisfaction is well recognized, there remains much that we do not know. For example, to our knowledge, no research has yet examined the impact of service recovery on brand health indicators. This is surprising, since strong brand measures (e.g., positive brand attitudes, high levels of brand trust, strong brand preference, and solid brand loyalty) are critical to not only short term performance but also to a brand (and firm’s) long-term vitality in the marketplace (Kotler and Keller 2006). Moreover, the vast majority of service recovery research has focused on consumer markets, with little investigation of service recovery in business to business settings. We begin filling that gap by empirically exploring how customer perceptions of service recovery in a business to business environment directly influence important brand measures en route to enhanced brand performance in the market.

A customer’s reaction to the provision of service and to the firm’s behavior following a failure in service is influenced heavily by the perceived fairness, or justice, of the exchange (Tax, Brown, and Chandrashekaran 1998).

Researchers have identified three dimensions of perceived justice – distributive justice (assessed outcome of the exchange), procedural justice (evaluation of the process by which the outcome is delivered), and interactional justice (judgment of the interpersonal interaction accompanying the exchange) (e.g., Blodgett, Hill, and Tax 1997). This framework is particularly useful for the study at hand since the three dimensions of justice correspond substantively to three distinct elements of service recovery that can be managed by the firm: the compensatory offering itself, the administrative execution of the outcome, and the manner in which service personnel deal with the customer. As proposed with our conceptual model, we expect that a customer’s perception of distributive, procedural, and interactional justice in the execution of a firm’s service recovery effort will individually affect the customer’s attitude about and trust of the brand, which in turn will influence brand preference and, ultimately, customer brand loyalty and the share of the customer’s spending on that brand versus competing brands within the category.

Leveraging multi-sourced data from 585 business customers of a large service organization, we test the model and reveal results that provide insight into the role and complementary impact of distributive, procedural, and interactional justice on brand health indicators. Although the role of procedural justice sometimes has been downplayed in the literature (Blodgett, Hill, and Tax 1997; Maxham and Netemeyer 2003), one of our main results underlines its influence on both brand attitude and brand trust, suggesting that the efficiency and fairness of the recovery process itself is pivotal to maintaining a favorable disposition toward the brand. Interactional justice was found to be less important in influencing brand health measures. The research also confirms the importance of brand attitude in influencing loyalty, and the key role of brand trust as an antecedent of brand preference (Chauduri and Holbrooks 2001; Bloemer and Kasper 1995; Morgan and Hunt 1994). In line with previous findings, brand preference also appears as a determinant of brand loyalty and share of wallet (Cooil et al. 2007). As a consequence, we believe that an interesting contribution of this research also concerns the mediating role of brand attitude and brand trust between distributive and procedural justice and brand loyalty and share of wallet. Such findings complement the existing service recovery litera-
ture suggesting that customer satisfaction and loyalty may in fact be enhanced through favorable brand evaluation.

To the best of our knowledge, this article represents the first attempt to theorize about and empirically investigate the relationships between service recovery and brand health indicators. By examining the differing effects of three components of service recovery, our findings could be particularly useful to managers in formulating their service recovery policies and plans. Taken together, the research findings provide important insights about the role of the customer service department in participating in the company’s brand management and strategy. In fact, brand attitude and brand trust can also be built, maintained, and enhanced with adequate after-sale customer management strategies (e.g., distributive and procedural justice), rather than just via pre-sale marketing communications or positive product experience. References are available upon request.

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DO RELATIONSHIP MARKETING INSTRUMENTS REALLY HAVE AN IMPACT ON SERVICE CUSTOMERS? INSIGHTS FROM A LARGE-SCALE FIELD EXPERIMENT

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SUMMARY

Service firms extensively use relationship marketing instruments (hereafter: RMI), that is marketing activities that aim at increasing customer retention; in the United States alone, service companies spent more than $1.2 billion on customer loyalty programs in 2003 (Gartner Inc., cited in Kumar 2008). Given such amounts of money spent, a thorough understanding of the effects RMI have on customers is crucial for profitable relationship marketing. Unfortunately, the findings of extant studies are conflicting which might be due to prevalent research limitations.

We aim at overcoming some of the most prevalent limitations. Namely, we (a) are the first to investigate the effects of RMI on both customer relationship perceptions (CRP) and observed customer relationship behavior (CRB) in contrast to studying only CRP or CRB. Our approach allows for a simultaneous consideration of direct and indirect effects of RMI, enabling researchers to disentangle the direct and indirect effects RMI might have on customers. We draw on attitude theory (e.g., Fishbein and Ajzen 1975) to explain how RMI influence CRB indirectly through CRP and build on behavior theory (Skinner 1938) to explain the direct link between RMI and CRB. We (b) employ a longitudinal design to draw causal inferences which is central for studying chains of effects as done here and that cannot be achieved in cross-sectional studies. We (c) apply a field experimental design to randomly assign customers to different experimental groups and a control group and, thus, control for self-selection biases. Finally, we (d) consider a 2x2 systematization of different theory-derived RMI instead of using only one specific RMI, enabling us to generalize findings for the different RMI. We use reward directness and the motivational nature of the reward to systematize RMI. Unlike indirect rewards, direct rewards are those that directly relate to a company’s products. The motivational nature of rewards refers to the customers’ motivation a reward targets at which can be economic or social. In summary, this is the first study that looks at the causal chain of effects of a theoretically derived typology of RMIs on both customer perceptions and behavior in a single field experimental design.

We conduct a 2x2 between-subjects field experiment in cooperation with an international airline. We develop manipulations for each of the four combinations of reward directness (direct vs. indirect) and motivational nature (economic vs. social). In addition to the four experiment groups, we have a control group. We contact all 181,839 customers of a major European country listed in the company’s database per email with 1,950 remaining in the final sample. We measure both CRP and CRB at two times (i.e., before and after the manipulation), using established multi-item scales for CRP and actual customer revenues from the company’s database for CRB. We include four CRP in our model: perceived relationship investments, relationship quality, calculative commitment, and repurchase intentions. The reliability and validity for all constructs is satisfactory in both surveys. We start the experimental manipulations by informing participants about their respective rewards ten weeks after sending out the first survey. We end the experiment after 24 weeks and then send out the second survey. We allow eight weeks for responses to arrive and then collect spending data from the database for the next 12 weeks. We do not use spending information before that point in time to ensure causality between perceptions and spending behavior. We measure all model constructs with post-manipulation values and control for pre-manipulation values to account for potential a priori differences between groups. Manipulation checks show that we effectively manipulated RMI. The model is tested with partial least squares structural equation modeling. Predictive power and overall goodness-of-fit (GoF) of our model are both satisfactory.

A key finding is that RMI impact CRB based on attitudinal learning processes. More specifically, we find that all four RMI result in increased perceived relationship investments. No direct effects of RMI are found for the other CRP which are only affected through perceived relationship investment. In terms of effect size, we find that social indirect RMI have the strongest impact on perceived relationship investment and also the strongest total impact on the other CRP. As expected, CRP, in turn, influence customer spending. For the second route, the direct effect of RMI on CRB, our results show that only the economic direct RMI significantly influences spending behavior. This effect is in line with RMI triggering...
behavior through operant learning. However, we find no such effect for the other three RMI. The total effect of the RMI on customer spending which summarizes direct and indirect effects is significant for the economic direct RMI, but not for the three other RMI which indicates that behavioral learning-based effects on customer spending dominate attitude learning-based effects. We predict post-manipulation revenues for the economic direct RMI and find that it leads to a revenue increase of 25.5 EUR (or 48.6%) and a contribution margin increase of 22.7 EUR per customer. References are available upon request.

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ARE SALES PEOPLE SUPERSTITIOUS? AN EXPLORATORY STUDY OF SUPERSTITIOUS SELLING BEHAVIOR

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SUMMARY

The present study investigates whether superstitious behavior is used by sales people to cope with the inherent social stress caused by the possibility of daily multiple rejections and failures (Verbeke and Bagozzi 2000). If sales people do use superstitious behavior, it is important to know its effect on their motivation and sales call behavior. Other fields, such as the sports management, have shown that superstitious behavior may have a positive effect on performance by reducing levels of anxiety or helping to build confidence (Foster, Weigand, and Baines 2006; Van Raalte, Brewer, Nemeroff, and Linder 1991). To date, no research has been reported in sales on these issues. The present study explores if sales people view luck as an internal factor, what antecedent conditions might prompt them to do so and what type of superstitious behaviors reps might engage in order to positively impact their sales performance and related outcomes.

Hypotheses

Integrating the literatures of sales attribution (Dixon, Spiro, and Jamil 2001), sports management (Burger and Lynn 2005; Moran 1996) and luck (Darke and Freedman 1997; Pritchard and Smith 2004), the authors develop an initial hypotheses suggesting how salespeople might view luck as impacting the results of their sales effort. H₁ suggests that sales people who believe luck to be an internal controllable cause will engage in more superstitious behavior than those who see luck as a random, external variable.

A related issue is under what conditions might sales people become more superstitious? Drawing from the literatures on superstitious behavior (Keinan 2002), psychological strain and job stress in sales, (Jaramillo, Mulki, and Solomon 2006), and career stage (Carlson and Rotondo 2001) it is hypothesized in H₂ that sales people will engage in more superstitious behavior to the degree they face (a) role conflict or (b) role ambiguity in their jobs. H₂ suggests that sales people will engage in more superstitious behavior earlier rather than later sales career stages.

Based on the work of Keinan (2002) and Fisher (1986), two individual difference variables were hypothesized to impact the degree to which salespeople engage in superstitious behavior. H₃ suggests that sales people will engage in more superstitious behavior if they have (a) a high need for control or (b) a low tolerance for ambiguity. Finally, H₄ develops and suggests that sales people who engage in superstitious behaviors will subsequently (a) increase their selling effort and (b) alter their selling strategies.

Method

Pretests were conducted to identify a list of superstitious behaviors that sales people engage in for good luck in sales. Four categories emerged: performing personal habits (e.g., crossing fingers), carrying specific objects or items (e.g., a pen, coin, charm), engaging in dressing rituals (e.g., shining shoes), and wearing particular articles or colors of clothing. Data was collected from 63 sales people for a response rate of 47 percent. This sample was predominantly male (71%), middle aged (37 years old), with an average 14 years of sales experience.

To measure the degree to which our sample engaged in superstitious behavior in order to bring good fortune or luck in sales, a measure of superstitious behavior intensity (SBI) was developed by averaging how often (0 = never, 1 = seldom to 7 = always) subjects engaged in each of the four superstitious behaviors described above. SBI scores were used to divide the sample into relatively equal groups of non-superstitious, moderately, and highly superstitious groups for hypotheses testing. All other measures (e.g., belief in good luck, role ambiguity, role conflict, desire for control, tolerance for ambiguity, career stage, increased effort, change strategy) were adapted from previous published studies.

Results

Analysis of variance was used to compare differences among the SBI groups across all measures. We found limited support for H₁. Sales people who believe luck to be an internal controllable cause engaged in more superstitious behavior than those who see luck as a random, external variable (F = 2.51, p = 0.09). Only the pairwise comparison between the moderately and non-superstitious groups were significant. Some support was found for H₂, where superstitious sales people reported experiencing more role stress due to incompatible job requirements or role conflict (F-value = 4.40, p = .017) and role
ambiguity or confusion over job responsibilities (F-value = 2.22, p = .118). Only the moderately and non-superstitious group differences were in the expected direction here. Unexpectedly, highly superstitious salespeople reported less role conflict and ambiguity than the moderately superstitious group. H1 confirmed that sales people earlier in their career stage are more likely to exhibit superstitious behavior (F-value = 3.46; p = .038). Support for H1 was not found. Support for H2 could be confirmed indicating that both highly and moderately superstitious groups were more likely to put forth more effort and make strategic adjustments than non-superstitious reps.

Conclusions

This study begins to help us understand the antecedent conditions and consequences of the superstitious sales person. In addition to believing in good luck, superstitious behavior was associated with sales people reporting role stress as well as those who were still establishing (earlier in) their selling careers. As other researchers have noted, such conditions are ripe for magical thinking and superstitious behavior where individuals face uncertainty, lack information, and often are unable to explain various outcomes. The present study also suggests that reps that engage in superstitious acts intend to “work harder and smarter” as they subsequently prepare to call on an account. These results are similar to those reported by Dixon et al. (2005) who note that reps that attributed success to (external) luck were more likely to make a number of future adjustments to their sales routine. Future research may be conducted to identify other stress moderating variables to assess how they might influence the development of superstitious behaviors in professional sales. References are available upon request.

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