2009 AMA Winter Educators’ Conference

Marketing Theory and Applications

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Correction Notice: The following paper was published and presented at the 2008 Summer Educators’ Conference; due to an error by the typesetter, one of the authors’ names was misspelled:

The Role of Self-Concept Congruency on Product-Brand Image and Store-Brand Image: Antecedents and Consequences
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Preface and Acknowledgments

The theme of the 2009 Winter Educators’ Conference is “Excellence in Marketing Research: Striving for Impact.” Good marketing research should make an impact by changing what managers do, by sparking new intellectual insights, or by changing what is taught in the classroom. The editors of our major journals have indicated their desires not to allow the past to constrain the future, to increase the impact of articles published, and to encourage truly innovative papers because they often have the greatest impact. We are proud of the innovative papers and special sessions in this conference that exemplify the goal of providing impact.

We have many people to thank for their involvement in the development and implementation of the conference. We appreciate the efforts of the fine scholars who have offered their intellectual contributions. The conference would not exist without their stimulating input, whether in the form of papers, presentations, panel discussions, or other contributions.

Without the tireless and conscientious efforts of the track chairs, this conference would not be possible. We owe a huge debt of gratitude to the following track chairs whose work made our job so much easier:

**Brand Marketing & Communications**
- Devon DelVecchio, Miami University

**Consumer Behavior**
- Rui (Juliet) Zhu, University of British Columbia
- Ashwani Monga, University of South Carolina

**Global Marketing**
- Xueming Luo, University of Texas at Arlington

**Instructional Innovation**
- Charles Blankson, University of North Texas

**Interorganizational Issues**
- Sertan Kabadayi, Fordham University

**Marketing & Society**
- Peggy Cunningham, Queen’s University

**Marketing Strategy**
- Alina Sorescu, Texas A&M University

**Marketing, Technology, & Innovation**
- Om Narasimhan, University of Minnesota
- Raghunath Rao, University of Texas

**Research Methods**
- Raj Echambadi, University of Central Florida

**Sales & Relationship Marketing**
- Gary Hunter, Case Western Reserve University

**Services & Retailing**
- Liz Wang, University of Dallas
- Lauren Skinner, University of Alabama at Birmingham

**SIG Sessions**
- Angeline Close, University of Nevada, Las Vegas

More than 450 reviewers gave of their time and effort to evaluate the hundreds of papers and session proposals submitted to the conference. Thanks to all who were willing and able to help. We also thank the members of our “Blue Ribbon” Award Selection Committee – Sharon Beatty (University of Alabama), Robert P. Leone (Texas Christian University), and Richard J. Lutz (University of Florida) – who had the daunting task of selecting the recipient of the “Best of Conference” award from among a set of terrific papers.

This is the second conference in which we have used the new online conference management system and we wish to thank Tom Brown (Oklahoma State University) for his invaluable assistance in guiding us through the process. Finally, we appreciate the assistance of the American Marketing Association staff and volunteers without whom this conference would not be possible. We wish to especially thank Lynn Brown and Marie Steinhoff for their enormously patient assistance in preparing the program and proceedings, respectively. The SIG members and leaders provided a terrific collection of SIG special sessions. We also thank the members of the AMA Academic Council, especially the current president of the council, Peter Dacin (Queen’s University) who demonstrated great faith in entrusting us with this conference and who provided sage counsel throughout the process. Finally, we express our appreciation to our respective universities for encouraging us to provide this service.

**Kristy Reynolds**
Culverhouse College of Commerce & Business Administration
The University of Alabama

**J. Chris White**
Neeley School of Business
Texas Christian University
Best of Conference Award

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BRAND ATTITUDES AND BRAND COMMITMENT

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ABSTRACT

Three hundred twenty-two U.S. consumers participated in a telephone interview devoted to purchase and use of grocery store products. They reported how committed they were to seven brands of single serving frozen dinners as well as their perceptions of these brands’ familiarity, uniqueness, relevance, quality, trust, and respect for the company. All six brand perceptions were positively related to brand commitment and three of them, uniqueness, quality, and particularly relevance, were consistently important.

INTRODUCTION

Brand loyalty is a major research topic in marketing because it is so important to company profitability. Loyalty adds value to the brand, thereby mitigating price sensitivity and staving off the negative effects of commoditization (Schultz 1989). It is well known that loyal customers are among the most profitable and that companies increase profitability by developing brand loyalty among their customers using a variety of promotional tools (O’Brien and Jones 1995). Satisfaction with the brand is the chief driver of brand loyalty (Heskett et al. 1997). But satisfaction alone is insufficient to explain loyalty because satisfied customers often defect (Reichheld 1996; Skogland and Siguaw 2004). Thus, marketers and consumer researchers seek additional concepts that can provide deeper insights into the brand loyalty phenomenon.

Managerial discussions and empirical studies of brand loyalty abound, but although their accounts of the sources or determinants of behavioral brand loyalty are remarkably consistent in identifying perceptions and attitudinal elements that predispose consumers to buy the same brands repeatedly, the relative importance of these elements is less clear. Arguments are made in favor of different perceptions, but there is little empirical evidence bearing on this issue. The purpose of the present study, therefore, was to confirm whether six attitudinal brand elements [familiarity, uniqueness, relevance, quality, trust, and respect for the company] of brands of single service frozen dinners, a low involvement packaged good, were related to commitment to the brand, and if so, which had the strongest influence on brand commitment.

LITERATURE REVIEW AND HYPOTHESES

A complete discussion of brand loyalty is too extensive to present here, but some key issues can be highlighted. Customers essentially are loyal to brands that provide value and with which they are satisfied. Although each consumer defines value differently, there are enough commonalities in consumer needs and wants to enable marketers to target a limited number of consumer segments based on these commonalities. Brands are positioned specifically to have a specific value (a brand promise) and a unique image, which is why different brands appeal to different consumer segments (Dawar 2004). Brands that do not deliver some value to consumers or which fail to satisfy do not engender loyalty. Beyond these minimal requirements, however, loyalty comes from a variety of cognitive and emotional reactions to a brand forming the relationship consumers have with it that go “beyond the loyalty generated by any objective assessment of a brand’s value” (Joachimsthaler and Aaker 1997, p. 45). “That customers now expect to be highly satisfied is the norm, and any business wishing to secure a stronger bond with their customers must do a great deal more than satisfy. Instead, they must secure an emotional or attitudinal preference or attachment via the consumers’ feelings” (Robinson and Etherington 2006, p. 3). The present study tests hypothesized relationships between brand commitment and important cognitive and emotional brand perceptions prominent in the literature. The
framework is consistent with the model described by the theory of reasoned action, in which beliefs about objects act as drivers of attitudes toward the object (Ajzen 2008). In keeping with this model, the dependent variable is “brand commitment,” an important conceptualization of attitudinal brand loyalty: “Brand loyalty refers to the tendency to purchase a particular brand repeatedly, to stay with a familiar brand used in the past rather than switch to a new brand, or to psychological commitment to a brand” (Ajzen 2008, p. 540). Brand commitment is an essential element of attitudinal brand loyalty (Quester and Lim 2003). Moreover, brand commitment has been shown to be an important predictor of repurchase intentions for retail service brands (Fullerton 2005). It is defined as an “emotional or psychological attachment to a brand within a product class,” (Coulter, Price, and Feick 2003, p. 153).

Brand Commitment and Brand Familiarity

A prominent theme in advertising and promotion is the need to create brand awareness as an essential precursor to consumers’ trial, purchase, and commitment to them. Advertising and promotion texts abound with this message (e.g., Clow and Baack 2007), based as it is on the pervasive hierarchy of communication effects models (Clow and Baack 2007, pp. 165–167. Joachimsthaler and Aaker (1997) argue that companies can make consumers familiar with new brands even without using mass media, provided they employ creative and unique alternative communications strategies. In his influential book, Managing Brand Equity, Aaker (1991, pp. 64-65) not only makes brand awareness a central feature of brand equity, he reinforces the message that familiarity with a brand is essential to its equity because “people like the familiar,” especially for low-involvement products. Davis (1995) reports a study verifying this theme. Consequently, our first hypothesis is based on this essential component of consumer behavior. We reason that familiarity with a brand is a predictor and precursor of brand commitment. Thus,

H1: Brand commitment is positively related to brand familiarity.

Brand Commitment and Brand Uniqueness

That brands should be unique is the central message of many marketing management recommendations. From Rosser Reeves’s (1961) concept of the “unique selling proposition,” to recent discussions of new product failure owing to lack of differentiation (Curewitz 2007), one important reason new products fail is because they are “me too” products rather than unique market offerings. Thus, brand managers are urged to determine what their brands’ unique essence, identity, or promise is. These features give their brands unique positions in consumers’ minds, thereby distinguishing them from competitors (Joachimsthaler and Aaker 1997; Keller 2000) and matching them to the characteristics of the chosen target segment. Consumers often use brands that reflect their identity (Reed and Bolton 2005). To promote affection, and thus “real” loyalty, marketers are often encouraged to use the brand to “make each client believe that he or she is utterly unique” (Kapferer 2005). Consequently,

H2: Brand commitment is positively related to perceived brand uniqueness.

Brand Commitment and Brand Relevance

The literature on branding consistently emphasizes the need for brands to deliver utilitarian benefits, that is, to solve consumer problems and to satisfy their wants (e.g., Foxall 1999; Keller 2000). But brands do more for consumers than solve their problems. Brands also permit consumers to express their personalities or identities (Fournier 1998). Moreover, Keller (2000) argues that one of the most important traits of successful brands is how “relevant” they are to consumers’ lives in the sense that they express what the consumer thinks is important. Chaplin and John (2005) show that this process of using brands to express self begins in adolescence. Thus,

H3: Brand commitment is positively related to perceived brand relevance.

Brand Commitment and Brand Quality

Perceived quality is so crucial to brand equity and to customer commitment that Aaker makes it one of the five building blocks of his brand equity model. Aaker (1991, p. 85) defines perceived quality as “the customer’s perception of the overall quality of a product or service with respect to its intended purpose, relative to alternatives” and argues that this overall perception of the brand and its appropriateness to satisfy specific needs and wants drives several important customer responses. It gives a reason to buy, it differentiates the brand, it permits a price premium, it stimulates channel interest, and it facilitates brand extensions (Aaker 1991, p. 86). Robinson and Etherington (2006) describe how important the quality guarantee or signal was to the development of many of the first brands, Davis (1995) describes quality as a prime driver of loyalty, and Holt et al. (2004) report that the brand as a quality signal is very important in consumers brand choice for “global” brands. Thus,

H4: Brand commitment is positively related to perceived brand quality.

Brand Commitment and Respect

Consumers want to buy brands from companies they respect. Keller (2000) argues that the consumer’s “per-
ceptions of a company a whole” are integral to building brand equity. Aldlaigan and Buttle (2005) found that customer brand loyalty for retail banks depended heavily on three factors, (1) faith in organizational competence, (2) mutually aligned and congruent values, and (3) positive social bonds that deliver high levels of relational value. The organizational competence dimension of attachment incorporates measures of customer confidence, trust, respect, as well as the bank’s perceived ability to deliver a proper it services that presented value for money. Consequently,

H5: Brand commitment is positively related to respect for the company.

Brand Commitment and Trust

Trust in the brand is akin to respect for the company and is an essential feature of any relationship between consumers and brands (cf., Fournier 1998). In this context, trust signifies that consumers trust a brand to deliver the brand promise and to do the consumer no harm. Delgado-Ballester and Munuera-Aleman (2001, p. 1242) propose that brand trust is similar to interpersonal trust so that it is a “feeling of security held by the consumer that the brand will meet his/her consumption expectations.” Trust reduces risk and gives the consumer confidence in making the brand choice (Applebaum 2007). This theme is implicit in Fournier’s (1998) description of consumers’ relationships with their brands, and Delgado-Ballester and Munuera-Aleman (2001) provide strong empirical support for the positive trust-commitment relationship for disposable diapers, a packaged good similar to our product. Thus, our last hypothesis is,

H6: Brand commitment is positively related to trust in the brand.

Our literature review provides both theoretical and empirical bases for proposing hypothesized relationships between brand commitment and six possible antecedents or drivers. What remains to be seen, however, is how important these six antecedents are to forming brand commitment. While none should be neglected, which deserve special attention by managers? This last concern forms a research question for this study: Which of the six antecedents of brand commitment are most important to commitment?

METHOD

Sample Selection and Questionnaire Administration

The sample was gathered via a phone interview from a large advertising research firm’s online panel limited to consumers 18 years and older. The sampling plan matched U.S. demographics as closely as possible. Panel members completed the survey in order to participate in a drawing. The interview covered 21 categories of packaged goods. We chose single serving frozen dinners as the focal category because it is a widely consumed product. Each participant was asked qualifier questions and then was randomly assigned to one or more of the 21 product categories. Consequently, from the original sample of 5,389 participants, 322 answered questions about frozen dinners. The interview presented the respondents with seven brands of single serving frozen dinners (see Table 1) and asked them to respond to several questions (see Table 1). The order of the brands was randomized for each respondent.

Subjects

The sample (n = 322) consisted of 257 (80%) women and 65 (20%) men. The mean age was 39.2 years (sd = 12.3). Two hundred one (87%) were white, 13 (4%) were black, and the remainder 26 (8%) were “other.” Household size varied from one (51 or 15.8%), two (94 or 29.2%), three (66 or 20.5%), to four or more (111 or 34.5%). Household incomes ranged from less than $5K to $250K or more, with $55K as the median category. One hundred thirty (40.4%) lived in the South, 78 (24.2%) in the Midwest, 64 (19.9%) in the West, and 50 (15.5%) in the Northeast.

Measures

The survey assessed basic demographics, and each respondent was asked a series of questions about the product category and the individual brands (see Table 1). The focal variables in the present study, brand commitment and perceptions of familiarity, uniqueness, relevance, quality, respect, and trust, were measured by single item statements using a 10-point response format (1 = Agree Less and 10 = Agree More). Table 1 shows the mean scores for each statement for each brand and in total. Evidence that the commitment measure is a valid indicator of loyalty is found in its significant correlations with another item: “How likely are you to purchase [this brand] in the future?” (where 1 = Definitely will not buy it and 5 = Definitely will buy it). Consistent with Fullerton (2005), these correlations ranged from .47 to .57.

Analysis

Analysis of variance was used to assess differences in mean scores for all seven variables across the seven brands. Correlation assessed the relationships among the measures separately for each brand. OLS regression was used to assess the relationship between brand commitment and the six perceptions for each brand separately with the demographic variables, age, sex, household size, and household income used as control variables.
### TABLE 1

Brands of Single Serving Frozen Dinners Means and ANOVA Results

<table>
<thead>
<tr>
<th>Brand Name</th>
<th>Commitment</th>
<th>Familiarity</th>
<th>Uniqueness</th>
<th>Relevance</th>
<th>Quality</th>
<th>Respect</th>
<th>Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lean</td>
<td>M = 4.5</td>
<td>n = 320</td>
<td>sd = 3.116</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cuisine</td>
<td></td>
<td>7.35</td>
<td>2.379</td>
<td>5.83</td>
<td>5.94</td>
<td>6.66</td>
<td>6.83</td>
</tr>
<tr>
<td></td>
<td></td>
<td>321</td>
<td>321</td>
<td>321</td>
<td>319</td>
<td>322</td>
<td>319</td>
</tr>
<tr>
<td>Healthy Choice</td>
<td>4.06</td>
<td>7.01</td>
<td>2.383</td>
<td>5.65</td>
<td>5.55</td>
<td>6.36</td>
<td>6.58</td>
</tr>
<tr>
<td></td>
<td>320</td>
<td>321</td>
<td>320</td>
<td>320</td>
<td>321</td>
<td>322</td>
<td>319</td>
</tr>
<tr>
<td>Lean Gourmet</td>
<td>2.944</td>
<td>4.81</td>
<td>2.392</td>
<td>2.737</td>
<td>2.434</td>
<td>2.47</td>
<td>2.465</td>
</tr>
<tr>
<td>Healthy Weight</td>
<td>3.94</td>
<td>6.51</td>
<td>2.298</td>
<td>5.26</td>
<td>5.97</td>
<td>5.92</td>
<td>5.92</td>
</tr>
<tr>
<td>Michelina’s Lean</td>
<td>3.69</td>
<td>5.58</td>
<td>4.98</td>
<td>5.02</td>
<td>5.49</td>
<td>5.55</td>
<td>5.6</td>
</tr>
<tr>
<td>Healthy Watchers</td>
<td>163</td>
<td>164</td>
<td>163</td>
<td>163</td>
<td>163</td>
<td>162</td>
<td>164</td>
</tr>
<tr>
<td>Lean Smart Ones</td>
<td>2.84</td>
<td>2.977</td>
<td>2.392</td>
<td>2.748</td>
<td>2.462</td>
<td>2.65</td>
<td>2.574</td>
</tr>
<tr>
<td>South Beach Diet</td>
<td>2.66</td>
<td>4.29</td>
<td>4.8</td>
<td>3.92</td>
<td>4.94</td>
<td>4.81</td>
<td>4.88</td>
</tr>
<tr>
<td>Weight Watchers</td>
<td>163</td>
<td>164</td>
<td>163</td>
<td>163</td>
<td>163</td>
<td>162</td>
<td>164</td>
</tr>
<tr>
<td>South Beach Diet</td>
<td>2.355</td>
<td>2.942</td>
<td>2.746</td>
<td>2.712</td>
<td>2.49</td>
<td>2.708</td>
<td>2.719</td>
</tr>
<tr>
<td>Kraft South Beach</td>
<td>2.44</td>
<td>3.18</td>
<td>4.49</td>
<td>3.38</td>
<td>4.71</td>
<td>5.66</td>
<td>5.38</td>
</tr>
<tr>
<td>Diet</td>
<td>157</td>
<td>158</td>
<td>159</td>
<td>157</td>
<td>157</td>
<td>157</td>
<td>159</td>
</tr>
<tr>
<td>South Beach Diet</td>
<td>2.188</td>
<td>2.764</td>
<td>2.756</td>
<td>2.355</td>
<td>2.563</td>
<td>2.886</td>
<td>2.714</td>
</tr>
<tr>
<td>Total</td>
<td>3.72</td>
<td>6.05</td>
<td>5.3</td>
<td>5.09</td>
<td>5.89</td>
<td>6.11</td>
<td>6.04</td>
</tr>
<tr>
<td></td>
<td>1602</td>
<td>1604</td>
<td>1604</td>
<td>1604</td>
<td>1599</td>
<td>1599</td>
<td>1597</td>
</tr>
<tr>
<td></td>
<td>2.881</td>
<td>3.001</td>
<td>2.495</td>
<td>2.848</td>
<td>2.525</td>
<td>2.665</td>
<td>2.609</td>
</tr>
</tbody>
</table>

**ANOVA Results**

- df = 6/1595
- F = 14.36
- $p = <.001$
- eta = 0.226
- eta$^2$ = 0.051

1 This is the only brand for me.
2 I am familiar with and understand what this brand is about.
3 This brand has unique or different features, or a distinct image other brands in this category don’t have.
4 This brand is appropriate and fits my lifestyle and needs.
5 This brand has consistently high quality.
6 This brand is made by a company I respect.
7 This brand can be trusted completely.

**RESULTS**

The mean scores of each brand for each variable appear in Table 1 and Figure 1. Although these values show that on average all the brands were rated somewhat positively for the independent variables, the dependent variable, commitment, was consistently the lowest rated perception for each brand. This finding suggests that the brands were generally perceived in a positive manner by the participants, but that the consumers were only com-
mitted to a few of them. That is, while consumers might be aware of brands, respect their quality, and trust the companies, they discriminate among the brands when it comes to loyal purchasing. This interpretation is entirely consistent with the notion that consumers of packaged goods are loyal to sets of brands in which they alternate purchases, termed “multibrand purchasing” (Foxall 1999).

One-way ANOVA compared the means across the brands (see Table 1 and Figure 1). The results show significant differences \( p < .05 \) for all the variables. Lean Cuisine achieved the highest mean commitment score (4.50), followed by Healthy Choice (4.06), Smart Ones (3.94), Michelina (3.69), Weight Watchers (3.66), South Beach Diet (2.66), and Kraft (2.44).

The perception ratings were correlated with commitment for each brand. These 42 Pearson correlations are not shown because of the extensive space the tables would require; however, all the correlations between brand commitment and the perceptions of familiarity, uniqueness, relevance, quality, respect for the company, and trust in the brand (ranging from .27 to .72) were uniformly positive and significant for all the brands, providing support for all six hypotheses for all brands. Brand commitment is positively related to perceptions of familiarity, uniqueness, relevance, quality, respect for the company, and trust in the brand. Thus, the findings support the many assertions in the literature that these are essential elements of brand image that predispose consumers to brand loyalty.

To assess the effect of common method variance (CMV) on the results, we followed the procedure described by Lindell and Whitney (2001) and illustrated by Malhotra et al. (2006). An additional brand perception measure was included in the questionnaire that read: “This brand costs more than I expect to pay for single serving frozen dinners.” The same 10-point response format was used. This variable served post hoc as the “marker variable.” It should be theoretically unrelated to at least one of the other variables of interest, although in this instance, it could be related to any of them as they are all shared perceptions of the brand. Thus, our test is an especially conservative one. The smallest positive correlation between the marker variable and the other variables served as an estimate of CMV (we also used the second smallest correlation with the marker variable as suggested by Lindell and Whitney with similar results). This correlation is used to calculate an adjusted correlation between
two other variables sharing the same method and yields an adjusted t-statistic of its significance (see Lindell and Whitney for the formulas). We applied this procedure to the correlations for each brand. The adjusted t-statistics showed that common method variance did not account for our results.

To assess the combined influence of the brand perceptions on brand commitment, we first regressed commitment across the four demographic variables, age, gender, household size, and household income to control for their effects. Next, we added the six perceptual variables to the model (see Table 2). The results showed extremely minimal effects for the four demographic variables; but the brand perceptions had a sizable influence on brand commitment. Importantly, only perceived relevance of the brand (“This brand is appropriate and fits my lifestyle and needs.”) was significantly related to commitment for all the brands. The standardized regression coefficients and part correlations show that relevance was by far the most important perception influencing brand loyalty. Perceptions of quality were related to commitment for four of the brands, and perceptions of uniqueness were related for three of them. Being familiar with the brand was unrelated for any brand, and respect and trust were only related to one brand each.

Our interpretation of the results is that the correlations verify that all six brand perceptions are important to forming brand commitment, just as the literature argues,
but the determining factor in brand loyalty could be how relevant consumers see the brand as a reflection of lifestyles and needs. Of note is the fact that throughout the analysis, the demographic variables had little or no relationship with brand commitment, arguing for the success of examining perceptual variables in this regard.

DISCUSSION

The purpose of the present study was to expand our knowledge of consumer brand loyalty by testing literature-based hypotheses regarding its sources or drivers. The literature suggests the hypotheses that higher levels of brand familiarity, brand uniqueness, brand relevance, quality, trust in the company, and respect for the brand are positively correlated with commitment to the brand, an operationalization of attitudinal brand loyalty. A telephone survey queried 322 adult grocery store buyers. These consumers were asked to report their opinions regarding seven different brands of single serving frozen dinners. The findings showed that levels of commitment to the brands differed significantly, as did the other perceptions, but the results supported all six hypotheses. All six consumer perceptions of all seven brands were positively correlated with consumer reports of commitment to the brands. Moreover, regression analysis showed that the relevance of the brand to the lifestyles and needs of the consumers was consistently the strongest influence on brand commitment, followed in impact by evaluations of quality and uniqueness.

The results support the advice frequently given to marketers in search of brand loyalty; they should pay attention to the key consumer perceptions that seem to drive commitment to the brand. They should promote the brand to make it familiar to consumers (share of mind) thereby keeping it in the consumer’s evoked set; and they and their companies should strive to earn the trust and the respect of consumers. It seems to be especially important that they should ensure high levels of product quality and reinforce this perception in their integrated marketing communications with consumers. Moreover, brand commitment appeared to be especially linked to perceptions of the uniqueness of the brand and to its relevance. These features appear to be essential to acquiring commitment. Create a unique brand image or personality that target consumers find personally relevant. Make the brand as special as the consumers are.

Doing so will likely limit the number of consumers to whom the brand is relevant, but you cannot be all things to all people. Better to have a strong commitment by some consumers than weak associations. It is possible that this phenomenon is behind the double jeopardy effect, in which brands with lower levels of penetration have less loyal consumers. They likely do not have unique images that consumers can relate to. Strong brands do.

Familiarity, uniqueness, quality, trust, and respect appear to be the “price of admission” to the brand loyalty contest. Brands lacking any of these important features are not likely to succeed. To gain loyalty, it appears that brands must have differentiated images that are relevant to consumer needs and lifestyles so that consumers see them as part of their lives. An important question arises regarding private label brands. In many product categories, private labels are growing in share. Do consumers see them as equivalent in relevance to national brands? Can private brands be relevant the same way as national brands? Exploiting this avenue might be a way for national brands to defend share from their private label competitors.

The study findings are limited in several ways. First of all, the single category of frozen dinners limits the generalizability of the findings to this product field and to packaged goods. Although the sample was intended to be representative, it is necessarily restricted to the advertising agency’s panel. Single item indicators operationalized the variables, obviating assessments of reliability. Finally, there are likely additional drivers of brand loyalty that were not considered in the present study. The study, however, had several strengths, and future studies can correct its limitations. Studies of additional packaged goods as well as durables and services would extend the scope of the findings. Samples of other consumers would test the generalizability of the findings to different populations. Alternative measures, especially multiple indicators would permit the assessment of internal consistency of the new operationalizations. Additional variables could be added to the “mix” of potential drivers to develop a more complete model of the drivers of brand loyalty.

One important avenue for future research is to delve into the specifics of how brands are relevant to lifestyles and needs. That is, what specific aspects of the brand image make it relevant? What does relevance mean to target consumers? Possible candidates could be a close match-up between the brand’s benefits and consumer wants. Does the brand specifically fit a need that the consumer feels keenly? Another could be how well the brand fits with the consumer’s self-image. “Which brand fits me?” Or, “Which brand is me?” These questions may not be easy to answer, either for the company or for the consumer. Perhaps “relevance” is a verbalization of some brain function that most people cannot easily explain.

Clearly, there is a vast array of issues to be studied and questions to be answered. Expanding this study to include more categories and more drivers of loyalty and using physiological measures are the next steps.
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THE IMPACT OF CORPORATE CRISES ON CUSTOMER LOYALTY: DOES CORPORATE REPUTATION CUSHION THE FALL?

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SUMMARY

The danger of facing a sudden crisis is a highly ranked topic on corporate agendas (Booth 2000; Tucker and Melewar 2005). Consumer boycotts, negative word-of-mouth, decreased customer satisfaction and loyalty are examples of negative effects that might result from corporate crises. Literature already widely accepts the notion that reputation – which is perceived as one of the firm’s most valuable assets in achieving competitiveness (Schnietz and Epstein 2005; Tucker and Melewar 2005) – also plays an important role in determining the impact of crises on firms (e.g., Coombs 2007; Gaultier-Gaillard and Louisot 2006).

Two perspectives of the interplay between reputation and crises exist in the literature: On the one hand side, scholars focus on the role crises have in eroding reputation and reinforce the notion that reputation is fragile (Hall 1993) and “constantly in danger of being eroded, damaged, dented or even destroyed” (Davies et al. 2003, p. 99). On the other hand, reputation is interpreted as a factor that attenuates the negative effects crises have on firm performance, i.e., the achievement of corporate goals. The first approach interprets reputation as the dependent variable, the second uses reputation as the independent variable. In our paper, we focus the second view and investigate whether corporate reputation is moderating the relationship between crisis occurrence and the achievement of corporate goals. Empirical evidence on the role of reputation in “cushioning the fall” should a firm encounter a crisis is scarce. The present paper tries to close this gap. Our study focuses on theoretically analyzing and empirically confirming the effect of crises on a specific form of stakeholders’ supportive behavior, namely behavioral loyalty of customers, and the moderating effect of a good or bad reputation.

To clarify the effect of crises and reputation have on behavioral loyalty, we draw on dissonance theory (Festinger 1957). According to this theory, we assume that if a firm faces a crisis, customer behavioral loyalty is likely to decrease as remaining a loyal customer in this situation would cause cognitive dissonance. We hypothesize that the occurrence of a crisis has a negative effect on customers’ behavioral loyalty. In case that the firm has a favorable reputation based on a positive relationship history, in the customer’s view “(t)he crisis is one misstep in a history of positive actions” (Coombs and Holladay 2001, p. 325). In order to avoid or reduce cognitive dissonance, he or she will interpret the crisis as an exceptional event. Contrarily, a negative prior reputation will reinforce the negative consequences of a crisis (Dean 2004). Here, the occurrence of a crisis is consonant with the negative impression the customer already has of the company.

Therefore, we hypothesize that the negative effect of crises on customers’ behavioral loyalty is moderated by the firm’s reputation. The effect is supposed to be weaker when corporate reputation is good and stronger when corporate reputation is bad. To investigate the proposed relationships, we chose an experimental 2 x 2 between subjects design with crisis and corporate reputation as the independent variables and behavioral loyalty as the dependent variable. We chose a scenario approach to enhance realism and vividness of the situation study participants are confronted with. The setting for the study is the airline industry.

We demonstrate that reputation can decrease the negative effect of a crisis on customer loyalty intentions, with a stronger moderating effect in the case of favorable loyalty. Our findings support our hypotheses and add to our knowledge of the impact of crises on customer loyalty. Given that crises are bound to occur at any time (Gaultier-Gaillard and Louisot 2006), marketing management might take into account the role of crisis management for customer bonding. Furthermore, our findings highlight the role of corporate reputation in crisis situations. Firms should aim to build and improve reputation especially if they belong to industries frequently challenged by crises. References are available upon request.
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DETERMINANTS OF LOYALTY TOWARD REALITY TELEVISION SHOWS: AN EXPLORATORY STUDY

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SUMMARY

Reality shows have become an integral part of the daily routine of many Americans as well as viewers in many other parts of the world. Currently, there are over 300 reality shows “aired” in the U.S. alone (Realitytvworld.com). The reality shows foster a large and constantly growing audience base not only in the U.S., but in the rest of the world also. This has made the reality television programs very attractive to advertisers and marketing communicators. However, studies (e.g., Associated Press 2005; Denhart 2007) indicate that many of the reality television programs are not able to sustain their viewership for long due to various reasons. But, since advertisers are committed to the program for a fixed period of time, the draining viewership over time could actually have a negative impact on their return on investment. Surprisingly, despite their substantial popularity among viewers and advertisers, and the subsequent impact on ad spending effectiveness, there is a paucity of academic research examining the factors determining the loyalty to and success of these types of shows. This study is intended to make a contribution in that respect.

In order to find out the factors influencing the loyalty toward reality television shows, we used a two-step approach. Initially, field interviews of 200 reality television viewers were conducted. The interview transcripts were examined to identify the words and phrases used by respondents to describe their favorite reality television shows. Next, these words and phrases were grouped into six cohesive clusters representing “the reasons why people watched reality TV,” and these clusters were labeled: perception of co-production, vicarious fulfillment – mean, vicarious fulfillment – nice, curiosity, self-show connection, and involvement with reality shows. Based on the review of extant literature pertaining to each of these constructs, we generated hypotheses that proposed partially mediated relationship between perception of co-production, vicarious fulfillment (Mean and Nice), self-show connection, and the attitudinal loyalty toward reality shows. The relationship between curiosity and attitudinal loyalty was hypothesized to be fully mediated by involvement with the show.

Based on the exploratory efforts previously discussed, an online questionnaire was developed. Then, students enrolled in two marketing research classes were each asked to contact at least 10 respondents with differing demographic backgrounds (e.g., age, gender, marital status, etc.). These respondents then completed the online questionnaire. This resulted in 724 completed questionnaires.

Principal component factor analysis was done initially to identify the six factors. Factor analysis of the dependent variable (attitudinal loyalty) resulted in a single factor. All the factors had good internal consistency (Cronbach alpha > 0.70), and acceptable convergent and discriminant validity. To test the hypothesized main and mediation effects, we used the four step approach suggested by Baron and Kenny (1986). The results offered support for many of our hypotheses. Findings of this study establish the role of self-show connection, curiosity, and vicarious fulfillment in determining the attitudinal loyalty toward reality shows. Further, results suggest that involvement with the show partially mediates the relationship between all the variables explored in this study except for vicarious fulfillment (mean). We found the relationship between vicarious fulfillment (Mean) and attitudinal loyalty to be fully mediated by involvement, contrary to our hypotheses. An interesting finding was the inverse (partially mediated) relationship between co-production and attitudinal loyalty toward reality television shows. Detailed discussion of these findings is offered in the paper. Further, several implications for theory and practice are also proposed. References are available upon request.

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UNDER WHAT CONDITIONS CAN COOPETITION DEVELOP?: AN INVESTIGATION INTO COOPETITION FORMATION

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SUMMARY

The term, coopetition, was introduced by Raymond Noorda, founder of networking software company Novell and was made popular by Brandenburger and Nalebuff (1996). Coopetition is said to be a new kind of strategic interdependence where competitors collaborate in order to create a “coopetitive system of value creation” (Dagnino and Padula 2002). According to Harbison and Pekar (1998), more than 50 percent of new cooperative alliances are formed between competitors. Much has been written about the new concept mainly by practitioners. Slowly, the notion of coopetition has begun to be an important area of research interest in strategy and management. The concept has been already studied from various angles, using a wide range of methodological approaches, theories and literatures. However, the academic research on coopetition is still in its infancy. In comparison to similar concepts, such as strategic alliances, the literature on coopetition is not only limited, but also very fragmented.

In this paper, we limit coopetition to direct competitors that cooperate with each other. Based on the previous definitions of coopetition in the literature, we define coopetition as simultaneous cooperation of direct competitors in some areas of business and competition in other areas of business. Specifically, we focus on one particular type of coopetition, “collective marketing coopetition,” where all or most competitors in an industry cooperate in order to promote a new idea, a new technology, or a new standard collectively. One of the most famous and successful examples of collective marketing coopetition is the Got Milk?® advertising initially created on behalf of the California Milk Advisory Board, which represented several milk processors and farmers.

In developing four propositions in our paper, we not only use the related literatures in various areas, but also combine these literatures with the results of a case study on Australian and New Zealand (NZ) wineries. Specifically, we base our model on the experiences of the U.S., Australian, and NZ wine industries when they introduced screw cap closures on wine bottles. Consumers were resistant to this new, but objectively superior, product innovation. Screw caps are an optimal closure to avoid cork taint – a problem that almost all wineries face (Sogg 2005). To overcome this consumer resistance, Australian and NZ wineries engaged in collective marketing coopetition. Their campaigns were so successful that about 40 percent of Australian wine and more than 80 percent of New Zealand wine had screw cap closures in 2005 (Sogg 2005). In contrast, screw cap closure has yet to be accepted in the U.S. market because the local conditions were quite different from those in Australia and NZ. According to a survey conducted in 2005, fewer than 10 percent of U.S. wine consumers prefer screw cap closures to other types of closures (Toubia, Hauser, and Garcia 2007). As a result, less than 5 percent of U.S. wineries use screw cap closures on their fine wines (Garcia, Bardhi, and Friedrich 2007).

Our analysis of several coopetitive marketing relationships in the wine industry and the insights we gained from the interviews revealed that four major factors encouraged the formation of coopetitive relationships: (1) strategic end-goals, (2) knowledge inertness, (3) intra-industry complementarities, and (4) loosely coupled structural networks.

Strategic end-goals are an important antecedent for marketing coopetition formation. In collective marketing coopetition, all competitors in an industry are faced with the same challenge that can affect every firm’s performance in that industry. Especially, if the challenge cannot be overcome by one or a few companies in the industry (such as changing consumers’ perception about screw caps), this provides a strong incentive to all competitors in the industry for uniting in order to address the challenge together. In the case of the screw cap campaigns in Australia and NZ, if screw caps could be widely adopted by consumers, the benefits of cost savings and quality improvement would be substantial to all wineries. It was these potential benefits that motivated wineries to participate in the initiatives in Australia and NZ under the same goal of collectively promoting screw caps to expedite consumers’ adoption process of screw caps.

Knowledge inertness is another factor that leads to collective marketing coopetition. If other partners can obtain its proprietary knowledge through the coopetition relationship, the focal firm is less likely to join the coopetitive relationship. Thus, before they participate in a coopetitive relationship, competitors must be assured that it is not likely that the other competitors can learn their proprietary knowledge in the relationship. The wineries in our case study were not vulnerable to the risk that the
competing wineries would copy their core competences, such as harvest technologies, production processes, planting techniques, because their cooperation was restricted to marketing and promoting screw caps to consumers.

Complementarities among participating competitors are also a significant factor for collective marketing coopetition. Complementarities occur when the pooled skills and resources can create excess value relative to their value before the pooling (Chung, Singh, and Lee 2000). To achieve the strategic end-goals mentioned above, participating competitors need to contribute their skills and resources. In this process, their skills and resources should be complementary to create excess value or a powerful system in order to overcome their common challenge that they cannot address individually. If their skills and resources are not complementary, it is less likely that they can overcome the common challenge together, and thus they are less likely to join forces together to form collective marketing coopetition. This argument is supported by our case study. The wineries in Australia and NZ formed powerful collective marketing systems to overcome consumers’ resistance to screw cap closures on wine bottles.

Finally, loosely coupled network structure is an important precondition for collective marketing coopetition. Loose ties within the industry network are seen as more cooperative than competitive between companies. More opportunity sets make future linkages more likely and also play an important role for the diffusion of innovations, such as screw caps (Rogers 2003). Thus, if competitors in an industry have already forged weak ties among themselves, they are more likely to cooperate with one another to cope with a common challenge. As such, weak ties among competitors in an industry can be a basis to form stronger ties, such as collective marketing coopetition.

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A CRITICAL REVIEW OF THE CAPABILITIES OF MARKET-DRIVEN ORGANIZATIONS

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SUMMARY

Marketing scholars have long been interested in determining the sources of competitive advantage and superior firm performance. In his heavily cited article, “The Capabilities of Market-Driven Organizations,” Day (1994) identifies the firm’s capabilities as important drivers of sustainable competitive advantage and superior performance. Specifically, Day argues that market-driven organizations possess distinctive capabilities that enable them to compete effectively by anticipating and responding to changing market conditions ahead of competitors. This allows them to create long-run economic value. However, in his purely conceptual article, Day does not validate these claims with empirical evidence. Further, in his article, he acknowledges that “it is not possible to enumerate all possible capabilities” (Day 1994, p. 40), while at the same time, recognizing that market-driven organizations excel in their outside-in capabilities (i.e., market sensing and customer linking). This leaves us with two important questions. First, what are the distinctive capabilities that have been identified in the marketing literature? Second, is there evidence in the extant literature that reveals that outside-in capabilities create economic value for the firm?

As such, the focus of this paper is to conduct a critical review of 202 papers from 17 journals that cite Day (1994). A primary objective is to assess how the capabilities of market-driven organizations concept has been used, examine its applications, and identify its main contributions to the field of marketing. This is an important task since it will provide us with some of the questions that remain unanswered in the marketing strategy literature.

Critical Review

In identifying the articles that would be included in the critical review, we first conducted a references search in the Web of Science (Social Sciences Citation Index). Articles that cited Day (1994) from July 1995 to May 2007 in peer-reviewed marketing journals, as well as, in related-discipline journals that have a marketing editor or a marketing review team were included. Overall, the references search resulted in a total of 202 articles, including those articles that simply cited Day (1994) with little or no discussion on the capabilities of market-driven organizations. After the studies were identified, we classified each of the 202 papers according to how central Day’s (1994) arguments were to the paper’s research. Further analysis was conducted on those papers that made more than a minor use of Day’s arguments.

The analytical review provides insightful findings of the applications of Day (1994) in marketing. For instance, several studies provide empirical evidence to Day’s claim that distinctive capabilities lead to superior performance. More specifically, these studies underscore the importance of market sensing capabilities – such as alliance orientation (Kandemir, Yaprak, and Cavusgil 2006) and market orientation (e.g., Baker and Sinkula 1999) – and customer linking capabilities – such as customer response capability (Jayachandran, Hewett, and Kaufman 2004) – in achieving a competitive advantage. The studies that collected their data in East Asia (e.g., Luo, Sivakumar, and Liu 2005; Panayides 2007; Zhou, Yim, and Tse 2005) and found a connection between capabilities and superior performance provide further evidence to believe that Day’s (1994) claims also apply to emerging markets.

Discussion

The critical review shows that Day’s work relates to current literature streams in marketing. In particular, market-sensing capabilities are closely related to market orientation, organizational learning, and alliances, while customer linking capabilities are related to customer orientation, services marketing, and alliances and networks. Future studies should extend Day’s work to examine the actions a firm needs to take to turn capabilities into superior performance. Many studies focus on the outcomes (i.e., firm performance and new product performance) of possessing certain capabilities, while not as much attention is devoted to the potential mediators that link capabilities to performance. Lastly, future studies that examine the capabilities-performance relationship should incorporate intermediate marketing outcomes into the model. Intermediate marketing outcomes, such as brand equity and customer equity, are necessary to provide evidence that marketing matters in the business. Once the intermediate marketing outcomes indicate that the capability creates marketing value, then superior performance should follow. References are available upon request.
INFORMATION-BASED IMITATION AS AN ALTERNATIVE LINK BETWEEN MARKET ORIENTATION AND FIRM PERFORMANCE

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SUMMARY

A key insight from the marketing strategy literature is the role of innovation as a mediator of the relationship between market orientation and firm performance (DeLuca and Gima 2007; Zou, Yim, and Tse 2005). Previous studies have found that innovation is enhanced by market orientation due to the propensity of market oriented firms to continuously and proactively focus on meeting and answering customers’ needs (Kirca, Jayachandran, and Bearden 2005). A complementary but less explored perspective focuses on imitation as a plausible, rational, and profitable option to increase firm performance (Zhou 2006).

Many researchers have suggested that we know little about the impact of imitation in market-oriented firms’ performances (Im and Workman, Jr. 2004; Lukas and Ferrell 2000; Bennett and Cooper 1979, 1981). More specifically, we lack evidence of how imitation relates to the core elements of market orientation and what the impacts of these relationships are on firm performance. By focusing almost exclusively on the most innovative organizations, researchers have ignored the important role of less innovative firms in shaping the market (Miles and Snow 2003).

In an attempt to advance this line of research, I decompose the concept of market orientation into its elements and explore how each element affects firms’ imitation behaviour (Han, Kim, and Srivastava 1998; Lukas and Ferrell 2000). To develop my theoretical arguments I draw on theories of imitation from a range of disciplines, such as organizational theory (Rhee, Kim, and Han 2006; Oliver 1988; DiMaggio and Powell 1983), economics (Banerjee 1992; Palley 1995), and strategic management (Gima 2005; Drew 1997; Reed and DeFillippi 1990).

Despite discrepant applications, and definitional nuances, these imitation theories can be classified into two broad categories: (1) rivalry-based theories and (2) information-based theories (Lieberman and Asaba 2006). Considering the central role of information in the development of market orientation (Varadarajan and Jayachandran 1999), this study focuses on the information-based theories of imitation to propose relationships among the core elements of market orientation and imitation. The relationships proposed are illustrated in Figure 1.

In summary, the proposed model suggests that in highly uncertain environments, and in markets where firms differ significantly in resources, competitor orienta-

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FIGURE 1

![Diagram illustrating the relationship between market characteristics, causal ambiguity, relative resources, customer orientation, competitor orientation, interfunctional coordination, information-based imitation, and firm performance.](image-url)
tion and interfunctional coordination will enhance the odds that a firm engages in imitative practices. Under the same conditions, it is expected that a strong emphasis on customer orientation will turn market-oriented firms away from imitation. It is expected that information-based imitation will increase the probability of market success for imitation projects, as well as the impact of projects on firm performance. Information-based imitation is also expected to increase a firm’s performance relative to its competitors.

Exploring the role of imitation may result in a more complete understanding of the impact of market orientation on firm performance. This paper contributes to the literature on market orientation and performance in three ways. First, it offers an evaluation of imitation as an alternative path to understand the impact of market orientation in a firm’s performance. Second, it turns the attention of marketing researchers to an extensive group of firms that are not the most innovative in their markets, but are still successful and play an important role in the determination of market dynamics. Finally, it represents an attempt to incorporate organizational and economic theories of imitation into marketing strategy research.

Future studies should submit the proposed model to theoretical discussion and empirical testing. There is also room for improvement and expansion of this model by integrating rivalry-based types of imitation. Furthermore, this study includes environmental and demand uncertainty, technological opportunities, causal ambiguity, and firms’ relative resources as moderators. The operationalization of these variables may prove to be overly complex; therefore future research should attempt to identify moderators that can be operationalized while refining the relationships proposed here. References are available upon request.
POSITIONING STRATEGY AND IMPACT ON FIRM PERFORMANCE: A QUALITATIVE APPROACH

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ABSTRACT

This research presents the results of an empirical study that examines the employment/pursuit of positioning strategy(ies) and the impact of the latter on firm performance. The findings emanate from two qualitative studies: case study and face-to-face long interviews and they provide candid subterranean insight into the subject matter. Overall, the results from the case study identify “service,” “attractiveness,” “value for money” and “the brand name” sub-positioning strategies as crucial in the employment of positioning strategy. The second study reveals positive association between positioning strategy and firm performance. Moreover, the case study and all executives interviewed appear to be familiar with the eight sub-positioning strategies (“top of the range,” “service,” “value for money,” “reliability,” “attractive,” “country of origin,” “the brand name,” and “selectivity”) adopted and examined in the study setting although emphases placed on them vary from firm to firm. Conclusions, theoretical and managerial implications and future research directions are discussed.

INTRODUCTION

The changing marketplace is giving rise to the importance ascribed to the management of reputation and manipulation of consumer perceptions. Since positioning deals with adjusting the tangible attributes and the intangible perceptions ascribed to the offering, there is the need to increase empirical studies on how executives are actually applying positioning strategy and whether the latter impacts firm performance. In the latter case, in view of the fact that one of the objectives of offerings’ long-term competitive advantages stem from positioning activities (Porter 1996; Hooley and Greenley 2005), then other things being equal, the basis of evaluating the effectiveness of offerings’ positions in the marketplace and justification for advertising budget/spend, ought to be the examination of whether the desired positioning strategy(ies) being employed actually impact performance (Blankson et al. 2008). At the heart of this issue is the strategic requirement to shift marketing from a narrow departmental approach, and selling product lines, to a broader activity that includes positioning and branding the organization as competitive resource advantage (Ries and Trout 1986; Knox and Maklan 1998; Hooley et al. 1998, 2001).

Kotler (1997) writes that positioning concerns the investigation of a particular segment’s perceptions with a view of exploiting it. Arnott (1993) however claims that positioning is the deliberate, proactive, iterative process of defining, measuring, modifying, and monitoring consumer perceptions of a marketable offering. According to the author, the application of the concept of positioning involves certain related activities, i.e., defining the dimensions of a particular perceptual space that adequately represents the target audience’s perceptions; measuring objects’ locations within that space and modifying actual characteristics of the object and perceptions of the target market via communications strategies. In other words, the process of positioning can be described as iterative and requires deliberate and proactive involvement of the marketer. Knox (2004) highlights the importance of positioning as a mechanism to deliver superior value. In seeking to understand the relationship between added value and positioning, Hooley et al. (1998) suggest a number of positioning dimensions (e.g., price positioning, technical quality positioning, service positioning, and innovation positioning and customized positioning) that can be pursued to reflect added value for consumers and ultimately achieve desired market positions. In a sense, as customers become ever more demanding in local, national and global business environments, and where competition is fiercer (Day 1999), and innovation faster (Datar et al. 1997), the key challenge facing executives today is how to position their firms and their offerings and, further, how to increase the value of the offerings they offer. Creating a position in the marketplace is built over time through deployment of resources including cost controls, design technology, communications, firm image and reputation etc. (Porter 1996; Hooley et al. 1998; Morgan et al. 2002) and putting in place commensurate market orientation processes (Kirca et al. 2005). But increasingly, “… executives know that they will not achieve these through the traditional marketing mix (4 P’s and 7 P’s) approach alone…” (see Knox 2004, pp. 105–106).

According to Arnott (1992) and Hooley et al. (1999), distinctive positioning in the marketplace is created through the deployment of positioning strategies that alter consumer perceptions about the offering and which will, in turn, exhibit a degree of causal impact on the marketing mix deliberations. However, while the importance of positioning is supported by assertions of a positive relationship between company performance (in terms of prof-
itability and/or efficiency) and well-formulated and clearly-defined positioning activities (Brooksbank 1994; Devlin et al. 1995; Porter 1996), there is little empirical investigation looking into positioning and effect on firm performance (Suzuki 2000; Hooley et al. 2001; Hooley and Greenley 2005). Although this gap in the literature is now receiving attention (Bingne et al. 2000; Langerak 2003; Lindgreen et al. 2004), given this state of meager empirical research on the application of positioning and effect of positioning on firm performance, it is asserted that positioning and its application may be in danger of being under-researched and risks the possibility of amplifying the claims of ambiguities about the practicality of positioning in marketing deliberation (Pollay 1985; Piercy 2005). This is problematic for marketing research and practice and hence, the timely need for critical empirical examination (see also, Morgan et al. 2002, pp. 367, 371) of the subject matter. Such observations gave the impetus for this study. Specifically, the purpose of this research is to examine the employment of positioning strategy(ies) and then assess the impact of their application on firm performance.

Since effective positioning activities is considered to be crucial for the credibility of marketing (Hooley et al. 2001; Blankson et al. 2008) and/or advertising budget, it is inferred that it is incumbent upon executives to justify whether their positioning strategy(ies) actually impact or affect the firm’s performance in the marketplace (Porter 1996; Bingne et al. 2000). The foregoing discussion underscores both the motivation and justification for this study.

**LITERATURE REVIEW**

A well implemented positioning strategy can lead to a more favorable perception of the offering. As was noted by Fahy et al. (2000), the capability to build a defensible market position is seen as a key element of a firm’s marketing activity (see also, Ries and Trout 1986; Porter 1996). This is taken up by Kirca et al. (2005, p. 25) who write that market orientation enhances customer satisfaction and loyalty because of the fact that market-oriented firms are well positioned to anticipate customer needs and consequently, able to offer competitive offerings. While the effect of market orientation on firm performance is now well documented, the same cannot be said about positioning strategies and firm performance. The latter is important because competitive positioning advantages can be considered to derive from marketing activities and lead to superior financial performance (see Day and Montgomery 1999; Morgan et al. 2002). In support of this assertion, research conducted between higher and lower performing United Kingdom companies, in terms of their marketing practices, has revealed that, to be successful over the long term, a firm’s offering must be well positioned in the marketplace (Brooksbank 1994). This is evident in Devlin et al.’s (1995) assertion that just as marketing has become an increasingly important element of strategic management process, so has the concept of positioning become fundamental to the success of firms’ marketing strategies. In addition, the relationship between a firm’s adoption and use of positioning strategies and their effect on profitability has been noted in an earlier paper written by Fisher (1991) who contended that a differentiated position generates high return on profits. Fisher (1991, p. 20) goes on to write that a differentiated position generates superior returns, in that “achieving a superior competitive position is beneficial to the firm but only as long as it can be preserved and that a major marketing objective for firms is to attain a differentiated competitive position.” The author asserts that the greater the emphasis on the implementation of positioning strategies, the higher the financial and competitive rewards attainable (see also Porter 1996; Hooley et al. 2001).

While the extant literature is convinced of the positive effect of positioning on performance, the importance of continued empirical examination of the latter has been called for. For example, writing in the *Journal of Marketing* in 1958, Eldridge (1958), for instance, called for the need to examine the effectiveness of comprehensive approaches (such as positioning) in the advertisement of offerings.

While it is recognized that most commentaries about the effect of positioning on performance have been conceptually driven, empirical attempts have, since 1992, been on the agendas of researchers. Hooley et al. (1992) for example, found that superior performance has been shown to be associated with more distinct and generally high quality positioning. Hooley et al. (1999) also found that product positioning and company brand reputation were significantly associated with firm performance, and that, a clear competitive positioning also contributes to explaining firm performance, albeit, in the case of the latter, the contribution is not strong (Hooley et al. 1999, p. 274). Moreover, Suzuki (2000, p. 52) found that positioning has significant effect on airline profit and that the effect is characterized by “high-quality high-price” positioning strategy rather than pursuing a “low-quality low-price” strategy. More recently, Miles and Mangold (2005, p. 536–544) have established that there is association between positioning and firm success in the marketplace through the employment of “employee branding” positioning strategy. However, despite the assertions of the effect of positioning strategies on firm performance, as mentioned earlier, a handful of empirical studies are identified to that effect (Suzuki 2000) despite the documented importance of the concept of positioning as a major component of modern marketing management. These gaps in the literature provided additional impetus for this research.
To that end, adding to the meager research stream trying to document impact of positioning on firm performance, this study attempts to respond to Kalra and Goodstein (1998, p. 223) who suggested that future research should be directed at the examination of the effect of positioning on firm performance. The authors emphasized that: “...our study is meant to encourage others to investigate other possible effects of positioning tactics...as well as boundary conditions in which these effects take place...” Accordingly, the aim of this paper is to investigate the employment of positioning strategy(ies) by companies and then assess the impact (relationship) of the application of positioning strategy(ies) on firm performance.

RESEARCH METHODOLOGY

The Pilot Study

Prior to conducting the pilot studies, first, face-to-face interviews with five senior executives from the manufacturing and service domains and eight small and medium sized (SME) business owners operating in the second-hand automobile dealership sector were undertaken. Discussion with these executives and owner-managers concerned their appreciation of the adopted positioning strategies (see Appendix I) and their views about firm performance criteria pertaining to their firms/businesses. Second, a pilot telephone survey involving 11 convenience sample (out of 30 initially contacted) of executives identified from the Yellow Pages Telephone Directory for Nassau and Suffolk counties of Long Island, New York was embarked upon. The executives were from the services sector.

The Main Study

Consistent with Yin (1989) and McLarty (1998), Study 1 is based on a case study geared toward revealing the pursuit of positioning strategy(ies) at Panera Bakery Café in Denton, Texas. Case study enables us to build understanding and appreciation, inductively, from the data. As noted by Tikkanen (2007), such method provides assuring evidence of the findings. Established in 1981, Panera Bread company originally St. Louis Bread Company, is now a fast developing bakery-café restaurant chain in the United States. The company currently runs over 1027 bakery-face restaurants in 38 states. Three hundred ninety-one are company owned while the remaining 696 are franchised through independent owners. The Wall Street Journal gave Panera the highest level of customer loyalty among quick-casual restaurants (www.panerabread.com/about/company). The Denton, Texas Panera Bakery Café mostly focuses on students and the youth target market.

Study 2 involved a series of face-to-face long interviews. In addition, an “observer-as-participant” technique (see Noble and Noble 2000) was used to actively observe a convenience sample of 30 firms’ positioning practices (Blankson and Kalafatis 2004). In the latter case, first, we visited the websites of the firms and who were later interviewed to see how the firms were structured, their marketing strategies and positioning activities. We took note of how difficult or easy to navigate the websites considering elements such as pictures, music, design, and the overall website layout. Carefully observing the models in advertisements, offerings sold, the style of the photo advertisements and the different designs and attributes of the offerings helped us to get a better understanding of the firms as well as the overall feel of the firms’ target markets and positioning tactics.

Second, following our observation of the firms’ websites, we went on a covert observation of mostly service business (small, medium, and large) in the domain of retail, hotel, restaurants, banks, hair dressing salons, cell/mobile phone retail firms. These firms were located in Hicksville, and Queens, New York and then Denton, Texas. All firms were located at popular malls and shopping districts. We walked around taking notes of aspects of stores’ displays, hotels’ exterior and interior decorations, customer service at banks, restaurants, hotels, and at stores. We took note of store layouts taking into account the lighting, music, and the display of merchandise and furniture and wall decorations, dressing room arrangements taking into consideration every aspect of how the firms are trying to position themselves in the marketplace.

Third and similar to Study 1, qualitative face-to-face methodology was embarked upon that shed light on responses from the subjects and it provided candid insight into the subject matter. Specifically, the empirical findings reflect qualitative exploration of how the respondents perceived the employment of positioning strategy(ies) and the relationship (effect) on firm performance and observation of positioning activities (Blankson et al. 2008). The face-to-face interviews provided the opportunity to probe respondents to uncover underlying motivations, attitudes and feelings about their employment of positioning strategy(ies) and the effect their deliberations have on their firms’ performance (Malhotra 2004).

It is worthy to mention that to the best knowledge of the author, all known studies to date focused on positioning strategy have been conducted using quantitative research techniques. Although there are numerous advantages associated with quantitative research techniques, and these studies have contributed to our understanding of positioning orientation (Hooley and Greenley 2005), it is
not always possible – or even desirable – to use formal quantitative methods to obtain in-depth information from respondents (Hooley, Saunders, and Piercy 2004). On the other hand, an advantage of participant observation and using depth interviews is that opportunities exist for researchers to probe respondents to uncover underlying subterranean motivations, beliefs, attitudes, and feelings about the subject matter (Noble and Noble 2000; Malhotra 2004). These techniques are particularly useful in exploratory research of this sort in understanding and further appreciating the subject matter (Brooksbank et al. 2003).

The Sample, Sample Frame, and Data Collection

As noted earlier, Study 1 depicted a case study of a service company located in Denton, Texas. Two senior managers and an assistant manager were interviewed on separate days in a month and who provided insight into the actual employment of positioning strategies (see also, McLarty 1998). The population of Study 2 was a combination of executives and SME business owner-managers. A database on firms operating on Long Island and held at a local university library provided the initial sample frame. This involved face-to-face depth interviews with 41 executives and owner-managers out of 80 initially contacted. They were drawn from firms in the service domain first, from Long Island, New York and second, from the Dallas-Fort-Worth Metroplex. The questions employed in the interviews were open-ended and originated from Blankson and Kalafatis (2004). Discussion was allowed to develop naturally within a non-contrived setting, while the interviewers ensured that executives and owner-managers talked about their presumed positioning strategy(ies) and the effect on their firms’ performance. The interviews lasted between 30 minutes and one hour. Notes were taken and the analysis undertaken was in the form of inductive reasoning and followed good practice prescribed in the literature (Kirk and Miller 1986).

Measurements

In view of the criticisms leveled against extant typologies of positioning strategies (Kalafatis et al. 2000), the absence of empirically derived consumer generated positioning strategies (Aaker and Shansby 1982; Crawford 1985; Ries and Trout 1986; Easingwood and Mahajan 1989), and the call for consumer based positioning strategies (Dibb et al. 1997), it was decided to adopt a newly developed empirically-based generic, i.e., appropriate for services and goods, consumer derived typology of positioning strategies (see Appendix I). Thus, the latter served as the measurement construct/instrument for the examination of the employment of positioning strategies. Rationale for adopting this new typology of positioning strategies stems from the fact that review of the literature reveals that some of the earliest and widely referred to typologies of positioning (e.g., Aaker and Shansby 1982; Wind 1982) are in fact purely conceptual. This has also been the case with some of the more recently proposed typologies (e.g., Hooley et al. 1998b). As for the empirically based typologies (e.g., Crawford 1985; Easingwood and Mahajan 1989), these reflect mainly organizational practices as exhibited in advertisements and managerial views (Arnott 1992; Kalafatis et al. 2000), as compared to consumer derived perceptions. Thus, in spite of (a) the importance of the concept of positioning as a major component of modem marketing management, (b) the concept forming the foundation of marketing communications, (c) the asserted effect of positioning on firm profitability and the long term success of the firm and (d) the need for the assessment of consumer perceptions in positioning strategy formulation, the literature lacks empirically based consumer-derived generic typologies of positioning capable of measuring or reflecting positioning strategies.

ANALYSIS AND RESULTS

Application of Positioning Strategy(ies) – The Case of Panera Bakery Cafe Company

Our interviews with the managers revealed that, the company’s positioning aim is geared toward profit and brand name recognition and it is upon these that their positioning strategies emanate. According to a manager, they really want customers to recognize the “Panera Warmth” and are working to install the brand name so as to be viewed as merely a place to get a quick “bite to eat.” To further enhance the company’s “attractiveness” to the consumer, Panera uses specific design aesthetic to project an overall image of comfort. As noted by the manager, “the store is seen as an oasis, filled with soft cushions, and with fireplaces.” Customers are encouraged to “sit and stay” with employees even offering to fill up cups of coffee, all aimed at portraying comfort and attractiveness, according to a manager. The customer focus is enhanced by “day baking” referring to continuously fresh products made from morning to night. In support of good service to customers, the manager claimed that “bakery items are made on a special request as well as the regular products, that if a particular bakery food, like brownies, bagels, or pastries are out of stock, we will bake it fresh to order.”

In all, it appears that positioning strategies, from the manager’s point of view, lean toward “service” and “attractiveness.” To that end, many of the service sub-positioning strategies (impressive service, personal attention and friendly service) underpin the company’s employment of positioning. As for “attractiveness,” the aesthetics in the store, the cozy and elegant atmosphere are well emphasized. From the interview with the manager, it was gathered that Panera also employs “value for money” positioning strategy as evident in her comment that “Panera
is brand oriented but with added value as we are not expensive.” In order to stay competitive, the company recently introduced a line of Pizza products known as the “Crispani” which are only served after 4pm. This is intended to increase sales during the evening hours since most of the menu items are food for lunch.

Our second interview with a second manager in the same company revealed many of the comments made earlier by the first manager. For example, she stated that “Panera Bread focuses on the experience of the customer and our quality product as we bake with wholesome, organic ingredients and create an oasis in our bakery-cafes.” She confirmed that “once you experience Panera Bread, you are drawn to its warmth and its unique environment that makes you feel comfortable and welcome.” These statements from the two managers underline their position along “service,” “attractiveness,” “value for money,” and “the brand name.” The latter is summed up in a statement made by our third interviewee, an assistant manager, who emphasized that “treating customers with great care and always providing what they need truly sets the stage for the complete customer experience.” All three managers appear to agree that customer experience is what brings customers back to the store. Summing up the overall positioning activities, the assistant manager said that “so many aspects come together – our name in the market, the colors in the cafe, the warm lighting of the bread and the bagel wall, the cozy corner seating, the beautiful images throughout the cafe – all contribute to the customer experience, our market share and profits and enhance that feeling of Panera warmth.”

The foregoing findings show that Panera Bakery Cafe Company in Denton, Texas pursues “service,” “attractiveness,” “value for money,” and “the brand name” sub-positioning strategies (see Appendix 1). We will next explore the links between firms’ application of positioning strategies and firm performance (see also, Blankson et al. 2008).

**Linking Positioning Strategy(ies) to Firm Performance via Qualitative Analysis**

The results of the face-to-face interviews confirmed that executives and owner managers were indeed familiar with the positioning strategies and it was evident that, intuitively, they practiced specific positioning strategies commensurate with their businesses and with the view of increasing sales, profits, market share, and so forth. Specifically, with regards to “top of the range” positioning strategy, which implies luxury service/offerings, this appears to be the most preferred strategy for those firms well-known for their pursuit of the middle class and upper class target audiences. Executives and owner managers believed that “top of the range” was a catalyst in sales, profits, and company image within the middle class target market. This positioning strategy was however found wanting among the smaller firms who claimed to prefer the mass market. All 41 respondents emphasized that “service” positioning strategy is of top priority and importance and that in general, it enhanced ROI, sales, profits, consumer perceptions, and market share. As a manager of a large chain retail firm put it, “we stress fast, friendly customer service . . . and I am cognizant of the service that customers expect and we have a good team of employees at this store.” An executive of a computer software manufacturing firm simply said that: “customer service, customer service, that is what our clientele are looking for and that is how we differentiate ourselves.” Majority of the respondents (37 out of 41) said that in order to survive in their industries, they strive to have the best products at reasonable prices. This is supported by an owner-manager of a medium-sized manufacturing firm who noted that: “the value of the product, not just the price, is a very high priority . . . customers are always looking for the best value.” Yet an executive of a computer software manufacturing firm went on to say that price is not an issue. He justifies their higher prices for their products by saying that customers are willing to pay for their prices because they know that they are getting a high quality product. Thus, good “value for money” and “reliable” service/product seem to enhance successful return on investment, market share and achievement of overall objectives.

Results of the interviews revealed that “Reliability” is pursued by a large number of the firms (35 out of 41). The executives confirmed that they guarantee everything they sell and have return policies in place. This also connects with excelling in customer service, and ultimately profits and good customer perceptions. From the point of view of a small retail shop manager with franchise operations in international markets, their store ranks very high in product quality and that as far as he was concerned, this helped their sales, profits, and overall consumer perceptions about their organization. As for “attractiveness,” this was gleaned from executives’ comments about the enhancement of sales, company image, consumer perceptions, and the eventual market share. “Attractiveness” is employed in communications and visual presentation of offerings and through employees’ capabilities and execution of their duties (skills set) which they believed, affected their consumer perceptions and overall market share. While executives of medium-sized and large firms remarked that they were more akin to consider “country of origin” strategy as a back-up to other strategies, owner managers of small firms did not consider it as important.

With few exceptions (4 out of 41), all executives believed that their brand names help in increasing sales and maintaining their market shares. They believed that a brand name (branding tactics) that incorporated superb quality always helps place their firms ahead of the competition (comments included firms’ private/own brands).
Overall, it was gathered that service firms that combined good customer care and service and branding positioning strategies saw their customer perceptions strengthened, increase in sales and, the achievement of overall objectives. The latter is supported by statement made by an executive of a large well-known service firm that: “brand name is our bread and butter . . . our name is huge and everyone knows what we stand for and know what to expect from a market leader . . . in fact, with very little advertising, we have grown and operate in cities around the world based solely on our strong name brand.”

“Selectivity” positioning strategy denotes being selective in the choice of target market and upholding high principles. Thirty executives and owner-managers out of the 41 firms interviewed agreed that their businesses were tailored to specific target groups, in the first instance. However, it was evident in the interviews that this strategy is rather cyclical in application, in that, firms categorically considered the clientele and the environment they do business in as “a moving target.” As noted by an executive of a well-known computer manufacturer, “at first, we targeted the upper class because of the higher prices but now, we are trying to reach every customer. Of course, much of the population is willing to spend the extra money for a great product as opposed to a mediocre product . . . and we believe that our approach has sustained us in business all these years.”

The study has manifested that not only is there support for the effect of positioning strategy(ies) on firm performance, it does so in a way that furnishes illumination and keen insight into the subject matter. It is worthy to note that while most of the firms interviewed implemented all of the positioning strategy(ies) (Appendix 1), not all strategies received equal amount of emphasis and also, not all firms employed all the eight sub-positioning strategies adopted for this study. Moreover, in view of the exploratory and qualitative nature of our study, it was beyond the scope of this study to examine the exact amount of attention given to the use of certain strategies.

CONCLUSION

The main purpose of this study was to examine the application of positioning strategy(ies) in a specific firm context and then assess the relationship of positioning strategy(ies) (consisting of top of the range, services, value for money, reliability, attractiveness, country of origin, the brand name, and selectivity) on firms’ performance using qualitative analysis. Firm performance measures comprise sales, profits, ROI and market share (Appiah-Adu 1998) and company image, consumer perceptions and overall firm objectives (Miles and Mangold 2005). Tentatively, the findings provide support for the aim of the study in that, there is indication of the application of positioning strategy(ies), albeit, some of the sub-positioning strategies received patchy attention. It is also concluded that to an extent, there is relationship of the application of positioning strategy(ies) on firm performance variables.

Theoretical, Managerial Implications, and Future Research Directions

On the theoretical front, although this paper is exploratory, it attempts to answer the calls from Hooley et al. (1998), Kalra and Goodstein (1998), Bingne et al. (2000), Langerak (2003) and Lindgreen et al. (2004) for further research into the application of positioning strategies and their effect on firm performance. Overall the findings are congruent with the views expressed by Ries and Trout (1986) and Fahy et al. (2000) who assert that the capability to build a defensible market position is a key element of a firm’s marketing activity.

While this study adds to the research conducted by Hooley et al. (1999, 2001), Suzuki (2000) and Miles and Mangold (2005), unlike the extant work noted here, a qualitative research approach has characterized this research. In addition, apart from insight from a case study context, an attempt has been made to cover all sizes of business and from all industry sectors during our face-to-face interviews. With regard to managerial implications and contribution, the findings reported here provide executives with valuable appreciation of the types of sub-positioning strategies pursued by firms and the effect of these strategies on performance. More specifically, as a result of the absence of empirical examination of the impact of the application of positioning on firm performance, to a degree, the present research provides practitioners with descriptions of the strategies pursued and their effects on certain firm performance measures.

Inevitably, this study has some limitations that are worth noting. First, this study relies solely on self-reporting by executives and owner-managers. However, it is possible that executives’ purported employment of the positioning strategies and their claims of the effect on perceived performance may not be congruent with actual application of the strategies and actual firm performance indicators (Hooley et al. 1999). Thus, future research should assess the congruence between executives’ presumed application of the strategies and what actually takes place and actual performance outcomes. Second, although the populations studied came from all industry sectors, the subjective qualitative analysis must be acknowledged. Future studies may need to work with a triangulation study involving quantitative and qualitative analysis.
REFERENCES


APPENDIX I

Typology of Positioning Strategy(ies)

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy 1</td>
<td><strong>Top of the range:</strong> Upper class, top of the range, status, prestigious, posh</td>
</tr>
<tr>
<td>Strategy 2</td>
<td><strong>Service:</strong> Impressive service, personal attention, consider people as important, friendly service</td>
</tr>
<tr>
<td>Strategy 3</td>
<td><strong>Value for money:</strong> Reasonable price, Value for money, Affordability</td>
</tr>
<tr>
<td>Strategy 4</td>
<td><strong>Reliability:</strong> Durability, Warranty, Safety, Reliability</td>
</tr>
<tr>
<td>Strategy 5</td>
<td><strong>Attractiveness:</strong> Good aesthetics, Attractive, Cool, Elegant</td>
</tr>
<tr>
<td>Strategy 6</td>
<td><strong>Country of origin:</strong> Patriotism, Country of origin, Youth market</td>
</tr>
<tr>
<td>Strategy 7</td>
<td><strong>The Brand Name:</strong> The brand name, Leaders in the market, extra features, choice, wide range, expensive</td>
</tr>
<tr>
<td>Strategy 8</td>
<td><strong>Selectivity:</strong> Discriminatory in selection of customers, Selective in choice of customers, high principles</td>
</tr>
</tbody>
</table>


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ANTECEDENTS OF SERVICE DEVELOPMENT SUCCESS: A CULTURE-TOOLS-PROCESS MODEL

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SUMMARY

An earlier paper discussed that a culture-tools-process model of new service development (“NSD”) success emerged from a grounded study of service innovation in a diverse group of service organizations (Schirr and Page 2008). A customer oriented culture, the use of research methods to individually engage customers (Schirr and Page 2007), and the interaction of an iterative process with formal procedures should predict NSD success.

Testing a Culture-Tools-Process Model of NSD Success

A single-industry service data set seemed the ideal first test of the model that was developed from a grounded study of diverse service firms. With the cooperation of the American Bankers Association, the culture-tools-success model was tested on a set of U.S. banks of different sizes and regions. The individual antecedents were tested using confirmatory factor analysis and each was tested as a predictor of overall program success with reasonable SEM fit estimates. To explore the model for different levels of innovativeness using the interactivity of the process variable, regression analysis was used after converting the multi-item variables to a single value.

Running a standard linear regression of measures of NSD success against (1) a standard measure of customer orientation, (2) the usage of individual engagement research methods, and (3) the interaction of measures of NSD process iterativeness and formality, the adjusted R² for incremental, innovative and radical NSD programs ranged from .23 to .24. These effect measures are large for innovation models. The coefficient for customer orientation was large and significant for all levels of innovativeness; the process interaction term had more effect on less innovative programs while the individual engagement (“ICE”) measure had more effect on more innovative programs.

In Table 1 the culture-tools-process model is reduced to two significant terms (at p < .05). This is not to imply that these truncated two-predictor models are superior. The choice of a significance level such as .05 is arbitrary; there is a literature on the abuse of significance testing in social science and business research and the resulting misleading results (Hubbard and Armstrong 2006; Kline 2004). The culture-tools-process model emerged from grounded study and explains nearly a quarter of the variance in success for three categories of NSD success by innovativeness.

Table 1 shows the two-term models that would be derived from the culture-tools-process model of NSD success. A quick summary of the results of Table 1 would indicate that the culture term, customer orientation was key in each level of innovativeness, while the process term was important for incremental and innovative projects and the use of ICE methods for radical new services.

These tests provide support for a cultural-tools-process model of NSD success that emerged from a grounded study of diverse service firms.

<table>
<thead>
<tr>
<th>NSD Type</th>
<th>adj-R²</th>
<th>P, F-test</th>
<th>CO</th>
<th>ICE</th>
<th>F X I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental</td>
<td>.26</td>
<td>.00</td>
<td>.30</td>
<td>–</td>
<td>.31</td>
</tr>
<tr>
<td>Innovative</td>
<td>.22</td>
<td>.00</td>
<td>.29</td>
<td>–</td>
<td>.29</td>
</tr>
<tr>
<td>Radical</td>
<td>.26</td>
<td>.00</td>
<td>.26</td>
<td>.34</td>
<td>–</td>
</tr>
</tbody>
</table>

All independent variables significant at p < .05

TABLE 1
Two-Term Models with Independent Variables Significant at p < .05
Conclusion

An analysis of a series of models to predict success of new service development using the data set derived from the 2007 Bank New Service Development Survey supported the antecedents of success generated from a qualitative study of NSD in diverse service firms and the proposed culture-tools-process model of NSD success. The CO-ICE-Formal/Iterative or culture-tools-process, model of NSD model explained nearly a quarter of the variance in the success measures for incremental, innovative and radical projects. This is an exciting result: (1) this simple culture-tools-process model of NSD success has significant theoretical and managerial implications, and (2) these results support the importance as antecedents of NSD success of two measures, iterativeness of NSD and use of customer engagement methods, developed for this article.

Several articles have urged firms to have separate tracks for innovation of varying innovation (Benner and Tushman 2003; O’Reilly and Tushman 2004). These results suggest that future studies of antecedents of success should focus from the start on varying innovativeness.

This study is based on a single-respondent survey and is therefore subject to the well-known biases of such studies despite the author’s attempt to use multiple item constructs, normalization and some negative questions to minimize tendencies to answer scales in similar fashion. This survey is a single-industry-study and further research may be necessary before generalizing conclusions for all service firms. References are available upon request.

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B2B-ADOPTION OF INTERACTIVE REMOTE SERVICES

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SUMMARY

The increasing use of technology leads to considerable changes in the way services are conceived, developed, and delivered (Meuter et al. 2000) and alters the nature of services themselves (Bitner, Brown, and Meuter 2000). In view of globalization strategies and the opening of the world markets, new forms of services gain in importance as they can be provided via technology anywhere in the world (Froehle and Roth 2004). At the forefront of these developments are remote services, which are provided in an interactive technology-mediated process, allowing the service provider to actively access and modify the service object over long distances. Remote services are associated with substantial challenges and barriers, for which – due to their newness – neither practitioners nor academics have found an ideal solution.

This research focuses on the exploration of the emerging class of technology-mediated interactive remote services in B2B-settings, the factors that determine their perception and usage and on the managerial implications that result for remote service providers. Most importantly, a new unified model that explains remote services usage – the Interactive Technology-Mediated Service Usage Model (ITSUM) was developed and validated in a B2B-context. This study contributes to the literature by combining two different research streams pertaining to customer/employee co-production and technology acceptance, which previously have been pursued rather isolated. This research also stands out by explaining usage behavior and behavioral intention from a different angle. Whereas most studies on service and technology usage focus on identifying the relationship between beliefs of an individual on an individual’s behavior – e.g., studies on consumer e-service usage (Meuter et al. 2005; Taylor and Todd 1995) – or on identifying the relationship of firm characteristics on firm behavior (Premkumar and Roberts 1999), this study relates the beliefs of an individual to organizational behavior.

The ITSUM was validated in the German printing industry by a cross-sectional survey study on the acceptance of B2B-remote repair services (n = 479). The results of the study of the have implications for technology-intensive service providers on how to manage customers’ usage behavior and for the choice of strategy leading to enhanced customer’s perceptions of predictability, self-efficacy and technology. Three major belief groups, which influence the intention of an organization to use the remote service, were identified: predictability perceptions (consisting of controllability and trustworthiness beliefs), co-production readiness (comprising role clarity, motivation and ability) and technology beliefs (comprising ease of use, perceived usefulness and trust in technology).

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. This study also revealed that in contrast to the service providers, customers perceive remote services as risky and that due to the non-observable nature of these services customers have a need for trust in and control of the behavior of the remote service provider engineer (the counterpart from a customer’s point of view). The ability to provide remote service from anywhere on the globe often leads to the off-shoring of service provision in order to use their full efficiency potential. The importance of the counterpart’s behavior is likely to be even increased by intercultural differences between customer and counterpart. As a consequence, providers of remote services face a series of challenges on how to enhance the acceptance of remote service in an international context and must manage the virtual servicescape carefully and appropriately. However, one major finding is, that the remote services drivers differ from drivers, which are shown to be important in a self-service context, e.g., role ability, intrinsic motivation (Meuter et al. 2005). As implications from self-service-marketing often emphasize to strengthen the individual customer’s motivation and role clarity through clear instructions, good training and additional guidance, this research shows that individual motivation in B2B contexts does not have the same importance, instead rational usefulness and benefit-aspects play a much larger role.

In addition this research determines organizational characteristics comprising subjective norms, organizational remote technology expertise, company size, and function as having direct and interaction effect on usage intention. For the diffusion of remote technology into customer companies the exploration of the organizational structure and its effects on the decision-making criteria yielded interesting results. The larger the customer orga-
nization is, the less personal belief structures play a role and rational (perceived usefulness) expectations influence the intention to use a remote service. On the other hand previous remote service experience, even in totally different business contexts seems to shift the balance toward a more personal belief oriented decision-making. The higher the individual is in that hierarchy the more are rational beliefs edged out by personal belief structures about remote services. This is important to note, as generally personal beliefs are considered to play less of a role in organizational decision making. References are available upon request.

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CONSUMERS’ ADOPTION OF HIGH-TECH SERVICE BUNDLES

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SUMMARY

Service bundling, the practice of combining multiple services at a set price, has become a very popular marketing strategy (Radus and Shugan 1998; Stremersch and Tellis 2002). In all sorts of industries, companies that traditionally offered stand-alone services are changing their strategy to provide service bundles (Foote et al. 2001; Sawhney 2006). Given the wide use of bundling in marketing services, it is not surprising that business research on bundling has been increasing. Several aspects of bundling have been investigated, including the optimality of bundling (Bakos and Brynjolfsson 1999; Guiltinan 1987; Wilson et al. 1990), firms’ pricing of bundles (Ansari et al. 1996; Hanson and Martin 1990; Kaicker et al. 1995; Yue et al. 2006), and the best way to present bundle prices (Soman and Gourville 2001; Yadav and Monroe 1993).

Little research, however, has examined what factors outside of price cause consumers to adopt or not to adopt a newly offered bundle of services. Chakravarti et al. (2002) noted that consumer behavior analyses in the bundling literature are primarily rooted in economic principles and have largely ignored the psychological ramifications of bundling.

Accordingly, we take a different perspective in analyzing service bundling. It has been suggested that bundle choice – the decision of the consumer whether to buy a bundle or not – involves whether or not to choose newly formed combinations of services (Agarwal et al. 2000). Thus, bundles are likely to be perceived as new offerings by consumers and, therefore, can be considered innovations (Eppen et al. 1991; Rogers 1995). Also, since bundling often requires several adaptations of the services, managers frequently approach service bundling from a new product development perspective, involving the research and development and manufacturing departments (Stremersch and Tellis 2002). This view opens the door for treating the bundle choice decision as akin to an innovation adoption decision, and for developing a conceptual framework based on bundling literature and innovation adoption literature (Agarwal et al. 2000).

In our study, we focus on the telecommunications industry, where service bundles have been on the rise at the consumer level, and which thus offers a rich context for studying consumers’ willingness to adopt bundles. Triple play denotes the bundling of three broadband services: Internet access, telephone, and television. The triple play is quickly becoming established in the United States, Europe, and Japan, as evidenced by a wide range of announcements (e.g., by AT&T, Comcast, Deutsche Telekom, British Telecom, and NTT). An ever-increasing number of market participants have begun to feel compelled to offer a full range of broadband services as a package.

The telecommunication providers’ aim in offering the triple play is both to attain synergies in supply and to encourage subscribers to stay with a single service provider, thereby opening up new revenue-generation potential (Larsson 2007; Seo 2007; Sieber and Sabatier 2003). However, while the triple play comes with the promise of increased profits, it also comes with risk. If not accepted by the customers, it will increase customer churn and ultimately drag down profits (Cherry 2006). Recent studies show that, in fact, consumers’ demand for bundled telecommunication services falls behind expectations (Flanagan et al. 2007; Menke and Godell 2006a; Menke and Godell 2006b). Since many telecommunication corporations have made fundamental investments in their efforts to increase their product range and implement triple play bundling, a profound understanding of the factors influencing consumers’ decision about whether to adopt triple play offers is of high practical relevance.

This article contributes to the literature in several ways. First, the paper brings a new perspective to the study of service bundles by analyzing consumers’ acceptance of bundling. Prior research has argued that consumers may only slowly get used to the idea of bundles instead of single services (Agarwal and Chatterjee 2003). Thus, we develop a model of the antecedents of consumers’ adoption of service bundles. Considering the case of broadband triple play, we build on the technology acceptance model (TAM), the most widely tested theory to explain innovation usage, to derive key drivers of bundle acceptance. Second, our study advances theory in that it adapts and extends key constructs of the TAM to make them suitable for the study of service bundles. Specifically, we apply Information Integration Theory (ITT) in order to explain how consumers assign value to service bundles. Third, our research model provides managers with important factors on which to focus in their companies’ efforts to increase the adoption of service bundles. This is an important issue since the frequency with which firms offer bundles, particularly service bundles, has been increasing steadily, and our model provides some guidance on how
Marketers can effectively boost the number of customers who choose a bundle instead of separate items. Finally, we make a contribution to the literature on broadband Internet services. Despite the increasing diffusion of broadband services, the topic of their adoption has received only scant scholarly attention as research has been restricted primarily to macro-level factors (e.g., Ferro 2006; Picot and Wernick 2007). While these studies are certainly important in terms of investigations into necessary conditions for broadband Internet connections, we believe that, as broadband has become widely available in many regions of the world and competition has steadily increased, a better understanding of individual-level factors will yield important insights on the further diffusion of the technology. References are available upon request.

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INTEGRATING MARKETING AND INFORMATION SERVICES FUNCTIONS FOR HIGHER ORGANIZATIONAL CAPABILITIES

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SUMMARY

One of the greatest influences on marketing today is information technology (IT). IT, or computer systems and related devices, helps firms to find and open new markets, deliver improved services to customers, and streamline internal marketing processes. Examples are CRM platforms to provide a seamless interface with customers, data-mining programs to identify profitable segments, and web-based social networks to promote brands and test new products. To understand and realize the potential of such marketing-relevant IT, marketers are having to work closely with a group of specialists responsible for creating, operating, and providing support for IT, namely information systems (IS) specialists.

Marketers and IS specialists, however, represent very divergent functions. Their orientations, backgrounds, priorities, and skill sets are contrasting, if not conflicting, at times. One is more strategic and externally focused, and the other more technical and internally focused. If communications and collaboration between the two functions, also known as IS-marketing integration, are weak, the development and deployment of effective IT-based marketing solutions may be impeded. Consequently, IS-marketing functional integration is a critical concern for businesses today.

Of particular concern is (a) how to ensure strong IS-marketing integration, i.e., what contributes to integration, and (b) whether or not integration enhances key marketing capabilities. The purpose of this study is to look at this two-fold concern. Specifically, we examine the role of five antecedents and two consequences of integration. The antecedents, which reflect major functional integration factors, are customer orientation, IT strategic intent, interfunctional trust, role clarity, and top management knowledge of IT for marketing applications. The consequences are innovativeness and strategic responsiveness, two capabilities that are especially relevant in today’s volatile, information-intensive business environment. Innovativeness is the ability to introduce new ideas, products, or processes, while strategic responsiveness is the ability to respond rapidly, flexibly, and well to changing market and technology opportunities.

Our essential premise is that the five antecedents positively contribute to integration, and in turn integration leads to the consequences of innovativeness and strategic responsiveness. In other words, when the strategic, managerial, and relational context supports cohesion between the two functions, the marketers and IS specialists are more apt to conceive of and devise effective ways for IT tools identify and exploit efficiencies and opportunities within and outside the firm, for example by developing an Internet-based market survey to improve and deliver a customer service interface.

To empirically examine this premise, we conducted a survey of IS and marketing executives. The survey was the first to study the IS-marketing relationship. We found that integration is facilitated by top management knowledge of IT for marketing applications, as well as by role clarity and trust between the marketing and IS functions. Contrary to expectation, however, we found that customer orientation and IT strategic intent, two strategy foci, are not antecedents of integration. Further analysis demonstrated differences between marketing and IS executives in perceptions of the role of these strategies. Finally, we learned that integration fosters the much-coveted marketing capabilities of innovativeness and strategic responsiveness. Thus IS-marketing integration can be cultivated through selected organizational mechanisms, and achieving integration has significant payoffs in terms of marketing capabilities that augment a firm’s business performance.

ENDNOTE

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A CROSS-CULTURAL COMPARISON OF CONSUMER MATERIALISM AND COMPULSIVE CONSUMPTION: A LIFE COURSE PERSPECTIVE AND TEST OF MEASUREMENT EQUIVALENCE

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Kara Chan, Hong Kong Baptist University, Hong Kong
Andrew M. Baker, Georgia State University, Atlanta

SUMMARY

Compulsive consumption and materialism are regarded as global phenomena which can potentially adversely affect consumer welfare. Recent developments in social sciences suggest that such phenomena may best be understood in the context of an individual’s life experiences. Using the life course paradigm, hypotheses are derived and formulated, and data from a survey of young adults in the United States and Hong Kong are used to test them.

This paper examines empirically the development of materialistic values and compulsive consumer behaviors. The life course approach suggests that changing life conditions in the form of life-event experiences creates physical, social, and emotional demands to which one must adapt. The study reported here contributes to previous efforts by assessing cross-cultural measurement equivalence to support the hypothesized model across both the United States sample and the Hong Kong sample.

A sample of young adults, age 19 to 29, were drawn from a Hong Kong university (n = 120) and a United States university (n = 152). The instrument employed contained scales measuring disruptive life events, stress induced by disruptive life events, peer communication, family resources, materialism and compulsive consumption.

The full metric invariance model fits the data well: χ² (df) = 486.73 (374), CFI = 0.95, NNFI = 0.94, SRMR = 0.057, RMSEA = 0.033 and did not fit significantly worse than the configural invariance model (Δχ² (Δdf) = 25.99 (16), p > 0.05). This provides support that the cross-cultural hypotheses can be meaningfully evaluated.

The following presents the results to the hypotheses based on the United States unstandardized coefficient and t-values and the Hong Kong unstandardized coefficient and t-values. The results support H1 (0.619, 5.62; 0.613, 4.06), but do not provide support for H2 (0.007, 0.49; -0.001, -0.114). H3a is supported in the U.S. sample (0.622, 3.15; 0.196, 0.773), while H3b receives support in both samples (0.670, 2.58; 0.756, 2.76). Additionally, H4a (-0.037, -1.59; -0.055, -2.10) and H4b (-0.089, -3.74; -0.070, -2.70) are supported. Conversely, the model does not provide significant support for H5a (0.187, 0.119; 0.155, 0.907) and H5c (-0.127, -0.909; 0.036, 0.212). However, partial support is provided based on data from the U.S. sample for H5c (0.290, 1.33; 0.035, 0.210) and H5d (-0.297, -1.522; -0.008, -0.046). Finally, non-significant moderation effects of culture on all of the hypothesized paths resulted (H6-H8).

The results indicate that disruptive life events which occur earlier in life may contribute to the development of materialistic attitudes and compulsive consumption behaviors. An intriguing finding is also present within the context of the mediating relationships, in that the authors shed light on the debate of whether or not tangible and intangible family resources are distinct and divergent constructs. Finally, measurement equivalence and cross-cultural moderation were tested to compare and contrast the predicted model across cultures. The results show that the theoretical model tends to perform similarly across the two samples, suggesting the value the life course paradigm in future studies. References are available upon request.
TABLE 1
Hypotheses

H1 Disruptive life events in adolescence (T1) positively relates to the associated stress experienced by young adults (T2).

H2 Young adult’s stress induced by disruptive life events is positively related to peer communication.

H3 Young adults’ peer communication is positively related to his or her relationship with (a) materialism and (b) compulsive consumption.

H4 Young adult’s stress induced by disruptive life events’ is negatively related to the respondent’s level of (a) tangible and (b) intangible family resources.

H5 Young adults’ level of tangible family resources is positively related to his or her relationship with (a) materialism and (b) compulsive consumption; while the level of intangible family resources is negatively related to his or her relationship with (c) materialism and (d) compulsive consumption.

H6 The positive relationship hypothesized between disruptive life events and stress induced by disruptive life events will be greater in Hong Kong compared to the United States.

H7a The positive relationship hypothesized between stress induced by disruptive life events and peer communication will be greater in Hong Kong compared to the United States.

H7b The negative relationship hypothesized between stress induced by disruptive life events and intangible family resources will be greater in Hong Kong compared to the United States.

H7c The negative relationship hypothesized between stress induced by disruptive life events and tangible family resources will be lesser in Hong Kong compared to the United States.

H8 The positive relationship hypothesized between peer communication and (a) materialism and (b) compulsive consumption will be lesser in Hong Kong compared to the United States.

H8 The positive relationship hypothesized between tangible family resources and (c) materialism and (d) compulsive consumption will be lesser in Hong Kong compared to the United States.

H8 The negative relationship hypothesized between intangible family resources and (e) materialism and (f) compulsive consumption will be lesser in Hong Kong compared to the United States.

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A CROSS-CULTURAL EXAMINATION OF THIRD-PERSON EFFECT AND ONLINE SOCIAL NETWORKING: IMPLICATIONS FOR VIRAL MARKETING, WORD-OF-MOUTH BRAND COMMUNICATIONS, AND CONSUMER BEHAVIOR IN USER-GENERATED CONTEXT

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SUMMARY

This study is the first to link the third-person effect theory to online social media and to make a cross-cultural comparison. The survey results of college students (N = 451) support the notion that people perceive others to be more strongly affected by social networking Websites than themselves in both the US and China. However, third-person effect is culture-distinctive, with collectivistic Chinese culture diminishing the magnitude of the effect. The finding was further mediated by different descriptions of “others.” Also, media sources and level of involvement with SNWs influenced the magnitude of third-person effect in both countries. Interestingly, the behavioral consequence of third-person effect was completely reversed in the two countries. Based on the findings, implications for viral marketing, word-of-mouth brand communications, and consumer behavior in online social networking across cultures are discussed. Additionally, we provide the theoretical contribution of this study as well as future research suggestions.

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COUNTRY-OF-ORIGIN EFFECT: AN EXAMINATION OF THE BICULTURAL CONSUMER

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SUMMARY

The country-of-origin (COO) effect has received extensive scrutiny in marketing and international business in recent decades and is expected to grow further with the ongoing trends toward globalization and mobility (Klein, Ettenson, and Morris 1998; Mihailovich 2006). However, there is an important research gap in the COO literature (Lau-Gesk 2003; Perlmann 1997). Despite its significance, consumer bicultural identity has not been examined by COO researchers. Existing research has implicitly assumed that all consumers have a monocultural disposition, and the possibility of mixed cultural identity has been assumed away as error variance (Lau-Gesk 2003; Matsumoto 1999). This study addresses this limitation in an exploratory fashion. Specifically, we provide a more sophisticated view of the socially constructed concept of culture, and ask whether consumers with mixed cultural identities (i.e., biculturals) differ from consumers with only one cultural identity (monoculturals) in terms of the COO effect.

COO has been defined in many ways in the marketing literature. This study uses the country of manufacture, that is, the “made in” country. Reviewing the controversial COO literature, Verlegh and Steenkamp (1999) assert that the weight of evidence supports the presence of a significant COO effect. Among the numerous investigated modifiers, consumer characteristics have received the most attention in the COO literature. Among psychographic variables, ethnocentrism has received the most attention.

Three conclusions are in order based on the reviewed literature. Generally speaking (a) consumers in underdeveloped countries tend to favor developed countries’ brands over domestic brands; (b) consumers in developed countries tend to favor domestic brands over foreign brands; (c) highly ethnocentric consumers in both developed and underdeveloped countries favor domestic brands.

In this research, we move the spotlight onto an emerging identity, namely bicultural consumers. Bicultural identity has been examined by Consumer Culture Theorists (Zolfagharian and Jordan 2007) in addition to social psychologists, sociologists, and anthropologists. Due to the large heterogeneity across the many subgroups of bicultural populations (Zolfagharian and Jordan 2007), we focus on first-generation Mexican Americans (consumers with mixed Mexican-American identity) in a border town and compare them to Mexicans in Mexico and to White Caucasian in the U.S. To simplify our presentation, we refer to these three groups as Meximericans, Mexicans, and Americans, respectively.

Research Method

Meximericans were expected to (a) be less ethnocentric than either of the American and Mexican groups; (b) exhibit more favorable quality evaluation and purchase intention toward American brands than do Mexicans; and (c) exhibit more favorable quality evaluation and purchase intention toward Mexican brands than do Americans. One pretest was conducted to identify three products and three brands that were age- and sex-neutral and could be reasonably presented as “made in Mexico” or “made in the U.S.” Another pretest was implemented to observe (a) whether language can account for any of the differences and (b) whether responses to quality evaluation and purchase intention could influence subsequent responses to country image and ethnocentrism scales. Participants in the second pretest were 100 bilingual undergraduates conveniently sampled at an American university located in one of the U.S.-Mexico border cities. The results increase our confidence that responses to country image and ethnocentrism scales will be reasonably independent from responses to quality evaluation and purchase intention scales. After we collected the data from the experiment, manipulation checks helped to ensure that cultural identity and COO were operationalized reasonably. Independent sample t-tests were used to examine hypotheses 1–3. All three hypotheses are supported in this study. Post hoc, multiple comparisons were used to test if there were significant differences between the two mono-cultural groups. Americans who evaluated the Mexican brand did not significantly differ from Mexicans who evaluated the American brand in terms of ethnocentrism, quality evaluation, and purchase intention.

Discussion

Conventional COO research is not only blind to the fact that a considerable number of consumers (i.e., multiculturals) might identify with both origin and target countries of a brand, but also oblivious of the different diversity (e.g., male-female, alternating-integrating) evident among such consumer markets. This study has bridged the mentioned gap with important theoretical and practical implications. First of all, to the best of our knowledge, this is the first study in the COO literature to theoretically
and empirically investigate the COO effect on bicultural consumers. Our study not only confirms the prior findings that the monocultural consumers are patriotic toward the domestic products, but also provides fresh insights on the bicultural consumers. Bicultural consumers were found to be significantly less ethnocentric than monoculturals. In addition, we examine Hispanic American – the largest ethnic minority in the U.S. (U.S. Census 2006) and the findings should have important practical implications. Bicultural consumers, as an increasingly attractive market segment, should be paid more attention in the literature. Finally, the experiment designed in this study provides important insights to both COO and consumer behavior literature. For example, the COO literature did not provide theoretical foundation for ethnocentric differences among bicultural groups, but our study could not only provide potential answer to this unsolved question, but also propose new research directions. References are available upon request.

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DECEPTION IN COVERT MARKETING: FROM THE PERSPECTIVES OF LAW AND CONSUMER BEHAVIOR

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ABSTRACT

Because of the prevalence of virtual media, the marketing practices that conceal the real sources (marketers) with disguised sources (e.g., editors and bloggers) have posed both ethical and policy concerns. This article proposes a new typology that covered the comprehensive scope of disguised marketing practices, discussed the deceptive nature of this marketing technique from the law and behavioral viewpoints, and conducted a 2 x 3 experiment to test the hypothesized relationships. The results suggest that an implicit message, disguised source’s preference, is likely to be conveyed in covert marketing and thus results in high a deceptive tendency.

INTRODUCTION

The disclosure of Wal-Mart’s marketing activity by The New York Times in March 2006 responded to the long-lasting debates in both the industry and academia (Gillin 2006). Wal-Mart, one of the biggest retail merchandising companies in the United States, was found making use of the virtual environment and persuading bloggers to write positive articles about the company. To avoid accusation of deceptive practice, Wal-Mart did not pay money as incentive; instead, Wal-Mart made an offer inviting bloggers to visit the headquarters and feed them with free corporate information. Some critics focus on the issue of blog community ethics (Gillin 2006), while others focus on the situation of marketers exploiting the medium of Internet (Grazioli and Jarvenpaa 2003). The deceptive nature of using blogs as marketing tools is another aspect used to approach this issue (Gillin 2006).

As a result of consumers’ suspicion toward traditional marketing techniques, many marketers have tried to disguise their advertisements as other forms of messages. The examples include making advertisements resemble news items (Aditya 2001; Levine 1993; Richards 1997), the infomercials in the ‘90s that disguise advertising as TV programs (Levine 1993; Lacher and Rotfeld 1994), making celebrities use the products in their real lives or in films (Aditya 2001), feeding media information using public relations (PR) activities like bribing journalists with gifts and making TV stations use the footages from press releases (Gillin 2006).

All of these practices possess one characteristic in common: they are various forms of marketing practices that attempt to hide the real sources of marketers. While Wal-Mart used bloggers as disguised sources, the PR activities use authentic news exposures and reporters to replace the original sources of marketers. The seemingly unintentional use of products by celebrities could be a scheme carefully designed to disguise marketers as celebrities, with an underlying intent to enhance the credibility of marketing claims (Aditya 2001). These practices are different from traditional advertising because they are not “seller’s talk.” The seller’s talk blatantly shows the intention of persuading consumers, and thus most consumers are savvy enough to identify these commercial messages. The marketing practices in question, the marketing-in-disguise, could avoid this undesirable situation by using their disguised sources other than marketers.

The study of this new marketing technique is important not only because of its prevalent use in traditional media, but also because of the emergence of the virtual communication environment. The Internet is more affordable than any other medium (Richards 1997), and makes it difficult for audiences to verify the real identities behind the messages (Grazioli and Jarvenpaa 2003). The fact that the Internet is highly used by the public for information exchange further explains why the information distributed by disguised sources could work effectively in the virtual society (Grazioli and Jarvenpaa 2003; Petty 2003; Hawkins, Hoch, and Meyers-Levy 2001).

The purpose of this article, therefore, is to propose a new typology to cover various marketing-in-disguise practices, and then identify one type that possesses the highest deceptive tendency. Theories in law and behavioral disciplines are discussed to explain how this type of marketing-in-disguise is processed in the consumers’ minds and why it is deceptive in nature. Hypotheses are delineated, followed by a 2x3 experiment to test these conceptual relationships.

THEORETICAL FRAMEWORK AND HYPOTHESES

Marketing-in-Disguise

Many researchers have discussed the practices of marketing-in-disguise. “Masking,” for instance, is a deceptive tactic proposed by Grazioli and Jarvenpaa (2003). According to the authors, the deliberate omission of important information in social exchange is considered “masking,” such as recommending a product in an Internet newsletter without disclosing the fact that the publisher...
has received advertising money for the conduct. The same term is also used by McAllister and Turow (2002) to explain a type of misleading technique that conceals the marketer’s commercial intent in the message. Nebenzahl and Jaffe (1998) use the term “disguised advertising,” and define it as the advertising that conceals the source of the message in order to deliver a misleading impression that the marketer has not sponsored the message. The purpose of these practices is to “intentionally give a target an incorrect mental representation of the circumstances of a social exchange” (Grazioli and Jarvenpaa 2003, p. 95), with the underlying scheme of making profits (Lewczak 2005).

Accordingly, a definition is derived for the broad concept of marketing-in-disguise: Marketing-in-disguise is an invested marketing technique that communicates favorable messages for marketers, but attempts to conceal its real source of the marketer. It should be noted that marketing-in-disguise can be paid by marketers through valuable substitutes rather than money (Gillin 2006), such as the free samples offered in press conferences and the travel compensation paid by marketers to attract bloggers. Another example is the product placement in movies, which sometimes replaces cash fees with reciprocal promotional exposure of specific films (Nebenzahl and Jaffe 1998). The last part of this definition depicts the unique characteristic of marketing-in-disguise, namely the disguise of the real source. The disguised source is exposed instead of marketers in order to hide commercial intent (McAllister and Turow 2002), make promotional messages resemble objective information (Petty 1998; Nebenzahl and Jaffe 1998), and thus enhance the credibility of the product claims (Aditya 2001).

A new categorization of marketing-in-disguise is proposed here in the attempt to draw the conceptual line between deceptive and non-deceptive practices before a novel marketing execution is developed or a new medium is used for such intent (Levine 1993; Lacher and Rotfeld 1994; Richards 1997; Petty 1998; Aditya 2001; Petty 2003; Lewczak 2005). This new categorization focuses on the main characteristic of marketing-in-disguise, the disguise of the real source (i.e., real-source concealment). The extent to which the marketer successfully disguises the real source would result in different levels of deceptive tendency, and thus explains why some of the practices are legal and others are not. As shown in Figure 1, three types of marketing-in-disguise could be identified based on a spectrum that demonstrates different extents of real-source concealment: perceptible disguise, ambiguous disguise, and covert marketing.

The “perceptible disguise” occurs when the real source is detectable to consumers, such as infomercials and advertorials that are clearly labeled as requested by the law (Lacher and Rotfeld 1994). For instance, the BMW film series, “The Hire” (2001), took advantage of its appearance as online entertainment but was placed on the company’s official website, showing evident relationship between the film and the real source of the BMW corporation. The second type of marketing-in-disguise contains a blurry relationship between the real source and the marketing practice; this relationship is not clearly mentioned or is shown inconspicuously in the final credits and in small prints. Manning (1999) has provided several examples about how beverage and computer companies buy their ways into schools through low-profile sponsorships.

The third type of disguised marketing practices, also referred to as “covert marketing,” completely conceals the real source. Under this circumstance, almost all consumers cannot detect the real source, because it is neither mentioned in the content nor derivable from the context of the message. The unidentified endorsements, unidenti-
fied product placements, as well as unidentified paid editorials fall in this extreme of the concealment spectrum and are considered covert marketing. The “optimized press release” posted on online news portals with the investment from marketers is another example. Some news exposures on television contain materials and viewpoints directly planted by PR companies without disclosing those influences, which also constitute the complete disguise of real sources (Gillin 2006; Nebenzahl and Jaffe 1998). Furthermore, the paid opinions in the virtual society, along with buzz and word-of-mouth generated from these opinions, are also covert marketing because it is impossible for consumers to associate these seemingly consumer-generated messages to the real sources of marketers.

After defining marketing-in-disguise and proposing a new way of categorization, it could be derived that not all of the marketing-in-disguise practices are difficult for consumers to detect, and these practices may have very different characteristics and deceptive impacts. Therefore, the literature in law and consumer behavior disciplines is reviewed to further examine the deceptive tendency of this propaganda device and to develop hypotheses for the present study.

Perspective of Law

Based on Federal Trade Commission’s definition, there are three key elements in a case of deception (Gardner 1975, 1976; Richards 1990a, 1990b; Aditya 2001). First of all, there should be a representation, omission, or practice. Besides, it should be likely to mislead consumers acting reasonably under the circumstances. Moreover, the representation, omission, or practice should be material. This definition suggests two important constructs, deceptiveness and materiality, which should be applied when judging the deceptive potential of a case.

The construct of deceptiveness exists when a claim is likely to result in deception, that is, containing the likelihood of deceiving (Richards 1990b). More specifically, deceptiveness lies in the difference between “conveyed meaning” in the consumers’ minds and the “actual product attribute.” What is theoretically interesting about deceptiveness is that it is different from miscomprehension, which focuses on the “literal meaning” of the message rather than the “actual product attribute” (Preston and Richards 1986). In other words, the truth or falsity of the message’s literal meaning would influence the extent of miscomprehension; however, it has no impact on the judgment of deceptiveness.

Since the deceptiveness of a marketing practice depends on the difference between the “conveyed meaning” in the consumers’ minds and the “actual product attribute,” it is then crucial to define the scope of conveyed meaning from the messages. The general principle is that the conveyed meaning includes what is said and what is reasonably implied, in other words, the summed total of the message (Richards 1990b). While the explicit message represents the product information (content) provided by the marketer, the implicit message could be operationalized as the “disguised source’s preference toward the product” implied through the concealment of the real source. In the Wal-Mart example, the blog articles deliver both explicit messages (e.g., Wal-Mart’s brand attributes) and implicit message that “bloggers prefer Wal-Mart” because the postings come directly from bloggers (disguised source), not Wal-Mart (real source). This disguised marketing practice provides a clear example of how the summed conveyed meaning in the consumer’s mind, containing both explicit and implicit messages, could extend beyond literal messages in bloggers’ articles.

In short, when the real source is successfully concealed, the “disguised source’s preference” different from the product’s true attribute is the factor that adds to the overall conveyed meaning, results in the difference between the conveyed meaning and the true attribute of the product/brand, constituting the deceptiveness of such practice (Richards 1990b). Therefore, the more difficult it is for consumers to detect the real source, the more likely the implicit message of “disguised source’s preference” toward the product will be believed, eventually resulting in a higher level of deceptiveness.

H1: The level of real-source concealment in the message is positively related to the believability of “disguised source’s preference” toward the advertised product.

Besides deceptiveness, materiality is another construct that contributes to the impact of deceptive practices (Richards and Preston 1992). A message is considered material if it involves the information that is important to consumers, and is more likely than a true claim to affect their belief or behavior regarding the advertised company, brand, or product (Richards 1990a, 1990b). That is, materiality contributes to the overall influence of deception, and therefore the deceptiveness is regulable only when it is accompanied by materiality. If consumers consider the disguised source as objective and credible, the messages shared by the disguised source will be viewed as authentic and trustworthy.

H2: The “disguised source’s preference” toward the advertised product is positively related to the believability of product information.

Based on the discussions above, it can be derived that covert marketing, with the highest level of real-source concealment, is assumed to contain the highest level of deceptiveness and materiality. The “disguised source’s
preference” derived from the real-source concealment creates the difference between overall conveyed meaning and true product attributes, constituting deceptiveness. In addition, the materiality lies in covert marketing’s feigned appearance as objective information, which tends to enjoy higher believability and be weighed more heavily in the consumer’s decision-making process.

Perspective of Consumer Behavior

Many researchers have demonstrated that the persuasion context can influence the consumer’s psychological process toward communication materials as well as acceptance toward the messages (Papageorgis 1968). The construct of source, which represents the unique character of marketing-in-disguise, is an important element in persuasion context. Source is the “perceived communicator to whom the message is attributed” rather than the actual producer of the message (McGuire 1989, p. 46). Therefore, the bloggers who posted favorable information about Wal-Mart are the “perceived communicator,” and should be regarded as the “source” in the communication matrix.

Clearly defined as the “judgments made by a perceber concerning the believability of a communicator” (O’Keefe 1990, p. 130), source credibility represents consumers’ estimations about the believability of the perceived communicator – the disguised source. While the factors like source expertise, attractiveness, and consensus greatly rely on the specific attributes of the type of source (e.g., the perceived expertise of the blogger) and the situational factor in the communication environment (e.g., the website’s attributes facilitating interaction), the source trustworthiness (Petty and Cacioppo 1986; Whitehead, Jr. 1968) with qualities like good, honest, or friendly, is more likely to be related to the disguised source rather than the real source of marketers in consumers’ minds. In addition, several factors found to enhance the source trustworthiness could offer even higher credibility to the disguised source when the real source is completely concealed, such as the similarity between the source and the audience, and the objectivity factor suggesting that the source is impartial (Whitehead, Jr. 1968; O’Keefe 1990; Pornpitakpan 2004). Therefore, it is assumed that the type of source and the level of real-source concealment will influence the perceived source credibility.

H3: The type of source in the message is related to the respondents’ perceived credibility of the source.

H4: The level of real-source concealment in the message is positively related to respondents’ perceived credibility of the source.

According to the Elaboration Likelihood Model (ELM) introduced by Petty and Cacioppo (1986), the receivers’ extents of elaboration on issue-relevant infor-

mation could result in different processing outcomes, and the receivers’ likelihood to elaborate on messages is determined mainly by their motivations and abilities. When the extent too elaborate is high, the disguised sources can serve as persuasive arguments, which not only affect receivers’ confidence in their thoughts but also make the messages more trustworthy, and are likely to result in positive attitudes (Petty, Briñol, and Tormala 2002). If the peripheral route is adopted because of the low motivation and/or ability too elaborate, the peripheral cues in the persuasion context become important factors that could be directly associated with messages and permit simple inferences regarding its validity (Petty and Cacioppo 1986). Under this circumstance, the disguised sources would be regarded as strong peripheral cues, and thus directly transfer the high source credibility into a powerful impact on the receivers’ attitudes.

Hence, the high source credibility will contribute to the believability of the overall information and the degree of acceptance toward marketing messages under both central and peripheral routes of processing. As a result, receivers are more likely to accept messages (both explicit product information and implicit “disguised source’s preference”) when a more credible disguised source is used, and change their opinions in the direction advocated by the source, that is, to become more favorable to the products/brands in covert marketing (McGuire 1976; Hovland and Weiss 1951).

H5: The respondents’ perceived credibility of the source is positively related to the believability of “disguised source’s preference” toward the advertised product.

H6: The respondents’ perceived credibility of the source is positively related to the believability of product information.

H7: The believability of product information is positively related to the respondents’ attitudes toward the advertised product.

Based on these hypotheses, covert marketing, by completely disguising the real source, is assumed to possess higher source credibility, generate the implied message of “disguised source’s preference,” result in higher believability of overall product information, and have positive influences on consumers’ attitudes toward the advertised product; in other words, it contains the highest level of deceptiveness and materiality, and is deemed deceptive.

METHODOLOGY

The present study attempts to gauge the relationships among real-source concealment, source credibility, believability of explicit and implicit messages, and the
attitude toward the advertised product. Based on the Spectrum of Marketing-in-Disguise, a 2 x 3 experimental design manipulating different types of source (editor and blogger) and different levels of real-source concealment (no concealment, moderate, and high) was employed; that is, three editorials and three blog articles that feature the same attributes regarding an identical product were used to form the manipulation. Six groups were created in the experiment, and participants in each group viewed one type of stimuli to form their ratings toward the measuring items in the questionnaire.

Sample

Two hundred and fifty participants were recruited from college students in a southwestern university in the United States. Two hundred and forty-four respondents were included in the final sample and analyses, excluding incomplete ones. The sample consisted of 98 males (40.2%) and 146 females (59.8%) between the ages of 17 to 33 with the average age of 20.4 years.

When asked about the media they usually use to get information about computer-related products, the Internet was checked by 221 respondents (90.6%), followed by word-of-mouth with 167 respondents (68.4%); the traditional media like television were all checked by less than 30 percent of the respondents. Regarding the respondents’ Internet usage behavior, 52.5 percent of the respondents claimed that they spent 7 to 21 hours per week on the Internet, and 29.1 percent claimed to spend 22 to 35 hours per week. On the subject of specific product-related Web activities, 83.6 percent of the respondents spent less than 7 hours per week accessing information on the Web about products and services they may buy. The sampling of this study’s participants is considered appropriate because these young students are typical audiences who spend a lot of time online, have been exposed to online product information, but remain distant to commercial-related information.

Stimuli

The product chosen for this study was a photo printer because it was relevant for participants and at the same time not too prevalent, so that they had some knowledge about the product category but did not have lots of actual experiences. The messages about the photo printer were adapted from several different websites, and a new brand, Doson, was created to make sure that no participant had ever heard of or purchased this product.

The information about Doson photo printer was kept the same between editorials and blog articles. The no-concealment editorial had the brand’s trademark and a subtitle, “from DOSON,” to inform the readers that this information was provided by Doson. The moderate-concealment editorial had a symbol of “Editors’ Choice” instead of a brand trademark, and a subtitle read “editorial review.” At the end of the product information, there was a bolded disclaimer, “Reviewed printer supplied by Doson,” and a small brand trademark to vaguely inform the readers that this information could be provided by Doson. The high-concealment editorial (covert marketing) had the same editorial layout as the moderate-concealment version, except that covert marketing did not have the disclaimer, and the connection between Doson and editor was not revealed. The layout for blog articles followed the same rules as editorials, with the tone and manner slightly altered to read like a blog. Small pre-tests were conducted in short interviews to check the success of the stimuli design. The pre-tests suggested that these stimuli contain similar arguments and similar amount of information, but at the same time represent different levels of real-source concealment.

Measures

The first part of the manipulation check asked participants to identify the name of the product they just viewed, whether they have seen this type of website before, and if they reviewed the stimuli without skipping any statement. Another manipulation check was placed at the end of the questionnaire and designed to gauge the success of source manipulation by asking the respondents whether they are confident as to who the source of the information.

Four dependent variables were measured in the experiment. The perceived source credibility included nine items and was measured by questions like whether the source in the message “is trustworthy” with seven-point Likert-type scales, yielding scores ranging from 1 (strongly disagree) to 7 (strongly agree) for each question (Grazzioli and Wang 2001; Grazioli and Jarvenpaa 2003; Wang 2006). The scale was found reliable (Cronbach’s α = .92). The perceived believability of product information included several items and was measured by seven-point Likert-type scales gauging respondents’ agreements to statements like “it has the attributes described in the messages” (Richards 1990b). The believability of product information was also measured by asking participants to evaluate whether the overall quality of information in the material is “accurate,” “truthful,” “factual,” “convincing,” and “believable” (Wang 2006) with the same seven-point Likert-type scales. The two scales were later combined as one construct (Cronbach’s α = .92). Furthermore, the believability of the implicit message (disguised source’s preference) included four items and was measured by seven-point Likert-type scales with statements like “I feel that the source in the message prefers this product among other brands” (Cronbach’s α = .84). Lastly, the attitude toward the advertised product included a four-item, seven-point semantic differential scale such as “good/bad” and “positive/negative” (MacKenzie, Lutz, and Belch 1986).
as well as five extra statements like “if my friend is looking for a photo-printer, I will tell him/her about this product” (Grazioli and Wang 2001) with seven-point Likert-type scales (Cronbach’s α = .95). Demographic information and Internet usage behavior were collected at the end.

RESULTS

Manipulation checks for the recall of information showed that participants under all conditions identified the product information correctly, and have read the stimuli without skipping them. The manipulation check for the sources in the stimuli indicated that participants exposed to different sources held the same level of confidence as to who the source of the information was, $F(1, 238) = 3.349, p > .05$, and participants in different real-source concealment conditions also held the same level of confidence about the actual identity of the source, $F(2, 238) = .261, p > .05$.

Test of Hypotheses

Among all constructs, the “disguised source’s preference” is the implicit message not supported by the product’s true attributes because the disguised source is paid by the marketer to convey the messages rather than having true personal preferences toward the product. Hence, the existence of “disguised source’s preference” will constitute the deceptiveness in covert marketing (Hypothesis 1). The ANOVA was performed to test this hypothesis. The results suggested that the level of real-source concealment was the main effect on the believability of “disguised source’s preference” toward the advertised product, $F(2, 238) = 3.359, p < .05$. Specifically, the participants exposed to the no-concealment online editorial did not think that the source preferred to use the product ($M = 4.49, SD = 1.12$), the ones exposed to the moderate-concealment editorial believed in this implicit message more ($M = 4.73, SD = 1.04$), and the participants exposed to the covert editorial highly believed that the editor had personal preference for this product ($M = 4.92, SD = 1.21$). The same pattern was also found in the blog situation, with the no-concealment condition being the least persuasive ($M = 4.56, SD = 1.08$), moderate-concealment condition enjoying higher believability ($M = 4.98, SD = .86$), and high-concealment condition being the most persuasive in delivering this message ($M = 4.99, SD = 1.19$).

Hypotheses 3 and 4 focus on the construct of perceived source credibility, and suggest that both the type of source and the level of real-source concealment will be related to this construct. Particularly, it is assumed that different sources (editor versus blogger) will contain different levels of source credibility, and the higher level of real-source concealment will also make the disguised source more credible. The results confirmed hypothesis 3 that there was a main effect from the type of source, $F(1, 238) = 18.435, p < .001$. Not surprisingly, the perceived source credibility of the editor ($M = 4.32, SD = 1.0$) was higher than that of the blogger ($M = 3.77, SD = .99$), possibly because of the perceived higher source expertise toward editors writing product reviews (Petty and Cacioppo 1986; Whitehead, Jr. 1968).

Hypothesis 4, however, was not supported. The perceived source credibility toward the advertiser in the no-concealment condition ($M = 4.09, SD = 1.07$), the mixed source in moderate-concealment condition ($M = 4.0, SD = 1.03$), and the editor/blogger in covert marketing condition ($M = 4.04, SD = .98$) were not significantly different. One explanation is that, while blogger and editor enjoyed high credibility because of the apparent independence and objectivity, and moderate-concealment condition also enjoyed a certain level of trustworthiness because of the disclaimer revealing the sponsorship behind these messages. The traditional online advertisements (no-concealment) were broadly assumed to be regulated by legal forces, and thus should contain truthful information and could be credible.

Other hypotheses predict the positive relationships between the four main constructs: perceived source credibility, disguised source’s preference, believability of product information, and attitude toward the advertised product. It is assumed that the source credibility will interact with all messages, including the implicit one, and thus the perceived high source credibility would make the personal preference conveyed by the disguised source more believable (hypothesis 5). Pearson correlation analysis supported this hypothesis, $r = .439, p < .01$. It is also hypothesized that both the source credibility (hypothesis 6) and disguised source’s preference (hypothesis 2) will have positive relationships with the believability of overall product information. The correlation analysis showed that both hypotheses (2 and 6) were sustained; the perceived source credibility ($r = .79, p < .01$) and the believability of disguised source’s preference ($r = .49, p < .01$) had significant, positive relationships with the believability of product information. The last hypothesis connects the believability of product information to the respondents’ attitudes toward the advertised product, which is also a crucial step when judging the materiality of a potentially deceptive marketing practice (McGuire 1976; Hovland and Weiss 1951; Richards 1990b). The correlation analysis supported previous literature, and showed a positive and significant relationship ($r = .702, p < .01$). Table 2 demonstrates the correlation matrix.

Demographics and Internet-Usage Behaviors

The MANOVA test was further performed to test the between-participants effects, more specifically, to evaluate if the gender and the Internet-usage behaviors of the
sample would influence their perceptions about the four key constructs.

No confounds were detected based on participants’ gender and Internet-usage behaviors; these factors were not the main effects influencing the variations in the four main dependent variables. Even though some participants were savvier than others regarding online information and activities, their perceptions about source credibility, implicit message, product information, and the sequential attitude were not significantly different from the groups that were less savvy. That is to say, covert marketing practices can have similar deceptive effects on savvy Internet users as well as non-savvy counterparts, making the present field of study even more critical.

CONCLUSION

The marketing technique of disguising the real source has been a commonly used plot over a long period of time; however, the appearance of this scheme could be different with various devices and media vehicles applied. An effective way to examine all these practices from both the viewpoints of public policy and consumer behavior would be to study these executions as a whole.

As demonstrated earlier, covert marketing is the most deceptive practice among three types of marketing-in-disguise in that it completely conceals the real sources of marketers with more credible disguised sources. While online editorial and blog article were perceived to possess different levels of source credibility, the real-source concealment was the main effect behind the implicit message, the disguised source’s preference. The results also suggest that both the source credibility and the believability of the implicit message will contribute to the believability of overall product information, leading to consumers’ more positive attitudes toward the product. For that reason, it can be concluded that covert marketing practices contain both the highest levels of deceptiveness and materiality, and is deceptive in nature.

The non-significance of the relationship between real-source concealment and source credibility also possesses great value. This result suggests that, while different types of sources possess different levels of credibility, the disguise of real source does not automatically enhance the perceived source credibility. This is because traditional advertising has already established a certain level of credibility among consumers due to regulations and legal enforcement, and the moderately revealed relationship through disclaimers also enjoys credibility through the marketer’s seemingly candid gesture. With that in mind, it is plausible to suggest that covert marketing will not provide marketers unique advantages in the aspect of source credibility, yet could run a huge risk of deception because of the implicit message.

There is also reason to argue that covert marketing practices could affect individual consumers as well as the entire virtual world; that is, the new ways of communication and new opportunities of deceiving provided by advanced electronic media could adversely weaken the mechanisms of social control and erode social values in virtual society (Aditya 2001; Castelfranchi and Tan 2002). For instance, the two mechanisms of on-line shopping

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discussed by Grazioli and Wang (2001) could be jeopardized by the prevalence of covert marketing practices because the assurance mechanisms (e.g., third-party seals) are susceptible to the schemes of covert marketing, and the trust-building mechanisms (e.g., customer testimonials) are also vulnerable to the disguised marketing practices. Since these mechanisms are of great value to online shoppers, covert marketing could easily influence a considerable number of individuals and thus crush the trust in the virtual shopping environment.

Limitations and Future Research

This study proposes a new construct of implicit message in covert marketing practices, and connects it with the previous literature in deception, credibility, and information processing. The examination of the relationships, however, is limited. To begin with, various propaganda devices are included under covert marketing, but their individual impact is not tested in the present study. As a result, future research can further examine different devices of covert marketing and study their characteristics.

In addition, the importance of a product’s true attributes is discussed but not tested in the study. This study makes assumptions that the “disguised source’s preference” is a result from the marketer’s investment, and thus is likely to be different from the product’s true attribute, and also presumes that the perceived product’s popularity among the disguised sources is different from the real situation. Only when these assumptions are tested can the deceptiveness of the practices be affirmed. Therefore, it is crucial for future research to compare the perceived disguised source’s preference and the perceived level of product popularity (e.g., respondents think that 70 percent of the bloggers would prefer this product) with the product’s true attributes, to enhance our understanding about the circumstances under which covert marketing practices are considered deceptive.

Several limitations can be derived from the design of the experiment. The product of photo-printer was selected because of the college-student sample in this study; however, technology products like printers may invoke different processing and perceptions than conspicuous-consumption products like fashion. Hence, future research can compare different products (e.g., functional- versus hedonic-oriented) and gauge their different impacts on the deceptive potential of covert marketing.

This study used blog articles because of its relevance to the respondents; nevertheless, blog has its own credibility issues because of the availability to the public (Johnson and Kaye 2004; Wasserman 2006; Banning and Sweetser 2007), and these issues may influence the results in the present study. Therefore, future research is encouraged to test covert marketing practices with different types of sources and media, to exclude the factor of the type of source and develop a general picture as to how covert marketing works in consumers’ minds.

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I DON’T SMOKE, SO I AIN’T HAVE TO LISTEN? A CROSS-CULTURAL EXPLORATION OF THE EFFECTS OF ANTISMOKING MESSAGES ON NON-SMOKERS’ ELABORATION

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SUMMARY

Governments in many countries have stepped up their efforts to reduce smoking. An important part of these efforts are antismoking campaigns, which traditionally have been directed at smokers. More recently, the detrimental effects of environmental tobacco smoke and the importance of normative influences in bringing about smoking cessation have been the focus of public policy debates with governments and public-policy makers increasingly realizing the importance of non-smokers in terms of attaining campaign goals. This is mainly due to two reasons. First, secondhand smoke or environmental tobacco smoke (ETS) endangers the health of non-smokers as well as smokers. The 2006 Surgeon General’s report stresses that there is no risk-free level of exposure to ETS and concludes that a smoke-free environment is the only way to fully protect non-smokers (Surgeon General 2006). Second, non-smokers can be important change agents in smoking cessation, for example by advising family members that smoke about the addictive nature of tobacco and the detrimental effects of smoking (Cohen and Lichtenstein 1990). Although antismoking campaigns and persuasive advertising are a rich field in social marketing, to date little research has been done to disaggregate the effects of antismoking campaigns on smokers and non-smokers. Also, research into the effect of culture on an individual’s proneness to engage in antismoking messages is scarce. Most of the existing studies dealing with antismoking campaigns are based on national antismoking campaigns, and are thus limited to one cultural context (e.g., Andrews et al. 2004). This intra-cultural focus does not allow a cross-cultural assessment of the effectiveness of pan-national antismoking campaigns.

This study addresses these research gaps. The authors formulate hypotheses and test a model of individual-level antecedents (i.e., comprehension and attitude) that affect non-smokers’ inclination to elaborate on an antismoking message and cultural characteristics that moderate that relationship. Using Hierarchical Linear Modeling, the authors test hypotheses on data collected from more than 24,000 consumers from the 25 countries of the European Union. HLM allows the analysis of multilevel data simultaneously using a two-step approach, firstly estimating a separate regression equation of elaboration on comprehension and attitude for each country. Secondly the variance in the individual-level intercepts and slopes are estimated based on country-level variables (cultural scores) within a country-level model. The results suggest that the cultural dimensions power distance and uncertainty avoidance moderate the comprehension-elaboration relationship. However, there is no cross-cultural variation evidenced in the attitude-elaboration relationship. Specifically, message comprehension and attitude toward the advertisement are key factors in prompting elaboration. Thus, this study contributes to the body of knowledge by testing the relationships between message comprehension and attitude toward the advertisement on the one side and elaboration on the other. The results show that the effect of message comprehension on non-smokers’ level of elaboration is moderated by culture.

This research works from the premise that understanding how non-smokers perceive persuasive antismoking advertising is becoming increasingly important. As van den Putte (2005) points out, important gaps exist in our understanding of both the awareness of and the response to social marketing campaigns. This research fills some of these gaps by assessing an advertising effectiveness model using data from a non-smoker sample. The most important managerial implication that arises from our findings is that (a) persuasive advertising can be successfully directed toward groups such as non-smokers and (b) when designing antismoking advertisements, campaign management should not simply assume persuasive advertisements will be equally effective across cultures.

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IS SURPRISE PRIOR TO THE ACTIVATION OF NEGATIVE EMOTIONS?
THE PROCESSING OF A SHOCKING AD ON DRINKING AND DRIVING

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Pierre Valette-Florence, University Pierre Mendès, France

SUMMARY

This research studies the effects of nine basic emotions activated by a shocking message on drinking and driving and measured by Izard’s Scale. We assume that fear, shame, guilt, anger, disgust, contempt, surprise, and interest have positive and direct effects on persuasion. Results show that emotion measures constitute four dimensions. The first is called “primary emotions,” and is composed of items related to fear, anger, and sadness. The second, named “secondary emotions” is measured by items from shame and guilt. The third dimension is “repulsion” and the fourth is “surprise.” Results show surprise is prior to the activation of negative emotions. In addition, primary emotions and “repulsion” have direct effects on persuasion. Surprisingly, the effect of “repulsion” on persuasion is negative. This research shows also that perceived self-efficacy favors persuasion.

KEY WORDS: Surprise, negative emotions, persuasion, perceived self-efficacy, drinking, and driving.
EAGLE–BIRD, NOKIA–PHONE: UNDERSTANDING BRANDS AS WORDS

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SUMMARY

Understanding brand associations has been important to marketers for some time. For example, Keller based his ideas of brand knowledge on brand awareness and image, with brand awareness relating to brand recall and recognition performance by consumers and brand image referring to “the set of associations linked to the brand that consumers hold in memory” (p. 2). Brand associations include all types of perceptions held in memory, for example, attributes, benefits and attitudes—essentially other informational nodes linked to the brand and containing meaning. That brand information held in memory influences all manner of consumer behavior is undisputed. The problem lies in obtaining a meaningful map of what is held in memory and how it is utilized. Therefore, the approach of this paper is to understand brands as stimulus words in a free association task.

With the challenge of understanding what is held in memory, researchers have developed sophisticated brand mapping techniques such as ZMET, which was designed to elicit “the mental models that drive consumer thinking and behavior” (Zaltman and Coulter 1995, p. 36). Similar in many ways is the work of John et al. (2006) and their use of brand concept maps (BCM). The BCM method aggregates elicited brand maps of individuals to form consensus maps. These approaches share several problems. First, it is difficult to cue memory and at the same time not influence it. A second challenge is that individuals are not particularly good in assessing the strength of relationships between associates in memory (see Maki 2007 for a review). A third limitation of most elicitation techniques is that they may obtain a more logical structure than typically exists in memory. Thus, the aim of the current research is to create a database of forward and backward strengths between cues and their associates, using brand names as cues.

Method and Results

In the forward coding phase, there were 135 participants and in the backward coding phase, 97. The essence of the method (details are available from the authors) asked respondents for their top of mind response to 62 well-known brands and 38 regular words. The regular words were selected from the Doug Nelson database (see Nelson, McEvoy, and Schreiber 1998). These were included as filler items and were interspersed randomly among the brand names to provide some distraction from the focus on brands. Next to each stimulus word was a line on which participants could write their response. Production of the data collection booklets involved counterbalancing of the order of presentation of each of the three pages of stimulus items so as to reduce order effects.

Results show that most brands are instances of a subset (product class) or superset (industry category). Importantly from an applied perspective, this relationship is asymmetrical. That is, a brand name has a strong forward strength to product class but for the most part, the backward strength of the association from the product class to the brand is very weak. There were, however, some exceptions: the brand name DOMINOS produces PIZZA as a primary associate and PIZZA produces DOMINOS as a primary associate. Another similar relationship is found with COLGATE and TOOTHPASTE. This could be interpreted as a typicality effect (Kintsch 1980). These instances are seemingly representative or typical of the product class. Some associates reveal various aspects of memory relevant for advertising and marketing. For example, the brands ENERGIZER and DURACELL both produce BUNNY as a secondary association. This suggests some degree of confusion regarding the use of this advertising character. Competitors also appear as associates of brands, interestingly, MASTERCARD produces VISA as a primary associate and VISA produces CARD as a strong primary associate. This perhaps stems from the compound word in the MASTERCARD brand.

This research has offered a consideration of brands as words. Unlike methods that ask participants “What comes to mind when you think about [brand X]” (John et al. 2006) and then instruct them to make a brand map from these associations showing strength in memory to the brand; this free association method asks for the very first instance that comes to mind. The findings from these two
approaches differ considerably. Brand concept maps show concepts such as “fun to drive,” “neat colors,” and “inexpensive” to be strongly associated with the Volkswagen Beetle (John et al. 2006, p. 553). In contrast, this free association task produced CAR to the cues of VOLVO, TOYOTA, BMW, and VOLKSWAGON. These approaches to understanding memory should be considered complementary. Elaborated brand maps may find the extent of brand knowledge that may come to play in product deliberations while learning a brand’s associates may contribute to understanding how brands are communicated in impoverished media circumstances such as in sponsorship and brand placement. References are available upon request.

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USING MUSIC TO CREATE AND ENHANCE BRAND PERSONALITY

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SUMMARY

Music has been used in many ways in marketing but there have been very few studies on how the choice of music impacts brand personality. This empirical study examined whether perceptions of a brand’s personality would vary based on different types of classical music. Results showed that different types of music personality have a significant effect on the evaluation of the brand personality dimension.

Brief Review of the Literature

In creating a brand personality, human characteristics are assigned in an attempt to distinguish a brand in competitive markets. Among the factors that define, influence, and control personality, music plays a prominent role (Krumhansl and Jusczyk 2000; Bergeson and Trehub 2002; Schwartz and Fouts 2003; Behne 1997). Surprisingly, music’s influence on the shaping of brand personality has been largely ignored in the brand personality literature.

An important argument in answering the question of whether music can be, as a general principle, regarded as a “personality” is the fact that the concept of a “musical personality” is discussed explicitly in musicologies. The transfer of associations of human personality to music implies that it is possible figuratively to consider music itself as having a personality. Music – as it is considered for brand personalities – is linked to the person in terms of personal preferences, self-concept, and perception of social reality (Hansen and Hansen 1991); it is also associated with human emotions (Koopman and Davies 2001). Musical preferences are stable and long-lasting (Russell 1997; Tekman and Hortaççu 2002; Krumhansl and Jusczyk 1990), and music can often be classified using sociodemographic characteristics like age (North and Hargreaves 1997), gender (Russell 1997) and social class (Hansen and Hansen 2000).

The empirical part of this study focuses on the “exciting” factor of brand personality. The survey covered 254 persons. Each participant assessed five brands in terms of personality, which resulted in 1270 assessments of brand personalities. Five classical pieces with the following characteristics: serene, exciting, serious, sentimental, and majestic; these were selected as independent variables.

The Results

Music is a key element in creating promotional messages. In studying how music impacts brand personality, the results clearly show that the analysis of the fit between the personality of a brand and the personality of music showed some interesting options for the communication of a brand. It was demonstrated that with a particular musical piece, the efficiency of communication toward a targeted brand personality may be improved. References are available upon request.
KEY SUCCESS FACTORS IN THE IMPLEMENTATION OF AN INTENDED BRAND PERSONALITY: A DYADIC PERSPECTIVE

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Wayne D. Hoyer, The University of Texas at Austin
Bettina Nyffenegger, University of Bern, Switzerland

SUMMARY

In contemporary marketing, brand personality (i.e., the attribution of human characteristic traits to a brand; e.g., Aaker 1997; Azoulay and Kapferer 2003) has emerged as a key brand component with high relevance for the brand’s competitive differentiation and for brand performance – contributing to brand equity, brand trust, and brand loyalty (e.g., Aaker 1991; Biel 1993; Fournier 1998). Given these positive performance implications, some marketing managers carefully define an intended brand personality in order to position their brand against competitive brands, and invest (often extensive) marketing resources to ensure that consumers perceive their brand as intended (Burnett and Hutton 2007). However, there may be a discrepancy between intended brand personality (what the firm wants consumers to think and feel about the brand) and realized brand personality (what consumers actually do think and feel about the brand), which has been referred to as the “two different faces of brand personality” (Plummer 1984, p. 28). With other words, the realized brand personality may not correspond to the personality as intended by the brand manager, which in turn may weaken its performance implications.

Despite its high practical relevance, prior conceptual and empirical research has largely neglected the implementation issues of intended brand personality. Rather, the existing studies on brand personality have focused on the “realized” brand personality as perceived by consumers, taking a consumer perspective of brand personality (e.g., Aaker 1997; Aaker 1999; Aaker, Benet-Martinez, and Garolera 2001; Diamantopoulos, Smith, and Grime 2005; Hayes 1999; Helgeson and Supphellen 2004), but prior research has not addressed the brand personality as intended by brand managers. Furthermore, there has been a lack of research on issues related to the implementation of an intended brand personality. Missing has been an examination of how brand managers can successfully turn their intended brand personality into action, so that consumers perceive the brand’s personality as desired by brand management. While many firms have clear ideas of how their brand personalities should be perceived by consumers, they often fail in the active management of these intended brand personalities and hence in their implementation. Finally, the previous literature has neither discussed nor empirically examined whether the implementation of an intended brand personality (intended brand personality = realized brand personality) increases brand performance.

The goal of the current study is to address these key research deficits. We conceptually discuss and empirically examine the implementation of an intended brand personality (as defined by brand managers) into a realized brand personality (as perceived by consumers). In order to do so, we combine the perspective of brand managers with that of consumers. By matching intended and realized brand personalities (so called fit), we evaluate the success of brand personality implementation. Furthermore, by analyzing the antecedents and consequences of the fit between intended and realized brand personality we examine the success factors and performance impact of brand personality implementation.

Results and Implications

In this study, we examined drivers of the implementation of intended brand personalities using a dyadic approach that combined the brand personality as intended by managers with the corresponding perceptions of the brand by consumers. In an empirical study on 120 brands among 120 brand managers and 2,916 consumers we identified specific success factors of brand personality implementation. We were also able to show that the congruence between the intended brand personality and realized brand personality has positive performance implications (in terms of increased brand market share).

A key point is that our dyadic approach (combining the firm’s and the customers’ perspective) and the corresponding empirical results provide support for the notion that brand personality is co-constructed by both consumers and brand managers. This concept of co-construction of value is a central theme in the service-dominant logic (Vargo and Lusch 2004). Based on this logic firms with a “sense-and-respond” strategy should be more successful than firms that practice a “make-and-sell” strategy (Haeckel 1999; Vargo and Lusch 2004). Hence, our research may provide support for the relevance of the service-dominant logic as an important foundation for branding research and especially for future studies on brand personality.
In other words, brand personality could be viewed as an additional benefit for the customer (in addition to the core product or service). This benefit of brand personality is postulated in self-enhancement theory (Sirgy 1982), according to which consumers may purchase and consume brands with certain characteristics in order to improve their self-esteem (Higgins 1987).

While we focused on variables that based on our conceptual framework seemed to be most relevant for brand personality implementation, future researchers may examine additional variables in the context of brand personality implementation. These variables may include the coordination and integration of communication efforts (Reid, Luxton, and Mavondo 2005) or agency support of branding activities (Beverland, Farrelly, and Woodhatch 2007). Also, the specific content of advertising may be relevant—such as humorous ads, the use of attractive people in ads, or use of certain cognitive arguments.

Our results provide evidence for the positive brand performance implications of brand personality implementation. This suggests that investing considerable management resources into brand personality implementation would be beneficial. In this context, our results can also provide guidance for managers with regard to the implementation of an intended brand personality. In order to successfully implement a desired brand personality profile, brand managers are advised to focus on the specific variables that are able to support the implementation of the underlying brand personality dimensions. In particular, our results suggest that it is worthwhile to create a brand which “stands out” from the crowd of competitive brands, so that it is perceived as different from other brands. Also, brand communications should strive for credibility which has a strong impact on the success of brand personality implementation. In addition, we find that an intended brand personality can get easier implemented among highly involved consumers. Hence, brand managers need to make special communication and marketing efforts among consumer segments, which are less involved to make sure that the brand personality is perceived as intended across all relevant consumer segments. Finally, the implementation of an intended brand personality is supported by the identification of consumers with the underlying brand. Hence, marketing managers should offer identification potential with their brand for consumers. Managers could do so by defining the intended brand personality profile not just in relation to competitive brands but also in relation to personality dimensions which are personally relevant among targeted consumer segments and hence offer a better identification potential. References are available upon request.

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THANK OR BLAME THE ONE YOU ARE FAMILIAR WITH: ALLIANCE SATISFACTION ATTRIBUTION AND CONSUMER BEHAVIORAL RESPONSE TO PARTNER FIRMS

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SUMMARY

Research Hypotheses

Little is known about the effect of alliances on their customers. If customers have greater previous customer satisfaction with one alliance partner, they will have positive attitude toward that particular partner and develop stronger emotional attachment to that partner. Therefore, consumers’ previous satisfaction with one alliance partner firm (as a standalone firm) is positively related to the likelihood consumers attribute their satisfaction with the products/service provided by the alliance to this particular partner firm \( (H_{1a}) \). If a familiar firm allies with an unfamiliar firm, consumers are more likely to associate the alliance with the familiar firm because their knowledge structure of the familiar firm is more developed. Consequently, I hypothesize that consumers’ familiarity with one alliance partner firm is positively related to the likelihood consumers attribute their satisfaction with the products/service provided by the alliance to this particular partner firm \( (H_{2a}) \). If customers have higher previous customer satisfaction with the products/services provided by one partner firm, they tend to have higher expectation for this particular firm than its partner. Therefore, consumers are more likely to assign more responsibility of their alliance satisfaction to this firm. Thus, consumers’ previous satisfaction with one alliance partner firm (as a standalone firm) is positively related to the likelihood consumers attribute their dissatisfaction with the products/service provided by the alliance to this particular partner firm \( (H_{1b}) \). If customers have higher previous customer satisfaction with the products/services provided by one partner firm, they tend to have higher expectation for this particular firm than its partner. Therefore, consumers are more likely to assign more responsibility of their alliance satisfaction to this firm. Thus, consumers’ previous satisfaction with one alliance partner firm (as a standalone firm) is positively related to the likelihood consumers attribute their dissatisfaction with the products/service provided by the alliance to this particular partner firm \( (H_{1b}) \). As argued before, customers are more likely to associate the products/services provided by the alliance more closely with the familiar firm than with the unfamiliar firm as a result of the more developed brand schema of the familiar firm. Therefore, I hypothesize consumers’ familiarity with one alliance partner firm is positively related to the likelihood consumers attribute their dissatisfaction with the products/service provided by the alliance to this particular partner firm \( (H_{2b}) \). According to the spillover theory (Simonin and Ruth 1998), consumers’ positive evaluation and attitudes toward the alliance will spillover to partner firms, which will lead to customer behaviors that benefit a partner firm, such as positive word of mouth, customer loyalty, and lower intention to switch. Therefore, customers’ satisfaction with the products/services provided by an alliance is (a) positively related to the likelihood they say positive things about both partner firms; (b) positively related to their loyalty to both partner firms; and (c) negatively related to their intention to switch away from either partner firm \( (H_{3abc}) \).

Methods

The data for the study were collected through questionnaire surveys between 2007 and 2008. 1,508 consumers who purchased products/services at 33 alliances answered the questionnaire. The alliances in this study offer consumer products, services, or technology. Familiarity with partner 1 or partner 2, previous satisfaction with consumption experience with partner 1 or partner 2, satisfaction with the products/services offered by the alliance were measured by 7-point scales with 7 at the extremely positive end and 1 at the opposite end of the scale. Several demographic variables such as gender, age and education are included as control variables. Since the dependent variable for either one of the first two sets of hypotheses, attribution of satisfaction or dissatisfaction to one alliance partner firm, is dichotomous, the logistic formulation is used to assess the effects of the independent variables on the likelihood of a consumer attributing his or her alliance satisfaction or dissatisfaction to this partner. OLS regression was used to estimate the effect of alliance satisfaction on consumer behavioral responses to alliance partners in the future. Previous satisfaction with partner 1 or partner 2, familiarity with partner 1 or partner 2, gender, age, and education were included as control variables.

Results and Discussion

Empirical results of this study support all hypotheses except \( H_{3a} \). The study shows that consumers’ previous satisfaction and familiarity with partner firms play important roles in their alliance satisfaction attribution while only familiarity does so in alliance dissatisfaction attribution. Thus, regardless of whether consumers are satisfied or dissatisfied with the products/services provided by the alliance, they will hold the familiar partner firm responsible. This result provides well-known firms a good reason from the consumers’ side why they need to be cautious in choosing less-known firms as partners. It is also found that if consumers are satisfied with the products/services provided by the alliance, they are more likely to spread favorable word of mouth for, be loyal to, and have lower intention to switch away from alliance partners. The
findings provide powerful evidence that consumers’ positive evaluation of alliance products/services spills over to partner firms and benefits them. Therefore, both alliance partner firms should make every effort to cooperate with each other and satisfy their alliance consumers instead of being involved in learning races. This may ultimately decrease the high alliance failure rate. This research enhances our understanding of alliance impact on consumers, which should help alliance partner firms improve their alliance strategy and ultimately lead to higher alliance performance. References are available upon request.

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COMPANY-REPUTATION VERSUS DIVISION-REPUTATION: WHICH ONE STRIKES THROUGH? A CUSTOMER SEGMENTS-BASED INVESTIGATION

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SUMMARY

Understanding how reputation contributes to customers’ choice processes and buying-behaviors is an increasingly important topic. In general, practitioners and academics have become more and more interested in corporate reputation and how to manage it with regard to stakeholders’ needs and expectations (Brammer and Pavelin 2006; Fombrun 2005). Contemporary literature has interpreted corporate reputation as a competitive advantage that represents an important intangible asset of the firm (Wernerfelt 1984; Hall 1993). Therefore corporate reputation is a relevant driver of firm’s success from a strategic marketing point of view (Yoon et al. 1993; Gray 1986). A special issue of importance in contemporary reputation literature is the fact that almost all empirical studies analyzed reputation on a global and highly aggregated level. Division-reputations of a company as well as the way they influence company’s overall reputation and they influence company’s success have not been investigated so far. According to Brown (1998, p. 223) the question “[ . . ] of how associations for one entity (i.e., a company) might influence another entity” has not been answered yet. Although “reputation is a multilevel concept” (Ferguson, Deephouse, and Ferguson 2000, p. 1195), work investigating the relationship between company’s overall-reputation and its division-reputation is conspicuous by its absence.

Since companies should prioritize their customers and allocate their marketing resources to a particular customer (segment) according to the relative importance of a customer (segment) (e.g., Zablah, Bellenger, and Johnston 2004), companies should also implement a differentiated reputation-management approach focus on different tiers of their customer base. Against this background, addressing the question if a specific group of customers and their evoked set of products or services can be rather influenced via company’s overall-reputation or rather via company’s division-reputation is a critical issue for company’s success. Surprisingly, research on such a precise customer-segment based and differentiated reputation management has been largely neglected. We respond to these gaps in knowledge by developing and testing a research framework of overall- and subreputation and their consequences on customers’ evoked set as it plays a crucial role in customers’ decision-making processes.

Consequently, our research objectives are to investigate the interaction of overall- and division-reputation and to explore the relative effects of those facets of reputation on customers’ evoked set. Moreover we are interested in exploring how the evoked sets of different customer-segments are affected by the examined corporate reputations. As we conceptualized reputation as an attitude-like judgment (Hall 1992; Walsh and Beatty 2007), this paper provides theoretical explanations for the relationship between company’s overall- and division-reputation and their impacts on customers’ choice processes by drawing on theories from social psychology on decision-making processes (Weiss, Anderson, and Maclnnes 1999).

In order to test our hypotheses we conducted a large-scale survey. First, analysis of the data shows support for the proposed direction from division-reputation affecting the overall-reputation by constructing a non-recursive model. As the path of division-reputation on company’s overall-reputation is statistically significant whereas the path of company’s overall-reputation on division-reputation is not, division-reputation seems to be dominant to company’s overall-reputation rather than vice versa. Second, we found that the influences of the two reputation levels depend heavily on the examined customer segment: For “A class” customers, defined as customers with a relative large share of wallet (the share of business a customer conducts with the focal company), we found an effect on customers’ evoked set only for division reputation whereas “B class” customers’ evoked set is exclusively influenced by overall-reputation. Then again “C class” customers’ decision processes are not affected by overall-reputation but by division-reputation. This result shows that it is necessary to run a differentiated and precise reputation-management program even within customers as one specific stakeholder group by promoting either division- or overall-reputation.
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EMOTIONAL CONTAGION IN THE CONTEXT OF DOWNSIZING: HOW EMPLOYEE UNCERTAINTY LEADS TO CUSTOMER UNCERTAINTY

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SUMMARY

Organizational downsizing, i.e., major work force reductions to cut costs and to improve productivity and competitiveness, continues to be one of the most prevalent managerial phenomena over all industries and firm functions. However, a number of empirical studies in a research stream on performance consequences of downsizing provide evidence that downsizing does not always help to improve (and sometimes even worsens) organizational efficiency and performance. Consequently, it has become an important research question, which mechanisms and “hidden costs” are responsible for the large number of downsizing failures. In this context, studies from a research stream on employee reactions to downsizing have found that downsizing undermines creativity and innovation at the workplace, reduces employee commitment and trust, incites voluntary turnover, and may lead to role conflicts, as well as to work effort decline. However, although this research stream does shed considerable light on potential costs of downsizing, it does not empirically study the link between employee reactions to downsizing and firm performance. In most cases, this is due to the empirical setup of the studies, as they are typically surveys among the employees of only one company or experimental designs.

This is the point of departure for our study. It is our goal to start bridging the gap between research on employee reactions to downsizing and research on performance effects of downsizing. In particular, we are interested in the consequences of employee reactions to downsizing programs at a firm’s interface to the customer (i.e., in sales and sales-related services). In this context, it is very important to account for the effects of employee reactions to downsizing on firm-customer relationships. Numerous authors have noted that downsizing may also lead to negative customer reactions, as customers may face contact personnel that are negatively affected by the downsizing. Yet, previous empirical research has not addressed customer-related consequences of downsizing.

We apply the concept of emotional contagion to better understand the impact of employee reactions to downsizing on customer reactions to downsizing. In particular, we argue that employee uncertainty caused by the downsizing will affect customer uncertainty as a result of the downsizing. We also study, how downsizing characteristics and relationship characteristics moderate this link. In our model, we then link employee uncertainty and customer uncertainty to the quality of the firm-customer relationships and in turn to firm performance after the downsizing. Additionally, we consider the scope of the downsizing measure as antecedent to the uncertainty constructs. In sum, we develop a framework that posits a chain of effects from the scope of downsizing via employee uncertainty and customer uncertainty during the downsizing to relationship quality and firm performance after the downsizing.

As a broad sample of downsizing projects is required to empirically test our framework, data collection is a major challenge. For at least two reasons, collecting data on downsizing beyond publicly available performance information is an arduous task. First, it is difficult to identify relevant downsizing projects at a firm’s interface to the customer, as population data is not readily available. Second, downsizing is typically considered a very sensitive topic and information is correspondingly treated as highly confidential and not easily shared with researchers. Despite these difficulties, we were able to obtain data on more than 100 relevant downsizing projects using a key informant approach. We use this cross-firm, cross-industry sample to empirically test our framework.

Based on this data, we find that scope of downsizing directly affects employee uncertainty, but not customer uncertainty. As suggested by our framework we also find a strong relationship between employee uncertainty and customer uncertainty. This relationship is moderated by the scope of downsizing, the degree of employee role overload after the downsizing, and the intensity of informal networks between employees and customers. Finally, we find that both, employee uncertainty and customer uncertainty negatively affect the quality of firm-customer relationships and in turn the final performance of the firm.

Collectively, our paper makes a number of contributions to the literature. First, it provides evidence that employee reactions to downsizing have an impact on firm performance after the downsizing. Second, our results establish that it is important to consider customer-related consequences for understanding the hidden costs of downsizing. Thus, it is one of the key implications of our
study that customer reactions to downsizing should be considered more intensively in future downsizing research. Third, we find that for a better understanding of downsizing failures, emotional contagion processes between employees and customers have to be taken into consideration. Fourth, our study also shows that the level of emotional contagion during the downsizing depends on downsizing characteristics as well as relationship characteristics.

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SUMMARY

Customer Relationship Management (CRM) has emerged as a prominent marketing philosophy (Boulding et al. 2005). A central component of CRM implementation is the proper segmentation of the customer base so marketing resources can be diverted from unprofitable customers and invested toward more profitable relationships (Reinartz and Kumar 2003). Thus, a successful CRM strategy may require a firm to unilaterally restructure parts of the exchange relationship (Payne 2006). This reallocation of marketing resources benefits many customers, although less profitable customer segments are likely to be impacted by such policies – extreme forms of such marketing actions have been dubbed “firing customers” in industry literature and media sources. In short, marketers are sensitive that merely retaining customers is not necessarily the most profitable strategy (Dowling and Uncles 1997; Reinartz and Kumar 2000). There is a need to actively manage customers to either increase the profitability of poor customers (Kumar et al. 2007) or even alter policies that may “fire” poor customer assets (Barrett 2007).

CRM research has been conscious that CRM activities may intentionally and unintentionally lead to some customers defecting from relationship. In such cases, defecting customers are “wiped from the customer equity books” – discounted future revenues and discounted retention costs of defecting customers are erased. If the customer’s projected CLV was negative or zero, it would appear highly desirable for these customers to defect. However, it may be problematic to presume that the only recourse for customers is to defect from the current relationship. Instead of engaging in defection (“flight”), some customers may instead decide to militarize and resist the policy change (“fight”) and engage in behaviors intended to overcome the policy change. These customer activities may be quite costly to the firm (for example: extensive complaint to customer care call centers, online petitioning and the resulting negative WOM, etc.) and should be accounted for to properly estimate the financial impact of CRM activities.

Thus, there is a need to introduce into the CRM literature a theoretical understanding of how a firm’s “marketing relationship levers” will impact the behavioral response of customers to CRM activity. From a managerial standpoint, being able to predict the likely response of customers to negative policy changes is a necessary first step for manager’s to be able to develop a more accurate financial assessment of the impact and consequence of CRM-driven policy changes. To address this need, we developed a theoretical model that explains customers’ behavioral response to a CRM policy change that is perceived as negatively impacting the customer. Inspired by theorizing of organizational change and consumer-complaint behavior (Coetsee 1999), we broadly characterize customer responses to CRM activity as either: acceptance, defection, or instrumental resistance.

Acceptance

Although the customer may be aware of the negative change in equity position caused by a policy change, he or she may not be motivated to react because “it is not costless when buyers take actions to cope with a perceived inequitable situation,” p. 7 (Xia et al. 2004).

Defection

Defection is any customer action that is intended to withdraw the customer from the relationship with the marketer.

Instrumental Resistance

Instrumental resistance is purposeful and strategic behavior by customers designed to overcome firm-initiated changes to the exchange relationship.

Drawing from equity theory, we empirically test a contingency model that purports to explain customer response behaviors to marketer’s CRM tactics. Increasing levels of perceived inequity due to a marketer’s policy change will motivate consumers to engage in behaviors to reduce the inequity. However, to understand whether a consumer is more likely to react by defecting or resisting, relational contingency factors must also be considered. Specifically, two relational contingency factors – consumer perceived switching costs to leave the current relationship and consumer’s perceived self-efficacy in restructuring the marketing relationship – are identified as moderators to the policy change (stimulus) → customer reaction (response) relationship.

We tested this theoretical model with a hypothetical scenario experiment of banking services. Results from the sample of 457 undergraduates from a large, southeastern university provided supported for the theoretical model.
Notably, customer resistance was highest when perceived inequity was high and the moderating factors of switching costs and self-efficacy were high, while customers were more likely to simply defect in the face of inequitable treatment when self-efficacy and switching costs were low. Thus, we found support that the relationship-specific factors in play between a consumer and firm will alter how a consumer reacts to unilateral adverse policy changes by the marketer.

The findings are important to CRM researchers because they illustrate that customers are not passive receptors of CRM – customers may evoke various strategies to cope with policy changes. Our findings are managerially relevant because they suggest that managing the “marketing relationship levers” can modify how consumers react to policy changes. Our findings suggest that in the case of profitable (desirable) customers who are negatively impacted, a marketer should look for ways to increase switching costs and decrease situational self-efficacy, thus increasing the chances a customer will simply accept the policy change instead of resisting or defecting. For unprofitable (undesirable) customers, marketers should try to decrease switching costs and possibly decrease situational self-efficacy so that customers are likely to defect. This insight is important because creating switching costs has been noted as a strategy to promote customer retention (Dwyer 1997). However, our findings demonstrate high switching costs can be a bane to marketers when trying to divest from unprofitable customers. Citations available upon request from the lead author.

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CREATING AND DEPLOYING COMMITMENT: LINKING RELATIONSHIP MARKETING INITIATIVES, COMMITMENT, AND CUSTOMER VALUE

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SUMMARY

Firms spend millions of dollars on relationship marketing (RM) activities in order to enhance cognitive and affective relationship perceptions of their customers (Palmatier et al. 2006). This applies especially to service firms where relational variables are in focus as service delivery constitutes an interactive process (Verhoef, Franses, and Hoekstra 2002). Hence, many marketers mainly focus on building and measuring customer-related effects with commitment representing a widely used construct in this context (Gupta and Zeithaml 2006). However, firm success derives not only from the level of intangible marketing resources (like commitment) but mainly from the profitable use of these resources in the marketplace (Dutta et al. 2005). Obviously, firms have a fiduciary duty to explore whether and how commitment building initiatives are deployed in the marketplace in terms of profitable customer relationships. Building on the distinction between resource creation and resource deployment (Slotegraaf, Moorman, and Inman 2003), we propose that managing commitment can be conceptualized as a two-step process: in a first step RM instruments are employed to build commitment and in a second step commitment is translated into financial performance.

With respect to the commitment concept, recent studies emphasize that measuring commitment as a monolithic construct – which is common in many studies so far – may be a gross oversimplification. Bansal, Irving, and Taylor (2004) emphasize that the psychological states underlying commitment need to be considered in order to understand customers’ behavior, hence proposing a three-component conceptualization of commitment. Consequently, drawing on a multifaceted model of commitment seems necessary for properly understanding how RM instruments are linked to profitable customer behaviors. However, the complete chain leading from RM instruments to the multiple commitment components and from commitment components to profitable outcomes has not empirically studied so far (Palmatier et al. 2006).

Accordingly, we specify three major research questions: First, advancing on Bansal, Irving, and Taylor’s (2004) findings, we develop a four-component model of commitment capturing the normative, affective and continuance nature of commitment in which the later aspect is split into calculative and locked-in commitment. Second, we explore how the commitment components affect customer value. We capture customer-related profitability by considering revenue-increasing and cost-reducing components. Revenue enhancement is reflected by the provider’s ability to charge price premiums, to enhance sales through cross-selling and to stabilize sales (Pan and Luo 2006). Cost reduction is assessed by the customers’ willingness to co-produce (Vargo and Lusch 2004) and the firm’s ability to inhibit negative word-of-mouth (WOM) (Luo 2008). Third, we explore the impact of different RM instruments on the four commitment constructs. In order to capture the instrumental side of the RM process we draw on the relational benefits approach (e.g., Bendapudi and Berry 1997). From a customer perspective RM instruments are associated with three types of relational benefits: confidence, social and special treatment benefits.

We estimate a structural equation model using data from a service context, i.e., hair salon customers (n = 712). In this way, we succeed in linking our four-component model to customer value in terms of willingness to pay more (revenue-increasing), cross-buying, search for alternatives (both sales-enhancing), co-production and negative WOM (both cost-reducing). Thereby, we demonstrate differential value impacts of the commitment constructs. Whereas normative and calculative commitment positively drive all customer value components, locked-in commitment has a damaging effect on all three core processes of creating economic value: “Price” is negatively affected by reducing price premiums. “Sales” is damaged by increasing intention to search for alternatives which lowers the stability of demand. Third, “costs” are unfavorably affected by accelerating negative WOM. Contrary to the overall negative impact of locked-in commitment on customer value drivers, increasing affective commitment is beneficial for some value drivers while it is harmful for others. More specifically, affective commitment enhances willingness to pay more and the intention to cross-buy (i.e., expands revenues) but at the same time it inhibits co-production (i.e., enhances customer costs).
Further, we provide implications for allocating budgets across the three RM instruments. If firms primarily seek to boost price premium, providing confidence benefits would be the appropriate instrument. This is because the overall effect of confidence benefits on willingness to pay dominates the effects of the other two benefit types. If stabilizing and enhancing sales is the objective with highest priority then social benefit instruments should be used. As the total effects show, social benefits has the most favorable effects on cross-buying and search for alternatives compared to the other instruments. Again, for lowering costs, instruments providing confidence benefits should be focused.

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INTERSECTION OF DISTANCE AND TRUST THEORIES AT RETAIL LOCATIONS

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SUMMARY

This paper adapts the concept of psychological distance to the Internet marketing literature and discusses the impact of physical retail presence on consumer perceptions of the retailers. In particular, online retailers’ physical presence attributes are shown to be influential in reducing psychological distance and developing initial trust beliefs, which in turn have implications for service inferences, satisfaction expectations, and purchase intentions.

Three studies empirically test the interplay between psychological distance theory and physical retail presence. Study 1 finds that online firms that also have a local retail store (local hybrids) are perceived to be less psychologically distant and more trusted than online firms with a non-local retail store, and that Internet-only retailers are more psychologically distant and less trusted than either local or non-local hybrid firms.

Study 2 replicates the effects identified in Study 1 and further demonstrates that media content conveying images of the firm’s tangible features (e.g., buildings and/or employees) can reduce psychological distance and enhance trust beliefs for Internet-only retailers and non-local hybrids, but that such media generally have null effects for an online firm with a local retail outlet. Thus, media content that stresses an online retailer’s physical presence appears to be an effective way to reduce psychological distance, increase trust, and promote competitive parity with retailers that do not have a local physical presence.

Study 3 holds geographic distance constant so that the non-spatial elements of psychological distance may be adequately tested. Results suggest that consumers’ familiarity with a retailer’s location reduces psychological distance and elicits higher trust beliefs; and that retailers in familiar locations have marketing advantages over retailers in less familiar locations. Indeed, the effects of retailer location on marketing outcomes were consistently in the opposite direction of the psychological distance results in all three studies.

Lastly, a mere presence effect was identified in the first two studies and further clarified in Study 3. This effect suggests that online retailers garner benefits by operating a retail location, even if it exists at a great distance from the consumer. However, the mere presence effect is not strong enough to level the playing field with online firms that have a local store, as local hybrids are less psychologically distant and retain greater trust than non-local hybrids. Study 3 clarifies this effect using unfamiliar locations at a great distance from consumers. Results suggest that retailers with non-local stores are only less psychologically distant than virtual retailers when the location is familiar to consumers.

Overall, these studies add to the existing literature by showing that the existence and location of a physical retail store is an important consideration for online retailers in initial encounters when the consumer has little or no previous knowledge of the firm. Related research has shown that physical presence is important for building trust and increasing purchase intentions for unfamiliar retailers. This research extends such findings to include a broader set of marketing outcomes, demonstrating that physical store presence also affects service and problem responsiveness inferences, and satisfaction expectations. The research also adds geographic distance to the physical presence research framework and investigates factors that retailers can use to circumvent the general inhibiting effects of spatial distance, namely media emphasizing tangible features and a familiar retail location.

In addition to extending the consumer marketing literature, this research has implications for managers. First, the unknown retailers that are likely to benefit from psychological distance-reducing strategies are conceivably not retailers with the financial capacity to invest in stores in every locale. Thus, these retailers should attempt to reduce psychological distance perceptions by emphasizing physical presence information. After emphasizing its presence in the physical environment, retailers are confronted with the inhibitor of geographic distance. The present research suggests that media highlighting physical retail facilities and employees can be used to attenuate this effect by increasing tangibility-based associations.
Moreover, hybrid retailers should attempt to increase familiarity with their existing locations and then consider location familiarity among the criteria when expanding. The manuscript provides additional details related to these strategies as well as examples of retailers that have applied them in recent years.

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ABSTRACT

As private label brands gain share and attention in the marketplace, it is important for retailers and academics to update their knowledge about this phenomenon. In this conceptual paper, we examine retailer-centric private label research and identify two main research streams – both related to retailer goals and practices. We also identify two key areas for future research.

INTRODUCTION

Private Label Brands (henceforth PLBs) – often referred to as “store brands,” “house brands,” and “own brands” – are defined as brands owned, controlled, and sold exclusively by a retailer (Raju et al. 1995). Private labels growth has been explosive, particularly over the past few decades. Average dollar market share of PLBs has increased markedly (Ailawadi and Harlam 2004), and PLBs are now the No. 1 seller in 240–plus grocery categories, roughly a quarter of total categories sold, with major retailers (and increasingly smaller retailers) viewing PLBs as a core piece of retailing strategy. Accordingly, PLBs have achieved remarkable levels of consumer acceptance. Some examples (from Dowdell and Tarnowski 2006): approximately 85 percent of private label buyers say that it’s a good alternative to brands, 59 percent of consumers say that it’s “just as good” as national brands, and approximately 90 percent of consumers feel comfortable serving private label to their guests. Given this context, our objectives are twofold:

a. To summarize the literature by identifying two themes. The first theme is related to retailer motivations, such as enhancing profitability or enhancing customer loyalty. The second theme is related to retailer decision points, such as concerns with perceived quality and efforts to name brands successfully.

b. To identify fruitful areas for future research.

PLB KNOWLEDGE BASE: RETAILER MOTIVATIONS

Summary

Retailers have several straightforward motivations for increased PLB focus, including increasing profit, retail differentiation, consumer loyalty, and increased power in relationships with national brand manufacturers.

Retailers increasingly view private label growth as a fundamental, critical success factor. For example, in the 2000 Annual Report of Progressive Grocer the #1 action rated as most likely for retailers was “Stress Private Label” (Dowdell and Tarnowski 2006), and in a 1996 survey, over 70 percent of retailers considered store-brand growth to be an important issue (Ailawadi and Harlam 2004). Retailers have some straightforward drivers of PLB focus, perhaps most importantly the constant quest for increased profits.

Increasing Profit

Retailers strive to manage the balance of sales in branded products and private labels in order to maximize category – and ultimately total – profits. Dhar et al. (2001) cite category management as a retailer dynamic that has been growing in importance and sophistication over the past 20 years. They cite two main category methods that retailers can utilize to increase category profitability: (1) increasing current consumers’ category purchase profitability, and (2) increasing in-store traffic (Dhar et al. 2001).

PLBs are very attractive tactic for the first strategy. The reason overwhelmingly cited by retailers for focusing on PLBs is “better profit margins.” Retailers generally earn higher gross margins on PLBs than on national brands driven by lower power of private label suppliers versus national brand manufacturers, and the fact that national brand manufacturers need to factor consumer spending (e.g., mass media advertising) into wholesale prices, whereas a smaller PLB manufacturer has none of those concerns (Ailawadi and Harlam 2004).

However, national brands are still a key to retailer profit, as illustrated in the research of Ailawadi and Harlam (2004), who find that an inverted U-shaped relationship between store-brand share and profit exists. Using actual data across two retailers, consumers who buy zero or high amounts of store brands are actually found to be less profitable than consumers who buy low amounts of store brands. The counterintuitive finding that high-PLB consumers would be less profitable to a retailer at a store or chain level is driven by a dynamic where consum-
ers who buy zero store brand products do not exhibit strong retailer loyalty (thus yield small average market baskets, and low total trips and total purchases from the retailer), whereas consumers that buy large amounts of store brand products are subject to financial constraints and are highly price conscious, and tend to “cherry-pick” values across different retailers (Ailawadi and Harlam 2004).

At a category profit level, when PLB products are introduced, the retailer will have both higher unit margins on both the PLB product (which they control) and the leading national branded product (because as retail prices rise, wholesale prices generally do not keep pace). However, research suggests that these higher unit margins generally do not equate to a higher gross category margin (Pauwels and Srinivasan 2004).

Finally, at a product level, the sheer “PLB as superior profit” story is more complex than at first glance. While retailer margins may be superior for a PLB, when an “all-in” scenario is considered (including trade deals, labor costs, operational costs, and so forth) national brands often provide superior profits (Corstjens and Lal 2000). The second factor that is not taken into account when blindly looking at product gross margins is product velocity. In fact, a study by McKinsey (1995, from Morton and Zettelmeyer 2004) showed that almost half of private label brands – driven partially by slower PLB velocities – produce lower profits per square foot of shelf space than national brands.

Given these results, we submit that PLBs as higher profit generators is a much more complicated issue that it appears at first blush. However, given that chains in Europe with strong PLB programs generate higher profits than their American counterparts (and as shown through models such as Corstjens and Lal 2000 and Hansen et al. 2006) additional factors such as loyalty, retail differentiation, and increased power in relationships with national brand manufacturers not only are additional benefits, but are drivers of the profitability of a strong PLB program.

Consumer Loyalty and Retail Differentiation

While focus on private label is partly due to the superior profit margins retailers earn on PLBs (which research has shown can be misleading when considered in absentia of other retail dynamics) and achieving the goal of balancing PLB and brand sales, retailers are also increasingly leveraging private label as a key vehicle to increase consumer store loyalty (Grewal 2004; Corstjens and Lal 2000). For instance, Costco has undertaken a massive effort in building the Kirkland Signature brand to the point that it can arguably provide a point-of-difference for the chain itself versus its main competitor, Sam’s Club (and to the point where they can actually exclude leading brands from certain categories and still achieve strong growth in those categories, such as Costco’s elimination of Ocean Spray cranberry juice) (Frazier 2006). When marketed under the store name (or a store-related equity, like Sam’s American Choice at Wal-Mart), store brands are seen as extensions of the store itself (Collins-Dodd and Lindley 2002), and PLBs have actually been shown in research to help differentiate the store itself versus competition (Corstjens and Lal 2000; Collins-Dodd and Lindley 2002).

Competitively speaking, a strong PLB program can also enable retailers to achieve more than their “fair share” of a category’s total sales (Dhar et al. 2001), and retailers that outpace competitors in a category (i.e., have high category development index (CDI) scores) generally have strong PLB programs (Dhar and Hoch 1997). At this point, it is a stretch to conclude that PLBs can permit stores to achieve Dhar et al.’s (2001) second method of increasing category profits: bringing new consumers into a category. Research suggests the benefit of a strong category PLB program doesn’t extend to a boost in store traffic (Pauwels and Srinivasan 2004). It would also appear highly unlikely that a PLB will get consumers to try a category they never have before, given the previously aforementioned positive roles of consumer involvement and familiarity, and the negative role of risk, associated with PLB sales.

RESEARCH OPPORTUNITY AREA: “FUZZIER” RETAILER MOTIVATIONS

Summary

For the first time, retailers have become “brand managers” with their own brands. This “own brand” perspective suggests fuzzier motivations may be at play as well.

As discussed, retailers have straight-forward motivations (e.g., maximizing profits or market share) for adopting PLBs. Beyond the straightforward drivers, we believe that retailers also have a much “fuzzier” motivation for increasing focus on PLBs.

“Our Brand.” In practical terms, the fundamental relationship between national brands and PLBs is a unique one; it not only consists of horizontal elements (they are of course competitors on shelf) but vertical ones as well (the retailer controls the sales price of the national product) (Corterill and Putsis 2001). However, from a retailer’s point-of-view, the difference between a retailer’s relationship with national brands and PLBs goes beyond this practical consideration into more affective, emotional territory. This is a dynamic that has not been largely
Considering in academic research, but consider the following description from Morton and Zettelmeyer (2004):

Store brands are the only brands for which the retailer is responsible not only for promotion, shelf placement, and pricing, but also for defining the very nature of the product. In particular, retailers decide on the exact positioning of store brands in retail space. This includes the size, shape, color, lettering, and art of a store brand’s packaging as well as precise quality and taste specifications. In contrast, for national brands, these core strategic decisions are made by their respective manufacturer, not the retailer (p. 161).

Instead of simply selling “their brands,” retailers are now selling “our brand,” and given improvements in quality and, in some cases, parity versus leading national brands, it is likely that an affective motivation may be present.

Internal politics also provide a driver for retailer PLB focus. Given that a key industry-wide goal is “increasing PLBs,” this goal filters down the retail organizations so that individual category managers have a secondary goal (behind the primary goal of “increasing category profit”) of “growing private label in my category.” This political, organizational role of private labels is one that also deserves some research attention. Consider a category with several new products being introduced, with a number of skus that based on velocity and margin are candidates for deletion. If indeed an affective or political motivation causes a “tie” between skus to go to the PLBs (or perhaps even a situation where the PLBs are slightly more attractive candidates for deletion on a pure performance basis but are not deleted because of internal politics and/or ownership bias), it creates a unique, inefficient situation. In summary, “fuzzier” situations like these are areas that are ripe with possibility for fruitful academic research.

**PLB KNOWLEDGE BASE: KEY DECISION POINTS FOR RETAILERS**

**Summary**

There are several key decision points that retailers face in setting and executing PLB strategy, similar to decisions that national brand companies have historically faced.

There are several basic brand management decisions that retailers need to make in setting private label strategy. These include positioning (e.g., quality-equivalent to national brand vs. a cheaper alternative), naming (e.g., own name vs. pseudo-national brand name), and the number of PLBs to use. As a result, retailers are now both retailers of brands, and brand manager of their own brand.

**Quality**

Perhaps the most fundamental PLB strategy decision is the degree to which retailers want to compete with national brands on price versus quality. One major retailer strategy choice is whether to embrace the relatively new quality-focus or continue with the traditional “cheap and nasty” focus. Research suggests that the most important factor in explaining variation in price premiums brands can achieve versus PLBs is perceived quality differential (Sethuraman and Cole 1999). Ultimately, the optimal private label positioning strategy likely depends largely on internal (e.g., quality) and external (e.g., national brand competition) retailer dynamics (Choi and Coughlan 2006).

Consistent quality, however, can be difficult to maintain within category, much less across a number of disparate categories with multiple manufacturing companies. The importance of this consistency cannot be overstated; a high-quality PLB not only implies a high degree of relative quality to national brands, but low quality variability in the PLB product itself (Hoch and Banjeri 1993).

**Focusing on Key Categories**

Just as national brand organizations must manage a portfolio of brands under the constraint of limited budgets, PLB retailers face portfolio decisions in executing a chain-level, private label program. From shelf space to promotional resources to accepted margins, retailers make trade-offs when executing PLB strategy on a category-by-category basis (Richardson 1997).

PLB share varies significantly from category to category. One driver of this variation is the amount of focus that retailers put into driving private label sales in categories with higher gross margins. Often times, these are the most difficult categories for PLBs to make inroads. Ailawadi and Harlam (2004) suggest that in the Health & Beauty Care (HBC) category a store-brand to national-brand margin ratio should theoretically be high, since this category contains strong brands with heavy consumer spending and therefore higher wholesale prices; PLBs can source at a lower price from other producers, charge a significantly reduced price to consumers, and still make a significant margin advantage over national brands. However, Hoch and Banjeri (1993) find—and are supported by retail results—that having low national advertising expenditures (and therefore lower equities built into national brands) in a category is a significant driver of PLB strength in a category, and an examination of categories in which PLBs traditionally have high shares would seem to support Hoch and Banjeri’s contention.

Commodity goods (e.g., stationary) are at the other end of the spectrum, where Ailawadi and Harlam (2004)
contend that it is unlikely that retailers will be able to procure goods for a significantly lower price than the wholesale price of national brands. If retailers’ PLBs cannot command relatively similar prices, then they may actually lose money when consumers buy those products. Running contrary to this phenomenon is the conventional wisdom that low-priced, low-involvement categories are in fact the “lowest-hanging-fruit” for retailers to establish high PLB share in; the work of Ailawadi and Harlam suggests that this “fruit” may not be the most attractive to pursue given a profit-focus.

An underlying necessity in choosing categories for primary PLB focus is for retailers to consider overall chain/store positioning, and the way national brands fit with these overall structures. For instance, Dhar and Hoch (1997) find that everyday-low-pricing (EDLP) strategies help store brands in lower-quality oriented categories when the store equity is aligned with the price advantage of a store brand. A low-cost, low-quality retailer may not have consumer “permission” to compete with national brands in categories where quality is a key concern even for value-conscious consumers; rather, by their very nature these retailers are pigeonholed into focusing PLB efforts into low-involvement categories like low-involvement commodities. A high-quality retailer, however, would likely have the opportunity to pursue a much broader range of categories, including ones with much more profit potential.

Number of PLBs

Another key decision point for retailers is deciding how many PLBs there should be in each category. In many categories – especially at higher-end retailers – there will be multiple PLB entries. For instance, consider the ice cream category; a high-quality retailer would likely be sub-optimizing the potential of PLBs if the only entry is a low-cost brand. While a PLB may not fare well against a super-premium entry (e.g., Haagen-Dasz), a high-quality PLB priced only slightly lower than premium brands such as Breyer’s and Edy’s, and then a lower quality “fighter PLB” priced lower than any other brand would yield stronger results. This is not a unique situation; increasingly, retailers often offer multiple store brands in the same product categories in an effort to maximize category profits, especially in categories where national brands are similar in strength (and therefore market concentration is low) and cross-price sensitivity between brands is low (Saymana and Raju 2004a). Increasing the number of PLBs in categories may also have cross-category effects. Saymana and Raju (2004b) find that having higher numbers of PLBs in other product categories increases the store brand share in the target category.

Pricing

Another key component of PLB strategy is pricing. There is considerably less price differentiation of PLBs vs. national brands in Europe than in the United States (Corstjens and Lal 2000). Retailers will have different acceptable margins by category driven by category dynamics such as size of consumer base, average purchase size, and purchase frequency (Ailawadi and Harlam 2004), and this will contribute to pricing decisions. Likewise, fundamental issues like category elasticity and the power of the leader brand contribute to pricing decisions.

A researched, but potentially unresolved, issue is whether the more important determinant of PLB purchase is the (1) absolute pricing of the national brand (or the
store brand), or (2) the gap in price between national brand and store brand. While price gaps have been found to extend a strong influence on PLB sales (Dhar and Hoch 1997), an interesting finding by Aggarwal and Cha (1998) is that the key price is not the PLB price, but rather the national brand price; if national brand price falls below a buyer’s absolute maximum threshold, she will buy it; if not, she will buy the PLB.

PLB RESEARCH OPPORTUNITY AREA: “FUZZIER” RETAILER DECISIONS

Summary

While many of the straightforward decisions have been addressed in academic research, there are many “fuzzier” issues that deserve attention. We offer four exemplars: quality matches/mismatches with core positioning, consumer communication, retailer-specific effects on risk, and PLB status transparency.

Quality Match/Mismatch with Core Positioning

Offering high-quality products is a piece of retailer strategy that academic literature seems to take almost as a given for having a successful private label program. A focus on extremely high quality certainly seems appropriate for some retailers like Wegman’s or Publix where quality (e.g., quality of shopping experience) is their point-of-difference vs. lower-priced chains (e.g., Walmart). In a store like Publix, however, a reasonable question to ask is whether or not their PLBs – carrying the Publix name – should in fact be almost universally the least expensive item in the category when the store itself is attempting to position itself as a fundamentally higher-quality retailer/retail shopper experience. As Ailawadi and Keller (2004) write, “a pleasing in-store atmosphere provides substantial hedonic utility to consumers and encourages them to visit more often, stay longer, and buy more. Although it also improves consumers’ perceptions of the quality of merchandise in the store, consumers tend to associate it with higher prices” (p. 333). This highlights the disconnect of having private label brands at upscale retailers remain extremely low-priced, and at a minimum suggests that perhaps the price gap between national brands and PLBs should be much smaller than at value retailers. However, for other retailers (e.g., Price Chopper, Food Lion) that compete almost exclusively on price, they are almost mandated to compete strictly on price on PLBs as well. A customer at Food Lion is presumably there for one overriding reason: to get the lowest prices possible on goods. In this case, a private label program that is marginally lower quality, but extremely low-priced, may be the optimal one. Overall, the success of a PL program given a variety of retail-chain positionings is a subject in need of further academic exploration.

Consumer Communication

To date, retailers have largely relied on in-store presence and price differential at shelf to communicate the PLB “message.” Traditionally, mass media have not been employed. For instance, Costco’s advertising expenditure on Kirkland Signature is “nonexistent.” Instead, the company relies on word-of-mouth from employees and consumers (Frazier 2006).

In some cases, as retailers promote their own names (e.g., Publix), the benefits of such commercial messages may filter down to the (private label) brand level. Conversely, retailers utilizing own names may find that PL products are actually their most prominent (since they are in home) form of consumer communication. These are only two possible dynamics in an area that deserves academic research attention.

Retailer Effects on Risk

Certain categories are much more developed in terms of private label share and penetration than others. There are, quite simply, categories in which value-conscious, store-brand focused consumers are much less likely to purchase PLBs than others. At a category level, one of the key drivers of PLB acceptance is risk, since “PLB buying increases as the consequences of making a purchase mistake decrease” (Batra and Sinha 2000, p. 187). The findings of Erdem et al. (2004) also support this notion, as Americans are found to view PLBs with more uncertainty than shoppers in Spain or the U.K., and tend to be more risk averse than the European test subjects were. This risk aversion also plays into the findings of Batra and Sinha (2000), who find that consumers are more comfortable purchasing a PLB in a “search” category (where product benefits can be understood by reading a label) than an “experiential” category (where the product benefits have to be experienced to be understood). Given this knowledge, however, consider the possible interaction of retailer and perceived risk. For instance, a consumer may believe buying a private-label medicine to be a rather risky venture at a low-quality retailer, but a rather safe purchase at a higher-quality retailer. Explorations into the effect of retailer quality (or resultant consumer-based variables such as loyalty and perceived value) on a consumer’s perceived risk may yield important findings with a layer of subtlety beyond a more universal analysis.

PLB Status Transparency

Finally, retailers ultimately face the decision of how much they want to “reveal” that their PLBs are, in fact,
PLBs. As discussed in the naming conversation, the use of a retailer’s own name is generally regarded as the most effective strategy. However, consider a brand like Target’s Archer Farms, which is not easily identified as a PLB (and often even features much different product forms and varieties than the leading national brands within its competing categories). As Target grows this brand (and grows as a company), does it develop its own brand personality? A decade from now (perhaps even now) consumers may perceive it much more as a national brand available at Target versus a Target private label brand. This type of phenomenon could be researched in many different ways, from consumer-based to retail-strategy-based, and offers a complex yet potentially rewarding area for discovery.

**IMPLICATIONS AND FUTURE DIRECTIONS**

**Summary**

Private Labels are a phenomenon that will likely continue to exhibit explosive growth. The line between national brands and private labels will likely become increasingly blurred.

Private label strength has historically varied with economic conditions, but that may be a bygone trend. American retailers undoubtedly look to the example of European chains as an example of total PLB potential. European success with PLBs shows that, if there is a ceiling for American PLBs, it’s probably much higher than current levels. As discussed, PLB strategy in America is in its infancy, or at best, adolescence. Retailers in Europe have been much more consistent over time with their PLB programs; in Spain, PLBs are viewed as “no-frills” alternatives, whereas in the U.K. the positioning of store brands has been as a high-quality alternative; both have been highly successful, with the key being that these positionings have been consistent over a long period of time therefore help to lower consumer uncertainty about using PLBs (Erdem et al. 2004). Strong retailing chains in Europe (e.g., U.K.’s Tesco, may have plans to enter the American marketplace in the near future) are often much more profitable than American ones, and PLB strategy is a key centerpiece of their success (Richardson 1997). Although retailer consolidation is still much lower in the United States than in Europe, it can be argued that retailers have never been in a stronger position versus national brand manufacturers, and in developing consumer equity. Previous research has indicated that price and brand name are key factors in consumer product quality perception, and that store name had a positive but only small impact (Dodds et al. 1991; Rao and Monroe 1989), but this relationship may very well change as retailers gain power in the marketplace.

From a consumer perspective, the stigma of choosing a private label versus a national brand has started to lessen. Also, as discussed, PLBs are increasing in quality, and it takes some time for consumers to recognize this change in inherent quality. For example, Mitra and Golder (2006) find that “the effect of a change in objective quality is not fully reflected in consumer perceptions of quality until after about six years” (p. 230).

The majority of American households have purchased PLBs, and children and teens are growing up with much more exposure to these products. The key consumer trepidation toward PLB adoption remains risk. However, it is likely that perceived risk will reduce, as long as PLB products continue to increase in quality as a whole, and as retailers employ more sophisticated branding and consumer communication techniques.

In the future, retailers will likely stretch the definition of PLBs beyond their current scope. The example of President’s Choice (a Loblaw’s PLB) being sold in multiple retail chains is a widely cited harbinger of the potential of PLBs and perhaps indicative of this trend. Another is Target’s private label brand Archer Farms, which competes in the salty snacks category and often features varieties that are substantially different than national brand competitors. Recently, Target ran a television commercial for Archer Farms where there was not a single mention of price among the bright, exciting, fantasy-based visual imagery. To an untrained eye it could have been a national brand commercial, and, in the future this may become more of a norm than an aberration.

In brief, the distinction between PLB and national brands is blurring. As a result, consumer behaviors are evolving; and retailers assume responsibility for marketing functions (e.g., positioning, naming) that were traditionally performed by manufacturers. As the PLB environment becomes increasingly complex, academic research must keep pace. In this regard, our proposed contribution is two-fold: (a) to identify and discuss two key themes related to our knowledge and (b) to specify fruitful areas for future academic research.

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INVESTIGATING THE MODERATING EFFECTS OF MANAGERIAL INTERVENTIONS ON THE ROLE STRESS: COMMITMENT RELATIONSHIP

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SUMMARY

Front-line employees (FLEs) fulfill multiple roles in service organizations, and are answerable to demands from managers, others within the firm, as well as customers (Boles and Babin 1996; Goolsby 1992; Singh 2000). Such demands may be vague and/or conflicting, and may cause FLEs to experience role stress (Michaels and Dixon 1994). Given that empirical research suggests that role stress has a dysfunctional effect on work related attitudes and behaviors (Jackson and Schuler 1985; Michaels and Dixon 1994), it is not surprising that there has been much research in this domain. The majority of work has focused on the antecedents, correlates, and outcomes of role stress.

The aim of this study is to contribute to the literature by studying some gaps in knowledge of the nature of relationships between role stress and organizational commitment (OC). More precisely, the studies investigating the relationship between role stress and OC is generally based on Porter and his colleagues’ unidimensional conceptualization of OC (Michaels and Dixon 1994; Singh 1998), which is equivalent of Allen and Meyer’s (1990) affective component of OC. We advocate that studying the relationships between role stress and Allen and Meyer’s (1990) two most distinguishable components of OC, i.e., affective (AC) and continuance commitment (CC, Luchak and Gellatly 2007; Meyer et al. 2002) may have the most relevance for those conducting commitment research. Also, to enhance our understanding further, it may be useful to study the effects of role stress and AC/CC separately (Allen and Meyer 1990; Meyer and Smith 2000). Moreover, the large amount of unexplained variance between role stress and its outcome variables (Jackson and Schuler 1985) can in part be explained by the presence of moderator variables (Michaels and Dixon 1994). There is a paucity of studies on the moderating effects of organizational variables on the role stress – AC/CC relationships. Studying such effects may shed more light on these complex relationships.

Consistent with role theory, we hypothesize that role stress is negatively related to AC (Örtqvist and Vincent 2006), because FLEs who work in an environment characterized by high role stress are less likely to want to spend effort on the organization they work for and, therefore, feel less emotionally attached to it (Örtqvist and Vincent 2006). We argue that role stress is positively related to CC, because when there is excessive demand or role stress, FLEs may increasingly feel forced to remain as employees due to a lack of alternatives and/or sunk costs (Glazer and Beehr 2005; Meyer et al. 2002).

Literature suggests that managerial decisions and interventions affects both role stress and OC in FLEs (Hartline and Ferrell 1996; Singh et al. 1996). Based on role theories, we draw upon two important organizational variables, empowerment and professional development, and investigate their moderating influence on role stress – OC relationships, as perceived by FLEs. We hypothesize that empowerment and professional development moderate the role stress – OC relationships such that the higher the degree of these managerial interventions, the smaller is the negative effect on AC, respectively, positive effect on CC.

One hundred eighty-four FLEs from an international travel service organization participated in this study. We used established constructs with multiple-item scales (7-point Likert scales) for AC, CC, role ambiguity, role conflict, empowerment and professional development. All constructs achieved an acceptable level of reliability.

The results of the regression analyses revealed that role stress influence AC negatively, which supports role theory and past research findings. Role ambiguity does not have a significant influence on CC, whilst role conflict increases CC. Possibly, with increased role conflict, FLEs sense of being “trapped” in the organization they work for also increases (Glazer and Beehr 2005).

We used multiple moderated regression, following Baron and Kenny’s (1986) procedure, to test the hypothesized influences of empowerment and professional development on role stress – AC/CC relationships, which we find partial support for. More precisely, empowerment reduced the detrimental influence of role ambiguity on AC in our study, especially when FLEs perceive that empowerment levels are high and role ambiguity is low. Our findings suggest that managers should use empowerment with caution in situations of high role ambiguity. Professional development, on the other hand, influenced
the relationships between role conflict and AC/CC. FLEs
who perceived high professional development activities,
rated their AC levels to be higher than those who did not,
regardless of the experienced level of role conflict. For
CC, on the other hand, professional development should
be used with circumspection. Our findings suggest that in
high stress environments, further pushing ‘continuance’
committed FLEs to undertake professional development
activities may actually increase CC levels.

Thus, our results suggest that role ambiguity and role
conflict are distinct components of role stress as different
managerial strategies are required to combat their effect
on AC/CC. We also discuss the limitations of the study
and potential avenues for further research.

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A CONCEPTUAL INTEGRATION OF SALES FORCE CONTROL AND SALES FORCE LEADERSHIP CONCEPTS: BRIDGING THREE CHASMS

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ABSTRACT

For most companies today, the importance of the sales force is paramount. The sales force typically is the only revenue-capturing part of the organization (Krafft, Albers, and Lal 2004) and the most important interface between an organization and its customers (Krafft 1999). The sales force also represents the largest portion of the marketing budget in many companies and has the highest headcount within marketing and sales (Cravens et al. 1993). Thus, leadership and control of the sales force is a top priority for most firms.

In the face of this managerial importance of sales force control and leadership, it is not surprising that scientific inquiry into this subject has increased tenfold over the last two decades (McBane, Pullins, and Reid 2003). For example, research into sales force control has examined the effect of sales force control on job satisfaction (Anderson and Oliver 1994; Jaworski, Stathakopoulos, and Krishnan 1993), learning and performance orientation (Kohli, Shervani, and Challagalla 1998), attributional processes (Fang, Evans, and Landry 2005), sales organization effectiveness (Aulakh and Gencturk 2000; Babakus et al. 1996; Cravens et al. 1993), and organizational citizenship behavior (Piery et al. 2006). Other sales force control research has examined how task programmability and measurability of outcomes (Agarwal and Ramaswami 1993; Jaworski and MacInnis 1989), environmental characteristics (Krafft 1999), or salesperson characteristics (Bello and Gilliland 1997) influence sales force control systems (for an overview, see Baldauf, Cravens, and Piery 2005). Similarly, research into sales force leadership has examined antecedents and consequences of different transactional or transformational leadership behaviors (for an overview, see Ingram et al. 2005).

After the strong growth of empirical research into sales force control and sales force leadership, it is time to revisit the conceptual foundations of the field and overcome chasms that have remained or opened. We propose in this conceptual paper that three chasms run through the literature on sales force control and sales force leadership: First, the literature on sales force control is separated by two competing conceptualizations of control: the Anderson and Oliver (1987) concept, and the Jaworski (1988) concept. According to Baldauf, Cravens, and Piery (2005, p. 21) an important research question is: “Should one of the two management control conceptualizations be adopted in future research, or should a new conceptualization based on a combination of the conceptualizations be used?”

Second, the research on sales force control and the research on leadership in sales have developed as two separate research streams. Both have their own distinctive terminology, although many of their investigated phenomena are identical. As an example, research on sales force control and research on supervisory leadership in sales discuss highly similar phenomena, but under different labels. To the best of our knowledge, sales force control concepts and sales force leadership concepts have never been systematically compared and conceptually integrated.

Third, albeit they have the same origins, a chasm between leadership concepts in the marketing and sales literature and leadership concepts in the general management literature has opened over the years. It is time to compare and integrate recent insights in both fields. This conceptual paper makes two key contributions to the literature: First, it identifies and reviews three chasms in the sales force control and sales force leadership literature. Second, it proposes an integrative framework, which connects the competing sales force control concepts, joins research on sales force control and research on transactional leadership in sales, and introduces strategic leadership concepts to sales force leadership research. This framework can serve as a conceptual foundation for future sales force control and leadership research.

The paper is structured around the three chasms. For each chasm, we first identify contradictions and conceptual overlaps, and then show how these chasms can be bridged to form an integrative framework. Figure 1 foreseeks the integrative framework that we will develop in this paper. We conclude with a discussion of theoretical and managerial implications.

CHASM NO.1: TWO COMPETING CONCEPTS OF SALES FORCE CONTROL

The existing literature on sales force control uses two competing conceptualizations. Anderson and Oliver (1987)
FIGURE 1
An Integrative Framework of Sales Force Control and Sales Force Leadership Concepts
propose a differentiation between outcome-based and behavior-based sales force control systems. In contrast, Jaworski (1988) distinguishes between formal and informal controls in marketing and sales. The conceptual chasm between these two competing concepts is well documented: Anderson and Oliver (1987) do not consider informal controls, whereas Jaworski and MacInnis (1989) do not include salary vs. incentive compensation in formal control (Baldauf, Cravens, and Piercy 2005). However, these differences have never been bridged.

It can only be completely assessed how fundamental these differences really are when one revisits the foundations of the competing sales force control concepts. By contrasting Jaworski (1988) and Anderson and Oliver (1987) with their roots in motivation theory and organizational control theory, we formulate propositions that can help to bridge the differences.


Anderson and Oliver (1987) focus solely on outcome-based and behavior-based sales force control systems. Both of these control mechanisms rely on monitoring, directing, and evaluating salespeople, albeit with differing emphases on these aspects. This resembles Jaworski’s (1988, p. 26) definition of formal controls as “written, management-initiated mechanisms that influence the probability that employees or groups will behave in ways that support the stated marketing objectives.” Within formal controls, Jaworski (1988) differentiates between input controls (also referred to as capability control; Challagalla and Shervani 1996), process controls (also referred to as activity control; Challagalla and Shervani 1996), and output controls. Output control also refers to control mechanisms where performance standards are set and monitored, and results are rewarded. Thus, Jaworski’s (1988) output control and Anderson’s and Oliver’s (1987) outcome-based control essentially refer to the same phenomena. Input controls and process controls both aim at influencing salespeople by giving directions which behaviors are most likely to be helpful for goal achievement. The difference is only the timing of the intervention. We propose:

\[ P_{1a} : \text{Input controls and process controls can be subsumed under behavior-based control.} \]

\[ P_{1b} : \text{Behavior-based control and outcome-based control can be subsumed under formal control.} \]

Both competing concepts include formal controls, but only one also contains informal controls. To evaluate this difference, we revisit their roots. Early research on organizational control systems has been influenced by McGregor’s (1960) theory of human motivation, which has come to be known as Theory X and Theory Y. Theory X postulates that management generally expects employees to be lazy and dislike work. Under these assumptions, punishments and rewards must be administered if organizational goals are to be met, and a hierarchical structure with a narrow span of control is needed. Theory Y assumes that employees consider working to be as natural as playing or resting, and that they will work without punishment and control if a job is satisfying their higher-order needs. Thus, Theory X seems to be underlying most formal management control theories, as they all try to influence people by rewarding them for compliance. This understanding of salespeople’s motivation lies also at the heart of the Anderson and Oliver (1987) framework.

Drawing from observations made in Japanese companies and out of deference to McGregor (1960), Ouchi and Price (1978) develop Theory Z, which emphasizes the importance of horizontal peer controls. Building on Theory Z, Ouchi (1979) develops the concept of clan control, which he distinguishes from market control and bureaucratic control. Clan control, which is exercised via peer controls and a relatively complete socialization process, was also adopted by Eisenhardt (1985).

Jaworski (1988) expands the concept through his definition of informal controls. While clan control can be seen to correspond strongly with his social control construct, he also includes self control as an informal control mechanism. By including both formal and informal control, Jaworski (1988) implicitly bases his framework on the assumptions of both Theory X and Theory Z, taking a much more holistic view of organizational control than Anderson and Oliver (1987). From a conceptual point of view, the two competing concepts are thus not of the same value, which leads us to propose:

\[ P_{1c} : \text{An integrative framework of sales force control has to comprise both formal and informal control mechanisms.} \]

Where Anderson and Oliver (1987) Are More Complete

Although Jaworski (1988) seems to be following Ouchi (1979) and Eisenhardt (1985) more closely with regard to informal controls, the opposite is the case when it comes to the question of whether salary vs. incentive compensation is included as a measurement of outcome control. While Oliver and Anderson (1994) as well as Cravens et al. (1993) include salary vs. incentive pay in their operationalization of outcome-based controls, Jaworski and MacInnis (1989) only consider pay increases based upon prior goal achievement as a measure of output control, but do not include variable compensation.
Again, an evaluation of this discrepancy has to revisit the conceptual roots. Both competing conceptualizations refer back to Ouchi (1979). Ouchi (1979) coins the term market control (which was later labeled outcome control by Eisenhardt 1985) and defines it as control exercised via precise measurement and reward of individual contributions. Both Anderson and Oliver (1987) and Jaworski (1988) follow this definition. However, it is notable that Ouchi states only one informational requirement for this type of control – prices. In an organizational context, the price mechanism strongly corresponds with incentive pay, as this is the reward exchanged for achieving certain levels of performance. Not including incentive pay in an operationalization of outcome control (as Jaworski and MacInnis 1989 do) thus means neglecting an important aspect of the underlying theories. This leads us to propose

\[ P_{1d} \]

Measurements of outcome control must include a measure for salary vs. incentive compensation.

Connecting the Two Competing Sales Force Control Concepts

Based on the previous discussion of the differences and similarities between the two competing sales force control concepts, we can now start integrating them. The lower right-hand side of Figure 1 shows that we consider input and process control both to be part of behavior control, following proposition \( P_{1d} \). According to proposition \( P_{1b} \), behavior control and outcome control together form formal control, whereas informal control comprises fostering self control and fostering social control. Measurements of outcome control in our framework include a measure of salary vs. incentive compensation (Proposition \( P_{1o} \)). Because of the space limitations of this conference paper, definitions for Figure 1 are provided in Table 1.

CHASM NO. 2: THE SEPARATION BETWEEN SALES FORCE CONTROL CONCEPTS AND SALES FORCE LEADERSHIP CONCEPTS

So far, the paper at hand has focused on sales force control. However, this is not the only research stream that focuses on influencing the behavior and performance of individual salespeople. This interest lies also at the heart of the study of leadership behaviors in sales (Kohli 1989; MacKenzie, Podsakoff, and Rich 2001). Both fields are well developed and have received considerable research attention over the last two decades. As Bass (1990) notes, the field of leadership has been discussed since antiquity, with more than 100 different definitions of the leadership construct available up to this day. However, the last twenty years have seen a surge in interest in the concept of transactional vs. transformational leadership (House and Aditya 1997; Hunt 2005). This has also resulted in a considerable research body of transactional vs. transformational leadership behaviors in sales (Ingram et al. 2005).

Although both research streams study similar phenomena, they do so from different roots. Sales force control research has its theoretical foundations in agency theory and transaction cost theory (Eisenhardt 1985; Kraft 1999; Kraft, Albers, and Lal 2004), but also in motivation theory. In contrast, modern leadership research has started by examining leadership traits (e.g., finding characteristics that distinguish leaders from non-leaders), before research interest moved to the study of leader behavior and later, contingency theories (House and Aditya 1997). The basis for this research lies in sociology and psychology, and a great deal of fundamental research in this field was conducted outside a business environment. Burns (1978) for example introduced the concept of transformational and transactional leadership in his description of political leadership, and it only later emanated into an organizational and business context.

Despite these differences in ancestry, extant definitions of sales force control and sales force leadership are highly similar. Both sides emphasize how sales organizations and individuals within these organizations can be influenced to achieve organizational goals: (see top of next page for the “extrant definitions”).

It is almost ironic that the two fields have coexisted for so many years now without ever being compared and consolidated. We will propose how they can be connected by comparing existing definitions and linking them.

Overlaps Between Sales Force Control, Transactional Leadership, and Supervisory Leadership Concepts

The distinction between transformational and transactional leadership was first proposed by Burns (1978) and further developed and operationalized by Bass (1985). Transactional leadership is characterized by behaviors such as setting targets as well as rewarding and punishing based on specified outcome or behavior goals. A give-and-take exchange process underlies the relationship between leader and follower. Throughout the 1980s and early 1990s, transactional leadership (often referred to as supervisory leadership) in a sales context received considerable research attention (Becherer et al. 1982; Jaworski and Kohli 1991; Kohli 1985; Teas, Wacker, and Hughes 1979).

The “give-and-take exchange process” used by MacKenzie, Podsakoff, and Rich (2001) to describe supervisory leadership, in which salespeople are rewarded or punished based on their goal achievement, as well as the definition of House and Aditya (1997, p. 445), who define supervisory leadership as “behavior intended to provide guidance, support, and corrective feedback for
Exemplary Definitions of Sales Force Control

Challagalla and Shervani (1996):
“The purpose of a control system is to ensure the attainment of desired organizational objectives” (p. 89).

Jaworski (1988):
“Control of marketing personnel refers to attempts by managers and other stakeholders within the organization to influence the behavior and activities of marketing personnel to achieve desired outcomes” (p. 24).

Piercy et al. (2006):
“Management control in organizations concerns the efforts of managers to influence the behavior and activities of personnel to accomplish the objectives of the organization” (p. 249).

Exemplary Definitions of Leadership in Sales

Ingram et al. (2005):
“Leadership is one of the most widely used terms in the business vocabulary, and it is a key construct in hundreds of academic studies. Although there are many different definitions of leadership [...] most of them focus on influencing others to achieve common goals for the collective good of the organization” (p.137).

“Research examining supervisory behaviors in a sales context has drawn extensively from leadership theories of organizational behavior. Perhaps the most commonly studied leader behavior in the sales management literature is supervisory feedback [...] which relates to the theory of leader-reinforcing behavior [...] According to this approach, the key to influencing salesperson performance is for the manager to provide positive feedback (e.g., recognition and/or approval) and negative feedback” (p. 115f).

Yammarino (1997):
“Leadership is a set of observable activities that occur in a work group comprising a sales manager and salespersons who willingly subscribe to a shared purpose and work jointly to accomplish it” (p. 44).

the day-to-day activities of work unit members,” both refer to behaviors that would occur under a formal control system. We thus propose

P2a: “Supervisory leadership” refers to behaviors that sales force control research labels as “formal control.”

As the term “transactional” leadership implies, it describes leadership behaviors that involve a transaction. The transaction occurs when a salesperson receives rewards or punishment in exchange for enacting a mutually agreed-upon role (Bass 1997). Sales force control research also knows this concept of exchanging compliance for approval and reward. By distinguishing between formal and informal control, sales force research points out that this approval may also come from co-workers or from oneself, which lies at the core of social control and self-control. A transactional leader may, through his actions, foster or hamper this type of control in his department. Thus, we propose

P2b: Transactional leadership in sales refers to behaviors that comprise both formal and informal sales force control.

The Neglect of Transformational Leadership in Sales Force Control Research

Transformational leadership, also referred to as charismatic or inspirational leadership (Conger 1999; Howell and Shamir 2005; Rowold and Heinitz 2007), is used to describe behaviors where leaders raise their followers’ awareness for the importance of task outcomes and influence them to transcend their self-interest for the common good of the organization (Podsakoff et al. 1990). During the last fifteen years, much research on leadership behaviors in sales focused on transformational leadership (Baldauf, Cravens, and Piercy 2005). One may ask whether transformational leadership is not captured by the concept of informal control. Indeed, both aim at influencing subordinates through subtle, non-writen and not formalized means. Yet there are two important distinctions between the concepts: First, whereas transformational leadership behaviors are always initiated by a leader (Bass 1985; MacKenzie, Podsakoff, and Rich 2001), informal controls are usually based on peer-pressure or self-control (Eisenhardt 1985; Jaworski 1988; Ouchi 1979). A second major distinction between the two concepts can be drawn by examining the motivational processes underlying the different concepts. Transformational leaders influence their followers to transcend their self-interest for the common good of the organization (Podsakoff et al. 1990). From a motivational perspective, they aim at the most autonomous forms of extrinsic motivation – identification and integration (Ryan and Deci 2000). Identification describes the conscious valuing of an activity and the self endorsement of goals. Integration occurs through the hierarchical synthesis of goals and through bringing new regulations into congruence with one’s existing values and needs. On the con-
TABLE 1
Definitions for the Integrative Framework for Sales Force Control and Sales Force Leadership

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<tr>
<th>Construct</th>
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<tr>
<td>Leadership</td>
<td>Sales leadership refers to activities performed by those in a sales organization that aim at influencing the sales organization to achieve common goals for the collective good of the sales organization and company. It comprises personal leadership as well as strategic leadership.</td>
<td>Ingram et al. 2005; Yammarino 1997</td>
</tr>
<tr>
<td>Personal Leadership</td>
<td>Personal leadership in sales refers to sales leadership activities that aim at directly influencing the members of a sales organization at a group, dyad, or individual level. It comprises transactional and transformational leadership behaviors.</td>
<td>Own definition</td>
</tr>
<tr>
<td>Transactional Leadership = Control</td>
<td>Transactional leadership or control in sales refers to behaviors in which rewards and punishments are exchanged for compliance of the members of a sales organization. It comprises both supervisory leadership and informal control.</td>
<td>Bass 1985</td>
</tr>
<tr>
<td>Supervisory Leadership = Formal Control</td>
<td>Supervisory leadership or formal control refers to written, management-initiated mechanisms that aim at achieving goal accomplishment by providing guidance, support, and corrective feedback for the day-to-day activities of work unit members. It comprises behavior control and outcome control, which differ from one another by the timing of management intervention.</td>
<td>House and Aditya 1997; Jaworski 1988</td>
</tr>
<tr>
<td>Behavior Control</td>
<td>Behavior control refers to behaviors that involve considerable monitoring and observation of salespeople. Sales management intervenes frequently in salespeople's activities and gives directions. The sales force is evaluated and compensated based on diversified measures. It comprises capability control as well as activity control.</td>
<td>Anderson and Oliver 1987</td>
</tr>
<tr>
<td>Capability Control</td>
<td>Capability control refers to attempts to influence the performance of sales people by ensuring that they possess the set of skills and abilities required to perform. It involves setting goals for the required level of capabilities a salesperson must possess, assessing the actual level of capabilities a salesperson has, providing guidance for improvement if necessary, and rewarding and punishing salespeople based on their capabilities.</td>
<td>Chattagalla and Shervani 1996; Jaworski 1988</td>
</tr>
<tr>
<td>Activity Control</td>
<td>Activity control refers to the specification of the activities a salesperson is performing on a day-to-day basis, the monitoring of the actual behavior, and the exchange of rewards and punishments based on the performance of specified goals.</td>
<td>Chattagalla and Shervani 1996; Jaworski 1988</td>
</tr>
<tr>
<td>Outcome Control</td>
<td>Outcome control refers to controls with a very limited extent of managers' monitoring, directing, evaluating, and rewarding activities. Salespeople receive incentive pay based on straightforward measures of results, rather than measures of the behaviors employed.</td>
<td>Anderson and Oliver 1987</td>
</tr>
<tr>
<td>Informal Control</td>
<td>Informal control refers to the extent to which a leader fosters unformalized, typically worker-based control mechanisms to influence salesperson's behavior. It comprises fostering self-control and fostering social control.</td>
<td>Jaworski 1998; Jaworski and Macinliss 1989</td>
</tr>
<tr>
<td>Fostering Self-Control</td>
<td>Self control refers to behaviors in which a salesperson establishes personal objectives, monitors their attainment, and adjusts behavior if goal achievement seems unlikely. Fostering self-control refers to leader behaviors that create an environment in which self-control can thrive.</td>
<td>Jaworski 1988; Jaworski and Macinliss 1989</td>
</tr>
<tr>
<td>Fostering Social Control</td>
<td>Social control refers to mechanisms in which peers within the sales force engage in collegial interaction, discussion, and informal evaluations of a salesperson's work. Fostering social control refers to leader behaviors that create an environment in which social control can thrive.</td>
<td>Jaworski 1988; Jaworski and Macinliss 1989</td>
</tr>
<tr>
<td>Transformational Leadership</td>
<td>Transformational leadership in sales refers to leader behaviors that aim at convincing salespeople to transcend their self-interests for the sake of the sales organization as a whole. It comprises four sub-dimensions: inspirational motivation, intellectual stimulation, individualized consideration, and charisma. Transformational leadership can both be directed at changing a system as well as achieving compliance within a system.</td>
<td>Bass and Avolio 1994; Menguc and Auh 2008; MacKenzie et al. 1990</td>
</tr>
<tr>
<td>Strategic Leadership</td>
<td>Strategic leadership in sales is directed toward giving purpose to sales organizations. It includes the formulation of organizational goals and strategy; providing direction for the organization with respect to the organization's domain; conceptualizing and installing organizational designs and major infrastructures; and development of key executives and managers. Strategic leadership comprises transformational leadership behaviors as well as shaping management infrastructure.</td>
<td>Boal and Hootberg 2000; House and Aditya 1997</td>
</tr>
<tr>
<td>Shaping Management Infrastructure</td>
<td>Shaping management infrastructure refers to tasks performed by a leader in sales that aim at creating the structures needed for a sales organization to achieve desired outcomes. It comprises organizational design, information and reporting systems, planning systems, and recruitment and HR-development systems.</td>
<td>Own definition</td>
</tr>
<tr>
<td>Organizational Design</td>
<td>Organizational design refers to the shaping of the organizational architecture of the sales organization, the creation of departments and specializations.</td>
<td>Own definition</td>
</tr>
<tr>
<td>Information and Reporting Systems</td>
<td>Information and reporting systems refer to the systems a leader creates in order to fulfill his informational requirements for leading the sales organization.</td>
<td>Own definition</td>
</tr>
<tr>
<td>Planning Systems</td>
<td>Planning systems refer to the systems a leader creates in order to be able to plan and forecast the performance of the sales organization.</td>
<td>Own definition</td>
</tr>
<tr>
<td>Recruitment and HR-Development Systems</td>
<td>Recruitment and HR-development systems refer to the systems a leader installs in order to develop the employees within the sales organizations with the goal of enabling them to enable them to better achieve the organization's goals.</td>
<td>Own definition</td>
</tr>
</tbody>
</table>
trary, informal controls work with a type of extrinsic motivation called introjected regulation (Ryan and Deci 2000). Intraction involves the wish for approval from self or others – and for this type of “peer-pressure,” it is not necessary that a salesperson has completely internalized the goals pursued. The imposed reward contingency of formal controls can finally be described as external regulation (Ryan and Deci 2000). Given these differences, it becomes evident that transformational leadership has so far been neglected by sales force control research. We propose:

P_{2c}: Transformational leadership in sales refers to behaviors that help to influence salespeople’s behaviors toward the achievement of a common goal. These behaviors have no equivalent in sales force control research.

Connecting Sales Force Control and Sales Force Leadership

Based on the considerable conceptual overlap that we identified between sales force leadership and sales force control concepts, it is now time to connect these fields and to further explain Figure 1. Following proposition P_{2a}, we equate supervisory leadership behaviors in sales with formal control mechanisms, stating that supervisory leadership includes both behavior control and outcome control. Further, we distinguish between supervisory leadership and transactional leadership in sales. As proposed in P_{3b}, transactional leadership involves the usage of both formal and informal control mechanisms. According to our proposition P_{3a}, transformational leadership has so far no connection with sales force control research. Since it is also concerned with how people can be influenced to achieve desired outcomes, it can add important insights to sales force control research.

CHASM NO. 3: THE SEPARATION OF LEADERSHIP CONCEPTS IN GENERAL MANAGEMENT LITERATURE AND IN SALES LITERATURE

The previous section elaborated on sales force leadership and its importance. Of course, leadership research has its origins not in sales literature, but in general management literature. Ingram et al. (2005) identify three main concepts in sales force leadership research today, and all of them have ancestors in general management. First, research on leadership styles in sales has focused on transformational leadership (Bass 1997; Comer et al. 1995; Dubinsky et al. 1995; Humphreys 2002; MacKenzie, Podsakoff, and Rich 2001; Menguc and Auh 2008). This general research stream harks back to the early works of Burns (1978) and Bass (1985, 1990). Second, research on leader-member-exchange in sales (DelVecchio 1998; McNeilly and Lawson 1999; Rich 1997) has drawn from works of authors such as Dansereau, Graen, and Haga (1975). Third, research on the initiation of structure and role clarification in sales (Agarwal 1999; Dubinsky, Childers, and Skinner 1990; Hampton, Dubinsky, and Skinner 1986) builds on theories of the Ohio State Leadership Studies from the 1950s and of Schriesheim, House, and Kerr (1976).

The Neglected Role of Strategic Leadership in Sales Force Leadership Research

However, leadership research in general management has made advances since the introduction of these concepts to the field. Especially in the context of research on transformational leadership, there is a call for an integration of concepts from transformational leadership with strategic leadership perspectives (Boal and Hooijberg 2000; Colbert et al. 2008; Canella and Monroe 1997). Strategic leadership was proposed by Finkelstein and Hambrick (1996) as well as House and Aditya (1997), who differentiated between strategic leadership and supervisory leadership. While supervisory leadership has already been discussed in the previous section, strategic leadership adds new facets to leadership research. Strategic leadership comprises not only giving purpose, meaning, and guidance to organizations, but also making strategic decisions regarding products and markets, conceptualizing and installing organizational designs, selecting key employees, and representing the organizations toward external bodies (Boal and Hooijberg 2000; House and Aditya 1997).

Research on leadership in sales has so far not embraced the concept of strategic leadership. While the components of strategic leadership referring to giving purpose, meaning, and guidance are also covered by transformational leadership theory and thus included in sales force leadership literature, wide parts of what comprises strategic leadership are largely neglected by sales force leadership research. Sales force leadership literature has so far only looked at initiating structure as an additional leadership task (Ingram et al. 2005), a field that has long been abandoned by general management leadership researchers (Judge, Piccolo, and Ilies 2004). Initiating structure includes letting group members know what is expected of them, maintaining certain standards of performance, scheduling the work to be done, and enforcing standard rules and regulations (Schriesheim, House, and Kerr 1976). Thus, albeit initiating structure sounds similar to organizational design, the two concepts cover different things. Thus, we propose

P_{3a}: Strategic leadership in sales comprises both leadership behaviors aimed at giving purpose, meaning, and guidance as well as the shaping of organizational structures that enable a leader to achieve desired organizational outcomes.
Transformational leadership in sales has thus two facets: At its heart, it aims at influencing salespeople to transcend their self-interest for the common good of the organization (Podsakoff et al. 1990). These leadership behaviors can result in greater compliance within a given sales organization, as salespeople’s motivation rises through the identification with and integration of organizational goals. When a leader uses transformational leadership behaviors to instill a new vision within salespeople, these behaviors can also be used to foster change within a system and organization. This leads us to the proposition

\[ P_{3b} \]

Transformational leadership behaviors are constituent of strategic leadership as well as of influence mechanisms aiming at affecting behaviors of salespeople in their day-to-day work, which we label personal leadership.

Connecting Leadership Concepts in General Management and in Sales Literature

We are now in a position to complete Figure 1. Following our proposition \( P_{3a} \), we define the following tasks as being constituents of shaping management infrastructure: Organizational design, referring to a leader’s decisions regarding the specialization and departmentalization of the sales organization; the information and reporting systems that a leader implements in order to be able to lead and control his or her organization; the planning systems installed by a leader in order to plan and forecast the organization’s goals; finally, the recruitment and HR-development system, which aims at providing the appropriate and required talent for the organization. According to proposition \( P_{3b} \), these tasks combined with certain transformational leadership behaviors comprise strategic management, whereas the transformational leadership tasks involving the influence of salespeople’s behaviors in their day-to-day work combined with transactional leadership behaviors can be denoted as personal leadership in sales. Sales force leadership comprises both strategic and personal leadership.

DISCUSSION

Theoretical Implications

We believe that this conceptual paper makes several important contributions. First, we have conceptually connected the two competing concepts that have divided research on sales force control for the last twenty years. This division has made an assessment of the relevance of the findings derived from the various quantitative studies rather difficult (Baldauf, Cravens, and Piercy 2005). By contrasting them with their roots, we identified weaknesses in each of the existing conceptualizations, and eliminated these weaknesses by combining them to an integrative framework of sales force control.

Second, we have identified a conceptual overlap between the literature on sales force control and on leadership in sales. Due to their different roots in economics on the one hand and in psychology and sociology on the other hand, these two fields so far have little connection. Our connection of the two research streams expands the understanding of transactional leadership, and allows sales force control research to draw on findings in leadership research.

Third, we have broadened the understanding of leadership in sales by introducing the concept of strategic management. Leadership research in sales has mostly focused on personal leadership. Recent developments in general management leadership research have called for an integration of aspects concerning working on an organization’s systems as a part of leadership tasks. We propose the leadership field of shaping management infrastructure that deals with these aspects, thus connecting leadership research in sales with new findings in general leadership research.

However, further research is needed. An integrated set of measures for our framework has to be developed in order to enable quantitative studies to follow. This can most likely be done by building on measures that have been proposed by previous research.

Managerial Implications

The proposed framework makes two core contributions to managerial practice. First, it offers a guide through the confusing terminological overlaps that have evolved in the last decades of sales research. Precise definitions are the prerequisite of fruitful exchange. Leadership discussions and control discussions are not disjointed, but can be systematically linked. Second, the paper provides sales executives and other leaders in sales organizations with a structured framework of the broad variety of tasks that leadership involves. This is an educational benefit. It demonstrates the relevant levers that are available to managers seeking to influence the performance of sales organizations. Managers can use it to systematically check the completeness of their own efforts and detect gaps. Thus, we hope that our papers “chases chasms” both in research and in managerial practice.
REFERENCES


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SALES LEADERSHIP EFFECTIVENESS: META-ANALYSIS AND ASSESSMENT OF CAUSAL EFFECTS

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Harley Krohmer, University of Bern, Switzerland
Felix Weispfenning, Marketing Manager, Porsche

SUMMARY

As effective sales leadership has a high impact on firms’ market and financial performance, extensive research has dealt with leadership outcomes of sales managers (for an overview see Podsakoff et al. 2006). Despite the effort this research has produced inconclusive results about sales leadership’s effects on salespeople’s performance, organizational commitment, and turnover (e.g., Dubinsky et al. 1995). The inconclusive results may be due to the fact that previous research has not fully accounted for possible relationships between key constructs relevant to the study of sales leadership effectiveness.

Against this background, our first research question focuses on the effectiveness of sales leadership: Does sales leadership affect salespeople’s performance, organizational commitment, and turnover? In addition, we address possible mediating effects: How does sales leadership affect salespeople’s performance, organizational commitment, and turnover?

We develop and empirically analyze a comprehensive framework of sales leadership effectiveness using a meta-analytical approach. In the proposed model, the effects of sales managers’ leadership behaviors on salespeople’s performance, organizational commitment, and turnover are mediated by salespeople’s role conflict and ambiguity, job satisfaction, and customer orientation. We differentiate between performance measures (i.e., self-rated, manager-rated, and objective) and investigate long-debated causal directions between key relationships.

Based on 300 samples and more than 68,000 respondents, our analyses confirm many effects proposed in previous research, but the results also contain unexpected and surprising findings. For example, leadership effects were found to be weak on objective performance and to vary across performance measures. All in all, the results provide a more comprehensive understanding of how effective sales leadership works. References are available upon request.

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MARKETING STRATEGY IMPLEMENTATION FAILURE: AN EXPLORATORY INVESTIGATION THROUGH THE SALES-MARKETING INTERFACE LENS

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Ravipreet S. Sohi, University of Nebraska – Lincoln

SUMMARY

Introduction

Smoothly functioning interface between customer-contact departments such as sales and marketing enables timely strategy execution, market responsiveness, and creation of superior customer value (Cespedes 1992, 1993; Guenzi and Troilo 2007; Dewsnap and Jobber 2000; Kohli and Jaworski 1990). While strategy research has focused on mechanisms of control and coordination, as well as firm structure and resource alignment during strategy execution, our understanding regarding (a) what determines strategy implementation success/failure within sales-marketing interface, and (b) how the interface dynamics affect strategy implementation remains limited. Given that many marketing strategies fall short of meeting their objectives (Raps 2004; Bigler 2001; AberdeenGroup 2002); it is imperative that scholars investigate the potential reasons for strategy implementation failure using the sales-marketing interface as analytical lens. Our study aims to explore this question by investigating how the nuances of sales-marketing interface affect marketing strategy implementation process.

Data Collection, Analyses, and Sampling

We conducted a multi-firm study using grounded theory approach. Specifically, using theoretical sampling technique, we conducted semi-structured in-depth interviews with 33 sales and marketing managers from different industries. Our sample is diverse along several dimensions such as informant’s tenure in the job, gender, organization size, and industry. The interviews were open-ended and discovery oriented (Deshpande 1983), lasting about an hour or more. During our interviews, we focused on informants’ interpretation of their firm’s marketing strategy creation and implementation processes. The interviews were conversational and we allowed the informants to guide the flow of discussion. We taped all interviews and transcribed them verbatim. We managed our data using QSR International’s NVivo software and followed qualitative inquiry guidelines for data analysis and insuring validity (Creswell 2007; Glaser and Strauss 1967; Strauss and Corbin 1998).

A Macro-Perspective on Implementation Failure: Multidimensionality and Complexity

Our findings bring forth how the nuances of five seemingly divergent dimensions of the sales-marketing interface, namely – coordination and activity synchronization, integration, optimal communication, collaboration, and cultural divide, when viewed together, explain marketing strategy failure at a holistic level. Specifically, our findings highlight that while one may attribute reasons for strategy failure to a disconnect within this interface on a specific dimension, one needs to be mindful of how the other dimensions, though not apparent, may be indirectly contributing to that disconnect thereby indirectly impacting strategy implementation. For example, disjointed activities or disparate priorities of sales and marketing that hamper strategy implementation may be a function of the lack of integration between the two functions. Similarly, cultural mismatch may create barriers in achieving greater degree of integration and resource trade-off from these departments, thereby hampering the implementation process. Overall, we argue that while it is important to identify specific dimension(s) where sales and marketing are disconnected to insure strategy execution success, it is also imperative that we appreciate the complex, multidimensional nature of the strategy implementation phenomenon and how these multiple dimensions may inter-relate to present a complex model of strategy implementation success/failure.

Theoretical Contributions

This is the first study to empirically investigate strategy implementation failure through the marketing-sales interface lens. In doing so, it unravels the nuances of the five interface dimensions and explores how they may collectively determine strategy implementation success or failure. The second contribution of this study lies in presenting the integrated, multidimensional, macro-level perspective on strategy implementation. By initiating empirical investigation of an under-researched area, this study begins to situate the sales-marketing interface literature within the broader strategy implementation context, thereby integrating the two streams of literatures and offering us a comprehensive thesis about why marketing
strategies may fail. Last, this study also responds to the recent call by scholars to conduct empirical studies on sales-marketing interface (Rouzies et al. 2005) and grows our familiarity with this domain.

**Managerial Implications**

Findings of this study may help managers enhance the probability of successful strategy implementation across this interface. Specifically, managers may work on harmonizing the strategic priorities, and streamlining and simplifying interfunctional communication; especially during strategy roll-outs, to enhance interfunctional collaboration. To tackle the impediments created by cultural differences, managers may initiate intra-firm processes that help reduce the cultural distance such as aiming for quick turnaround times to sales requests, as well as insuring that they link both and macro-level strategies with the micro-level sales processes and communicate that connection clearly to the sales organization. Our findings also exhort that managers remain aware of the multiple dimensions that may underlie an apparently dominant reason for strategy failure and they may work on addressing these multiple dimensions simultaneously when dealing with strategy failure.

**Limitations and Future Research Directions**

The potential limitations of our study are: (a) interview data may limit the generalizability, (b) we may not have identified all the nuances of the interface dimensions related to strategy failure, (c) use of a single informant within firms. The findings of this study can serve as a foundation for future research in areas such as expanding the repertoire of nuances we find, investigating how external factors such as competitive intensity and environmental uncertainty interact with the intra-organizational variables we identify to impact strategy implementation processes, or examining what proactive actions organizations may take to prevent the disconnects we identify here and what may determine the success of those actions in determining implementation success. References are available upon request.

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“I’LL TRADE YA!”: EXPLORING A MODEL OF CONSUMER COLLECTING BEHAVIOR

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SUMMARY

The purpose of this research is to propose a model of consumer collecting behavior. Based on the work of Hirschman and Holbrook (1982; see also Holbrook and Hirschman 1982), this research suggests that the act of collecting is primarily a hedonic pursuit, incorporating both subjective responses to ("These items identify me.") and emotive outcomes resulting from ("I love these items.") stimuli (i.e., the collectible). Thus, collecting behavior serves a symbolic purpose, as it enables the consumer to own certain possessions that communicate something about oneself to others (Belk 1988; Holman 1980; Kleine, Kleine, and Allen 1995; Solomon 1983). However, a cognitive appraisal of collectibles is also possible, in the form of a functional rationale for collecting specific items ("I can accomplish _____________ with these items.") (Fournier 1991; Thaler 1985). Causal paths are hypothesized from both the subjective response (utilizing the collectibles for personal identification) and the functional rationale (identifying innovative uses for the collectibles) to the emotional outcome (affect), then from affect to intention (collecting behavior). Finally, the product’s importance, i.e., involvement is hypothesized to moderate the influence of both personal identification and innovative uses on affect (Jain and Srinivasan 1990; Laurent and Kapferer 1985).

Interview data obtained from depth interviews utilizing the laddering technique with consumers who collect novelty T-shirts (e.g., from concerts, athletic events, etc.) highlight the presence of personal identification and innovative uses in consumers’ rationales for collecting items. Further, connections emerge in the individual interviews between each of these constructs and consumer emotion.

Collecting behavior is a distinct consumption activity in the marketplace, with a variety of businesses (e.g., Ebay, Christie’s) encouraging the behavior and providing different venues and resources to maintain/grow the activity. This behavior has spread to non-traditional segments, i.e., children (Crow 2007) and has legitimized other “complementary” behaviors, such as sniping – entering an auction and outbidding a consumer at the last minute (Holahan 2008). As a result, a clearer understanding of what causes collecting behavior can guide marketplace researchers as they attempt to uncover what is truly of value to consumers with regard to specific offerings (Zaslow 2006). From a retailing perspective, a model of collecting behavior can impact not only the kinds of offerings a firm provides but also how such offerings are merchandised with other alternatives. References are available upon request.

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SOCIAL IDENTIFICATION, SOCIAL REPRESENTATIONS, AND CONSUMER INNOVATIVENESS IN AN ORGANIC FOOD CONTEXT: A CROSS-NATIONAL COMPARISON

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SUMMARY

Introduction

Personal characteristics play an important role in the success or failure of new products (Im, Bayus, and Mason 2003). Over the last few decades, several studies have tried to relate certain personal characteristics to product adoption, including demographic characteristics (Hirunyyawipada and Paswan 2006; Im, Bayus, and Mason 2007), innate consumer innovativeness (Cotte and Wood 2004), domain-specific innovativeness (Goldsmith and Hofacker 1991), opinion leadership (Summers 1971; Ruvio and Shoham 2007), and product involvement (Goldsmith, d’Hauteville, and Flynn 1998; Wang, Pallister, and Foxall 2006). In the context of food, social representation of new food products has recently been identified as an important predictor of new product adoption behavior (Bäckstrom, Pirttilä-Backman, and Tuorila 2004; Huotilainen, Pirttilä-Backman, and Tuorila 2006). These studies indicate that there is a vast amount of extant knowledge on the innovative behavior of consumers.

In the present study, we integrate another approach to understand product adoption behavior in the context of food, namely social identification theory (SIT) (Tajfel 1978; Tajfel and Turner 1979). We suggest that social identification theory adds considerably to the current understanding of new food adoption behavior. According to SIT, individuals who feel connected with a certain group will also describe themselves in terms of the characteristics of that group. Moreover, when someone strongly identifies with a group, he or she has positive attitudes toward the group (Mael and Ashforth 1992) and is willing to uphold a positive group image (e.g., Bhattacharya et al. 1995). In studies within both an organizational context (e.g., Bergami and Bagozzi 2000; Haslam 2001; Hogg and Terry 2000) as well as a consumer-company context (Ahearne, Bhattacharya, and Gruen 2005; Bhattacharya, Rao, and Glynn 1995; Bhattacharya and Sen 2003), social identification has been demonstrated as a strong predictor of human behavior.

In this study, we employ a cross-national comparison to compare the effects of domain-specific innovativeness (DSI), social representations (SR), and social identification (SI) on the adoption of new food products by consumers.

Method

We conducted an online panel study among consumers in the U.S., U.K., and Germany. Participants completed a self-administered questionnaire on organic food consumption. The data were collected by a market research company from October-December 2007. In total, 2,972 participants completed the questionnaire (U.S., N = 1001; U.K., N = 1010; Germany, N = 961).

Apart from questions about the respondent’s demographic background (e.g., gender, age, education, and income), the questionnaire covered the following scales: domain-specific innovativeness (Goldsmith and Hofacker 1991), social representations (Backström et al. 2004), social identification (Bhattacharya and Sen 2003), and consumption behavior. Social representations included five components, namely: adherence to natural food, food as enjoyment, food as necessity, adherence to technology, and resistance to novelty. Except for questions on organic consumption behavior, the questionnaire utilized a five-point Likert scale, with response options ranging from “strongly disagree” to “strongly agree.”

Results

According to the U.S. data, the determinants explained a moderate proportion of the variance of organic food consumption behavior ($R^2 = .40; p < .001$). Regarding the demographic variables, age and income were significant predictors. Both DSI and SI were strong, positive predictors. Adherence to natural food was the only one of the five SR dimensions that showed a significant impact on organic consumer behavior in the U.S. data.

Again, according to the U.K. data, the determinants explained a moderate proportion of the variance of organic food consumption behavior ($R^2 = .40; p < .001$). Regarding the demographic variables, only gender was a significant predictor. Both DSI and SI were strong, positive predictors. In contrast with the U.S. data, DSI seemed to be the strongest predictor among the U.K. respondents. Similar to the U.S. study, adherence to natural food was
the only SR dimension that showed a significant impact on consumer behavior.

Finally, in Germany, the determinants explained a considerable proportion of the variance of organic food consumption behavior ($R^2 = .51; p < .001$). Regarding the demographic variables, age, gender, and income were significant predictors. DSI and SI were the strongest positive predictors of organic consumption behavior. In contrast with the U.K. and U.S. data, in Germany, three SI components showed a significant impact on consumer behavior: adherence to natural food, food as enjoyment and food as necessity.

**Discussion**

As in earlier studies (Clark and Goldsmith 2006; Im et al. 2003) demographic variables have an ambiguous influence on organic food consumption behavior. The overall predictive value of these variables was low. Domain-specific innovativeness and social identification seem to have a relatively large and equally important influence on organic food consumption behavior. This implies that social identity plays an important role in the acceptance of new food products. In this respect, our results complement recent studies on the identity-signaling function of new products (Berger and Heath 2007). The adoption of new products within a certain domain (i.e., organic food) can serve as a signal of social identity. As such, consumers use products to construct and express desired identities (Escalas and Bettman 2005). Although less important, social representation of new foods affect organic consumption behavior to some extent as well. In general, the results of this study emphasize that social representations of new food products are constructed in different social or cultural groups (Penz 2006). Our findings confirm that culturally-shared values and ideas play an important role in consumer perceptions of new food products.

Overall, the notion that social contexts, including national culture, social identification, and social representations of new products, are relevant in determining consumer behavior suggests that there are many opportunities for marketing managers to promote and position new products. References are available upon request.

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THE IMPACT OF CONSUMER INNOVATIVENESS ON SHOPPING STYLES: THE CASE OF YOUNG CHINESE CONSUMERS

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SUMMARY

Introduction

China is fast becoming one of the most important markets in the world. Due to the importance of its enormous market potential, many companies are increasing their marketing efforts in China. To be able to market effectively to Chinese consumers, marketers need to understand the decision-making styles of these consumers. Sproles and Kendall (1986) developed the consumer styles inventory (CSI) that measures eight mental characteristics of consumer decision-making: quality conscious, brand consciousness, novelty-fashion consciousness, recreational, price-value consciousness impulsiveness, confused by over choice, and brand-loyal/habitual. Consumer innovativeness is the personality trait that predisposes consumers to buy new products (Hirschman 1980). This paper focuses on two different types of personal innovativeness (Venkatraman and Price 1990): sensory and cognitive innovativeness, which has received much attention in the literature and frequently utilized (e.g., Hirunyawipada and Paswan 2006), and studies the effect of innovativeness on consumer decision making styles. The present research is part of a series of empirical studies of consumer decision-making styles conducted through an application of the consumer style inventory (CSI).

Hypotheses

Hirschman (1984) found that cognitive innovators enjoy thinking and mental exertion and are interested in “seeing how things are put together, why they come out the way they do, and to learn something about cause and effect” (Hirschman 1984). Venkatraman and Price (1990) also found that cognitive innovators prefer verbal to visual strategies for processing information. They also found that cognitive innovators are not impulsive. Sproles and Kendall (1986) identified “perfectionism,” the first shopping style in the CSI, as a consumer’s preference for search for the highest quality in products. Another style, “price or value conscious,” refers to the extent to which consumers are careful about product prices and value for money. These consumers tend to take time to shopping for perfect choice and best quality and look carefully to find best value for the money. It is likely that higher cognitive innovativeness is conducive to such information-intensive search activities. Sensory innovators enjoy novelty, tend to have a light hearted and easy-going attitude toward life, take risks, and do things that give them pleasure without too much thinking or deliberation (Zuckerman 1979). Another shopping style, “brand consciousness,” measures consumers’ orientation toward buying the more expensive, well-known national brands. Consumers with the “high novelty and fashion consciousness” shopping style are likely to gain excitement and pleasure from seeking out new things through shopping. Furthermore, consumers with the “recreational and hedonistic shopping consciousness” style possess the trait to find shopping pleasant, and shop just for the fun of it (Sproles and Kendall 1986). Finally, people who are “impulsive” and careless appear unconcerned about how much they spend or about the “best buys.” This impulsive shopping has been argued to be associated with hedonic concerns as the hedonistic shopper is more susceptible to the marketing communications at the point of purchase (Holbrook and Corfman 1985). Therefore, we hypothesize,

H1: Consumers who have predispositions toward cognitive innovativeness are inclined to have decision making styles of (a) quality conscious and (b) price conscious.

H2: Consumers who have predispositions toward sensory innovativeness are inclined to have decision making styles of (a) brand consciousness, (b) fashion consciousness, (c) recreational orientation and (d) impulsiveness.

Method

The questionnaire was composed of CSI scales (Sproles and Kendall 1986) to measure consumer decision-making styles, Innovativeness scales (Venkatraman and Price 1990), and some questions on demographics. The CSI questionnaire was developed by Sproles and Kendall (1986) to measure consumer decision-making styles. The scales used here are seven-point Likert scales from 1 (strongly disagree) to 7 (strongly agree). All 40 items from the original Sproles and Kendall study were first translated into Chinese by two professional translators. The questionnaire was completed by 481 university students in two large universities, one in northern China and the other one in the South. In the sample, there are 268
females and 183 males. A structural equation model (SEM) was estimated. All of the hypothesized relationships between constructs are statistically significant, supporting both Hypotheses 1 and 2. The hypothesized model was estimated using the maximum likelihood method, and the chi-square value for the model was statistically significant, $\chi^2(427, N = 451) = 1733.33$, $p < .001$; $\chi^2/df = 4.06$, and RMSEA = 0.058. The Bentler and Bonett (1980) NFI for this model is .92, the NNFI is .95, Bentler’s CFI is .95 and, most importantly, the S-B $\chi^2 = 1083.65$. These results suggest that the hypothesized model does describe well the relationships among the measured variables.

**Discussions and Conclusions**

These findings are both intriguing and important. They indicate that marketers should be aware of the differences and similarities in the shopping styles between consumers who have different predispositions in China. This suggests that different marketing appeals are likely to be more effective in influencing the attitudes of cognitive and noncognitive innovators. References are available upon request.
WHEN INNOVATIVENESS IN FORM MATTERS: THE JOINT IMPACT OF FORM INNOVATIVENESS AND EXPECTED INNOVATIVENESS TYPE ON PRODUCT EVALUATIONS OVER TIME

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SUMMARY

The purpose of this research is to expand on the literature that considers the impact of product innovativeness dimensions on the evaluation of innovative products at the individual level (e.g., Markman and Lehmann 2001; Moreau, Muhkerjee, and Hoyer 2001; Olshavsky and Spreng 1996; Orth and Malkewitz 2008). Specifically, new visual design features (i.e., form innovativeness) and new non-visual features (i.e., function innovativeness) are empirically tested to understand how they interact and relate to new product evaluations. Within this research, attitudes toward products with innovative features are measured over time to assess how and when they might change.

In this research, product innovativeness is considered along dimensions of form (i.e., perceptible design elements that are readily noticed and more hedonic in nature) and function (i.e., elements that are less visibly noticeable and more utilitarian). When products are considered on a form innovativeness dimension (high/low) and the nature of their expected innovative features are either in form or function, one begins to see how innovative form might impact the formation of and change in attitudes toward functionally innovative products. Product innovativeness that is unexpected based on the history of the product category (e.g., expected function innovativeness and high actual form innovativeness), for instance, might have initial influences on product liking that change over time. By understanding how expected innovativeness type and actual innovativeness types interact, one can ascertain when form innovativeness might complement or detract from innovativeness in function. Stated formally, the primary objective of this research is to examine the joint effect of actual form innovativeness (high/low) and expected innovativeness type (form/function) on short-term and long-term liking and toward functionally innovative products.

Four theoretical areas are used to hypothesize how form innovativeness and expected innovativeness might impact attitudes toward functionally innovative products: elaboration likelihood model (ELM) (Petty and Cacioppo 1986), mere exposure (Berlyne 1974; Sawyer 1981), momentary attitudes (Ortony, Clore, and Collins 1988), and unexpectedness (Ortony, Clore, and Collins 1988). The central research questions addressed in this research are considered in two contexts: products with expected form innovativeness and products with expected function innovativeness. Considering these two contexts allows an analysis of not only the impact of form innovativeness on the overall assessment of functionally innovative products, but also the inclusion of innovativeness expectedness and how this interacts with form innovativeness in the overall product assessment.

Two experiments were conducted in a computer lab. Study participants were told they would be evaluating two new products and answering questions regarding these evaluations. The products were viewed and the questionnaire was completed via computer. After evaluating the two products the first time, participants completed a distracter task and were then prompted to think about the first product again, this time without seeing the product (Study 1) or while viewing the product a second time (Study 2). The process was then repeated for the second product.

The results of these studies indicate that form innovativeness does indeed have a changing impact on the liking of innovative products when the products are seen only once. Furthermore, this change is not necessarily in the emotional or hedonic reaction to the form innovativeness, but may be in its utilitarian value. Finally, this change occurs when the innovativeness in form is applied to a form product and when it is applied to a function product. Therefore, form innovativeness appears to be a new product characteristic that should be considered of varied importance to initial and subsequent attitude assessments depending on the product type and the consumers’ reliance on memory about the product after the initial exposure. References are available upon request.
EXAMINING THE TENSION BETWEEN RIGOR AND ENTERTAINMENT IN THE CLASSROOM FROM A SOCIETAL MARKETING PERSPECTIVE: STUDENT PERCEPTIONS OF, AND RESPONSES TO, DESIRABLE VERSUS PLEASING AND SALUTARY EDUCATIONAL PRODUCTS

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SUMMARY

Scholars have expressed concern that the marketing concept overemphasizes the short term satisfaction of individual consumers. In response, the societal marketing concept was advanced to enhance consumer and societal long term interests (Crane and Desmond 2002; Kotler 1972). To help marketers implement the societal marketing concept, Kotler (1972) provided a societal classification of products according to their degree of immediate consumer satisfaction and long-run consumer benefit. Deficient products have neither short- nor long-term benefits. Salutary products have low immediate appeal but high long-term consumer benefit. Pleasing products give high immediate satisfaction but could cause harm in the long-term. Desirable products combine high immediate satisfaction with high long run benefit. Kotler suggested that organizations turn all of their products into desirable products.

Kotler’s suggestion is based on two related assumptions: (1) desirable products can be designed that effectively combines the pleasing appeals and salutary benefits (feasibility); and (2) therefore, consumers will favor desirable over other types of products (consumer acceptance). To date, empirical evidences in support for these assumptions have come primarily from post hoc analyses of successful green products. At the theoretical level, Kotler’s (1972) framework is underspecified. It prescribes that desirable products should combine high immediate appeals with high long term benefits, but offers no guidance on how this can be achieved.

In the current research, we put the societal marketing assumptions to a more rigorous test in a different field – college education, and in doing so, seek to elaborate on how a desirable product becomes feasible. The college educational product provides a robust test case because the tension between immediate satisfaction and long term benefits is profound: realizing the long term benefits (e.g., learning) of an educational product (a course) necessarily involves immediate sacrifices (e.g., working hard and long hours) on the part of the customers (students); such sacrifices tend to reduce their immediate satisfaction (e.g., make a course less enjoyable). This tension has recently manifested itself as the tension between academic rigor and entertainment in the classroom, and accordingly, between a salutary versus pleasing educational model. This tension has prompted many scholars to reject a marketing oriented approach to college education. We examined the possibility of resolving this tension by means of a desirable educational model.

The research agenda involved exploratory research, and then proceeded to quantitative data collection. In the exploratory stage, we conducted open-ended surveys with 109 undergraduate students to identify the features of a desirable education product. The responses were content analyzed. The results indicated that a desirable educational product can be designed that effectively combines the pleasing appeals and salutary benefits. Based on these results, we developed descriptions of the pleasing, salutary, and desirable educational products that varied along three dimensions: (1) standard: non-challenging, challenging, and reasonably challenging; (2) compassion: unconditional compassion, no compassion, and compassion but expected improvement; (3) reward: no reward, reward efforts, and reward excellence.

In the second phase of our research, a survey was developed to test the societal marketing assumption of consumer acceptance of a desirable product. Two hundred and thirty-seven students read descriptions of pleasing, salutary, and desirable educational products (courses). They then indicated their preference and satisfaction to each product. A scale of satisfaction was developed that measures both student short-term and long-term satisfaction to a course. The results supported the societal marketing assumption. Students indeed preferred desirable educational products over pleasing and salutary products, and were more satisfied with a desirable educational product than these other types of products.

To the best of our knowledge, this is the first study that provides direct empirical evidence, for the feasibility and consumer acceptance of desirable products. Moreover, the research results shed some lights into how a desirable product becomes feasible. We found that a
A desirable educational product entails compromises in pleasing and salutary qualities in order to achieve a balance of both. More interestingly, we also found that effective combination of pleasing and salutary qualities in a desirable product may produce an integration effect that more than compensates for these compromises, such that a desirable product can simultaneously deliver the same or even higher immediate satisfaction than a pleasing product, and the same or even higher a long-term benefits than salutary products.

The findings are relevant for organizations that wish to find win-win solutions to the consumer’s social responsibility concerns, and for the continued relevance of a marketing oriented approach to college education. We hope to inspire research that further explores how pleasing and salutary qualities can be effectively combined to create truly desirable products, and the extent to which the findings regarding desirable educational products are extendable to other industry contexts.

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IS THERE MORE BETWEEN COMPLIANCE AND EXIT? RESPONSE STRATEGIES TO CHANGES IN ENVIRONMENTAL RULES AND REGULATIONS

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SUMMARY

Rules and regulations are an integral part of the external environment in which firms operate and innovate. New rules and regulations often require changes in existing products in order to comply with the new regulatory reality. A substantial portion of rules and regulations is designed to mitigate the negative environmental effects that are associated with production and consumption of products. The paper consists of two parts, the first part describes how rules and regulations can change the importance of the regulated attribute in consumer decision making. The second part of the paper suggests that the changes in attribute evaluation allow firms to respond with a wider range of response strategies to changes in the regulatory environment, than some product managers intuitively perceive to be possible.

Attribute Evaluation

The paper describes a conceptual model that reflects how rules and regulations designed for environmental reasons could influence consumer’s perception of the specific product attribute that is regulated. The individual consumer’s level of environmental concern is expected to moderate attribute evaluation shifting effects of these rules and regulations. I build upon the operationalization by Nooney, Woodrum, Hoban, and Clifford (2003) to measure this potential effect.

Hypotheses

H1: When consumers become aware of a new environmental rule or regulation concerning a specific product attribute, this will increase the importance of that attribute in the consumer’s product evaluation.

H2: The positive effect that environmentally relevant rules and regulations have on the importance of the regulated attribute in consumer decision making is greater for consumers that are more environmentally concerned than for consumers who less environmentally concerned.

H3: Rules and regulations lower the ambiguity of the regulated attributes.

H4: Higher perceived novelty of the specific attribute or attribute level that is required by the rule or regulation, results in higher ambiguity about that attribute.

FIGURE
H5: Lower (higher) ambiguity levels regarding the rules and regulations relevant attribute result in increased (decreased) importance of that attribute in the consumer’s decision making.

**Response Strategies**

Understanding the effects that rules and regulations have on attribute evaluation is important for firms in determining their response strategy to new rules and regulations. Shifts in the evaluation of attributes can influence previously stable industry patterns, for example the strong position of an early market entrant, and might promote innovation in directions where previously little differentiation was present. Conform Carpenter and Nakamoto’s (1989) finding that under certain conditions market pioneers are able to draw the perceived ideal point toward their own (new) product attribute levels, I suggest that new environmental rules and regulations provide an opportunity for firms to ‘own’ the newly regulated attribute level when the firm complies earlier than their competitors. For example, when a new biodegradable plastic bottle regulation becomes in effect, the firm that moves first to comply with this new regulation might be able to shape consumer preferences for their particular version of the newly compliant biodegradable plastic bottle, effectively providing the firm with a new ‘first mover’s advantage’.

Finally, the paper suggests that although some managers perceive that new environmental rules and regulations only allow for compliance or exit, these are in fact not the only options. Anticipating changes in consumer’s evaluation of the attribute levels, allows firms to utilize a much broader range of response strategies that vary on the dimensions of Speed of Compliance (e.g., pro-actively comply, or comply exactly by the deadline provided by the rule or regulation) and the Extent of Compliance (e.g., over-comply or meeting the minimum requirements). References are available upon request.

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SUMMARY

Although the firm’s interaction with the natural environment has been an issue of interest for economists, sociologists, and psychologists for a long time, it was not until the late 1960s that it was included in the research agendas of marketing and management scholars. Initial writing on the subject came from Kotler and Levy (1969), who first introduced the concept of societal marketing management. Since then, numerous academic articles were produced, which, however, have been criticized for being too fragmented, widely diverse, and non-programmatic to yield an all-round picture of trends in the subject (Banerjee et al. 2003; Baker and Sinkula 2005; Megnuc and Ozzane 2005).

Several efforts have been made to review the contributions made to the discipline, which, although insightful and useful, these reviews: (a) cover a relatively short period of time and use a limited range of academic journals, (b) tangentially tackle the profile of scholars and their outputs in the field, provide little information about methodological issues, or restrict their focus to a small number of thematic areas; and (c) treat environmental marketing and management issues as independent from each other, despite the existence of signs that these are inextricably linked.

Our study aims to fill this gap, by identifying, synthesizing, and evaluating extant research on environmental marketing and management. Specifically, the study has three major objectives: (a) to assess the characteristics of authors and manuscripts pertaining to environmental marketing/management; (b) to evaluate the methodological aspects of empirical research on the subject, in terms of design, scope and methodology; and (c) to examine the thematic areas tackled, as well as the specific issues raised within each area.

The bibliographic search covered all environmental marketing/management articles published during the period 1969–2008, that is, from the inception of this body of research up to now. Both electronic and manual methods were employed to trace the articles relevant for the study. Altogether, 447 articles were identified in 98 academic journals, with Business Strategy & The Environment, Journal of Public Policy & Marketing, Journal of Marketing, and Journal of Business Research accounting for 31.3 percent of all articles. The allocation of these articles by time period is as follows: 1969–1978 (20 articles), 1979–1988 (24 articles), 1989–1998 (194 articles), and 1999–2008 (209 articles).

The study revealed that during the last forty years this field of research has undergone a serious transformation, moving from an early stage of identification and exploration to a more advanced stage characterized by greater maturity and rigor. The proliferation of this discipline has not been smooth, however, since only a few contributions were made during the initial decades, as opposed to the recent plethora of writings. To some extent this reflects changes in various macro, meso, and micro forces influencing the firm’s activities. With growing globalization trends, the role of these forces is expected to become increasingly more intense, thus stimulating further managerial and academic interest in environmentally-related issues.

It was also shown that there is a tendency for more multi-authored, cross-cultural, and inter-disciplinary collaborative efforts, as well as a diffusion of research on environmental issues to various parts of the world. The trend is for more data-driven (rather than conceptual) publications, which is an indication of the improved scientificness of the discipline. The fact that an increasing number of studies are theoretically-grounded on sound marketing/management paradigms is another positive development, although there is still potential to introduce additional theories and paradigms from more advanced disciplines. There is also a tendency for increased length in manuscript size, as well as the incorporation of a greater number of references, implying a growing proliferation of knowledge.

Research designs exhibited an increasing sophistication, gradually placing emphasis on formalized (rather than exploratory) and causal (rather than descriptive) structures. However, there is room for conducting more research based on case studies, longitudinal investigations, and laboratory, observational, and experimental designs. The scope of this research has also been expanded to cover a wide range of countries, industries, and products, as well as firms of different status, size, and geographic focus. Nevertheless, it would be useful if more
studies were conducted on multiple countries, neglected industries were taken into consideration, and environmental research adopted a more international perspective. In addition, there is a clear tendency for researchers to use probability sampling designs, obtain high response rates, secure large sample sizes, and apply advanced statistical tools for data analysis. These developments have had a positive impact on the quality of the data collected and the results obtained.

Environmental research covered a wide range of topics, with the thrust being on environmental corporate strategy (especially marketing strategy), marketing management (especially consumer green attitudes and responses), and environmental management (especially stakeholder management). The great diversity of the topics tackled, coupled with the different theoretical perspectives from which these are derived, implies that the focus has been extensively stretched to view most of the existing marketing and management areas from an environmental angle. Certain issues have also been specifically developed within this stream of research, as in the case of environmental labeling, environmental ethics, and environmental regulations/standards. The increase in the breadth and depth of environmental research has contributed toward creating a meaningful body of knowledge that has helped to justify the identity of a new field within the marketing/management sphere.

Overall, this line of academic inquiry has accumulated an enormous inventory of information, with important conceptual, methodological, and empirical contributions that help in its theoretical development and practical usefulness. The fact that the planet’s ecosystem has reached a state of emergency is responsible for the greater mobilization of political, social, religious, and other forces to find solutions to ecological problems. This, coupled with intensifying competitive pressures and growing consumer sophistication, are expected to increasingly sensitize organizations on environmental issues.

Inevitably, this will encourage a greater amount and diversity of research on the subject and assist in further advancing the field. Some areas that require closer attention include: epistemological aspects of environmental issues, strategic alliances among environmental partners, green supply chain management, green new product development, consumer attitudes and beliefs toward environmentally-related products, greening the organizational culture, organizational learning, stakeholder management, environmental ethics, marketing strategy-performance fit, green standards, environmental regulation, and self-regulation, green advertising messages, variations in environmental practice due to international operations, and environmental reporting. References are available upon request.

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CULTIVATING CUSTOMER LOYALTY: WHY BUSINESSES DO NOT HAVE COMPLETE CONTROL?

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SUMMARY

Customers’ shopping habits are changing rapidly and most do not purchase exclusively from brick and mortar stores (Vishwanath and Mulvin 2001). In an effort to improve their profitability, many companies design strategies to enhance customer loyalty (Bolton et al. 2000). Researchers have identified a number of factors that enhance loyalty. For example, Parasuraman and Grewal (2000) find that loyalty is positively affected by quality and value. Research by Gremler (1995) reveals that customer satisfaction significantly impacts loyalty. However, the research findings of the impact of loyalty on firm performance are equivocal. Some researchers argue that loyal customers are more profitable (Reichheld 2003), whereas others argue long term customers are not necessarily more profitable than new ones (Reinartz and Kumar 2000). Overall, the consensus seems to be that it is better to have loyal customers as the cost of serving them is less, and they tend to be less price sensitive. Senior executives from around the world report that enhancing customer loyalty is a key challenge in their efforts to improve firm performance (Cooil et al. 2007). So, many organizations design their products and services not only to attract prospects, but also to retain their customers.

To help organizations increase their base of loyal customers, researchers have attempted to identify the drivers which enhance customer loyalty. One of the key drivers that enhance customer loyalty is customer satisfaction (Rust and Zahorik 1993; Szymanski and Hise 2000). Cooil et al. (2007) argue that customer loyalty is also affected by the individual characteristics of the customers. From the findings to date, it is clear that customer loyalty is driven by both organizational and individual level variables. The objective of this research is to investigate the impact of some of these key organizational and individual level variables that enhance customer loyalty.

Methodology

To identify the major factors that drive customer loyalty in electronic commerce, we reviewed the literature then enhanced it with a discovery oriented approach (Glaser and Strauss 1999), to uncover various marketing phenomena (Bendapudi and Leone 2002; Tuli et al. 2007). We conducted in-depth interviews to tap into the insights of managers in e-tailing, web design experts, and consumers. Sources for the in-depth interviews were obtained from alumni of two leading business schools, and our personal business contacts. We collected data over six months, expending significant effort to gain access to the executives with relevant experience. We approached each interview with a carefully structured ‘discussion outline’ to elicit participant responses in an open manner (McCrackern 1988). During the data collection phase, we took extra care not to be biased by industry specific factors or ideas irrelevant to the problem we are investigating. These qualitative interviews uncovered two major types of factors that impact e-loyalty. Some are factors determined jointly by e-tailers and individuals (labeled hybrid factors), and others are specific to individuals (labeled individual factors). To extend the usefulness of our research findings, we also sought inputs from respondents on the drivers of the hybrid factors. The “hybrid factors” that we investigate in this research are: e-satisfaction, site credibility, and site knowledge. The “individual factors” that we investigate are: inertia, aggressiveness, and innovativeness. To estimate the impact of the hybrid, and individual level factors on e-loyalty, we collected cross sectional data from a panel of 1211 respondents.

Findings

Analyses of the data indicate that both the hybrid and individual level factors have an impact on e-loyalty. The hybrid factors accounted for 45 percent of the variation in e-loyalty and the individual factors explain an additional 15 percent. Also e-loyalty is found to affect sales positively. Although e-tailers have control over how they operate their business, they do not have control over the individual characteristics of their customers. So, both set of drivers must be considered in developing strategies to attract, retain, and cultivate loyal customers for higher profitability.
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SUMMARY

The aim of linking marketing metrics and financial performance metrics was content of several articles in marketing research during the last decade. In this context, a few attempts were made to investigate the direct link between customer satisfaction and financial market valuation of firm equity (Ittner and Larcker 1998; Fornell et al. 2006), and there is evidence for a significant effect. Other research in this area (Aksoy et al. 2008) reports that in the long-term financial markets adjust to any mispricing of customer satisfaction, and Jacobson and Mizik (2008) show that a significant influence of customer satisfaction on stock market performance is observable only for a limited set of companies from a certain industry. But these studies only focus on changes or improvements in customer satisfaction on an individual level and discuss the value relevance without taking into consideration changes in relation to the market environment, i.e., the competitive environment, although such an insight might provide crucial information. Therefore, we fill this gap by introducing a measure of relative customer satisfaction and test for its value relevance on market value of firm equity. In addition we take into account net earnings as an annual financial performance indicator to control for short-term effects.

To perform our analysis we use American Customer Satisfaction Index (ACSI) data for the years 1998 through 2006, company accounting and financial data, capital market data and the U.S. Standard Industrial Classification (SIC). Altogether we obtain an unbalanced panel that consists of 109 companies and a total of 720 observations. To model the link between customer satisfaction and firm equity, we use a fixed effects panel regression model (Wooldridge 2002, p. 247ff; Greene 2003, p. 283ff), which can be deducted from the balance identity (Landsman 1986; Barth and McNichols 1994). As a measure for relative customer satisfaction, we use the ratio between the level of customer satisfaction of a firm i in period t and the maximum value of customer satisfaction observed in period t across all firms in our sample.

Our analysis reveals that the influence of customer satisfaction on market value of firm equity is highly significant and our findings are consistent with other recent studies (Jacobson and Mizik 2008). After adding net earnings to our model, to control for short-term effects, we can observe an increase in the model’s explanatory power and the influence of customer satisfaction on market value of firm equity is not significant anymore. In a second step we replace the level of customer satisfaction by relative satisfaction, and we observe a highly significant effect for this new variable. Increasing relative customer satisfaction, i.e., catching up with the satisfaction leaders in the market has a higher impact on market value of firm equity than improvements in the level of customer satisfaction, where the competitive environment is not taken into consideration.

We repeat this analysis for different industry sub-samples, because recent research findings (Jacobson and Mizik 2008) report that a significant effect of customer satisfaction on stock market performance can be observed only for a limited number of companies from a certain industry. Therefore, we apply our model to analyze sub-samples, based on one-digit SICs. The industry specific analysis also reveals that there is a different picture, depending on whether we use the level of customer satisfaction or relative customer satisfaction. For several industries changes in the level of customer satisfaction do not have any significant influence on firms’ market value of equity, whereas changes in relative satisfaction do have a significant effect.

The link between customer satisfaction and financial market evaluation of firm equity seems to be more complex than one would like to wish, but the body of knowledge increased substantially during the last years. Our work shows that adding an additional dimension (i.e., the competitive environment) to analyze the value relevance of customer satisfaction, leads to a different picture. Some known significant effects vanish, and new effects are revealed. For more than half of the observations of our sample, we can observe that only changes in relative customer satisfaction seem to be value relevant, whereas changes in the level of a firm’s customer satisfaction show no significant effect. Our work is a first attempt to make a step forward to reveal the factors that enable nonfinancial performance measures to take effect on financial performance. A complete list of references is available on request.
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ON THE IMPORTANCE OF COMPLAINT HANDLING DESIGN AND CUSTOMER CHARACTERISTICS FOR SHAPING COMPLAINANTS’ JUDGMENT: A MULTI-LEVEL STUDY OF MAIN AND MODERATING EFFECTS

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SUMMARY

Despite the relevance of complainants’ judgment for customer post-complaint reactions, there is a dearth of studies that examine its potential drivers. Specifically, little is known about the relative importance of customer-related drivers versus company-related drivers, i.e., whether complainants’ judgment is largely predetermined by (problem-related, relationship-related, psychographic, and socioeconomic) characteristics of the complaining customer or whether it is essentially shaped by the way the complaint is handled by the company. Also, previous research fails to analyze the interesting interrelationship between both categories of drivers, i.e., how the importance of a company’s way of dealing with complaints differs contingent on characteristics of the company’s complaining customers. Therefore, based on a dyadic sample and a multi-level approach for data analysis, this paper aims to close these important gaps in research.

Methodology

Our analysis is based on data from 110 companies matched to 634 customers who had complained to their firm within the past three months. The company sample comprised a broad range of industries (banking, machine building, retailing, chemicals/pharmaceuticals, automotive, and electronic) and was limited to firms with at least 200 employees and annual revenues of at least $50 million. Company respondents were primarily responsible for complaint management. Tests provided no evidence for non-response bias.

To test our hypotheses, we estimated multi-level regression models using MLwiN. Such a multi-level approach (also known as hierarchical linear modeling) allows for simultaneously examining effects between variables across different hierarchical levels of analysis. In light of the hierarchical nature of our data set (i.e., several customers are nested within one company), it also adequately accounts for possible dependencies between observations on the customer level.

Results

Results show that complainants’ judgment is more strongly driven by a company’s way of dealing with complaints (even though complaining customer characteristics also have a surprisingly large impact). In addition, the importance of a company’s way of dealing with complaints is found to significantly vary with the characteristics of the company’s complaining customers.

Research Issues

Our study makes two important contributions to the marketing discipline. First, by providing an integrative analysis of company-related and customer-related drivers of complainants’ judgment, it advances academic understanding of the key determinants of complainants’ fairness perceptions in general and of the relative importance of the company perspective versus the customer perspective in particular. Second, it explores the interrelationship between both categories of drivers by analyzing whether and how the importance of the quality of a company’s complaint handling design is influenced by customer-related variables of the specific complaint situation.

Managerial Implications

Our study shows that complainants’ judgment is driven to a greater degree by the quality of a company’s complaint handling design than by the characteristics of a company’s complaining customers. Hence, a company confronted with customer complaints does not have to resign itself to its fate (i.e., the specific characteristics of its complaining customers), but can considerably shape complainants’ judgment (by the design of complaint-related activities). This finding strongly encourages those executives to rethink their view that have so far downplayed the effectiveness and efficiency of organizational measures to ensure an adequate complaint handling (e.g., the implementation of and adherence to respective guidelines). At the same time, it proves firms right that already do invest heavily in organizational measures to systemati-
cally resolve customer complaints. Moreover, our study shows that the importance of a high-quality complaint handling design is not the same for all companies, but rather varies significantly depending on the specific customer characteristics of a firm. This finding can, at least to some extent, explain why companies in the marketplace considerably differ in their efforts to manage customer complaints in a systematic and customer-oriented way.

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COMPARING TRUST AND CREDIBILITY PERCEPTIONS OF ONLINE HEALTH INFORMATION SOURCES

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ABSTRACT

Trust and credibility are essential in social science research. However, few projects have examined them simultaneously through a multidisciplinary framework. An online experiment evaluated perceptions of news in traditional and new media. Respondents placed more trust in traditional media, but results were mixed. Trust and credibility were correlated but discriminant.

INTRODUCTION

Waking in the morning with a runny nose and itchy eyes would cause many people to suspect allergies. The search for a specific cause might open with an online weather report and then move to online medical journals, health websites, and blogs. Recommendations could range from antihistamines to herbal remedies to acupuncture, all supported by varying amounts of medical research and personal stories of success. Daily situations as simple as this point to the importance of understanding how Internet users judge the credibility of online health information and decide whom to trust.

Up to two-thirds of American adults look online for medical information (Baker et al. 2003; Jucks and Bromme 2007). In 2004, the Institute of Medicine reported that 70 million Americans were using the Internet for health information, a total expected to grow as access improves (Jucks and Bromme 2007). The study of online health information and how users perceive this content is crucial not only because of its popularity but also its nature: the Internet’s strength as an open information system is coupled with a lack of vetting. Consumers often have no clear way to judge quality. Content varies substantially in quality, and users are almost guaranteed to find correct and incorrect information on a given topic (Kunst et al. 2002).

Looking at how Internet users evaluate health information, Fox and Rainie (2002) found that 72 percent of users believe most of the information they find online; yet, 73 percent of respondents also reported rejecting a piece of information because of perceived commercial intent or uncertainty regarding the source and date. In other words, while individuals generally rely on the Internet for health information, they do use some personal standard judge the reliability of that information. To help, the U.S. Food and Drug Administration has devoted a section of its Website to the confusing issue of online health information and recommends that users evaluate online information by looking at a site’s source, purpose, and information basis (United States Food and Drug Administration 2005). The FDA argues that these steps can help determine legitimate health information and beneficial content while reducing harm from incorrect online content.

However, given the importance of the issue and its potential cost in dollars and lives, more research is needed to discover how Internet users perceive the trustworthiness and credibility of health information sources and how that perception influences their evaluation of information. Knowing that they critically view online content is one thing; understanding how they do so is the next step and would allow health marketers, educators and public health officials ensure individuals are consuming information effectively. The purpose of this study is therefore to draw from the theoretical literature of trust and credibility to better understand how people evaluate information sources – specifically, content presented through the lens of more “traditional” media (e.g., the Associated Press) and “new” media (e.g., blogs).

The remainder of this paper outlines trust and credibility literature, the methods, the results, and a discussion of the implications for researchers, marketing professionals, and policymakers.

LITERATURE REVIEW

Previous work on trust and credibility shaped the conceptualization of this project and the interpretation of results. The following sections provide an overview of the existing work across the multiple academic disciplines that informed this study. Any review of trust and credibility must also note that the prior research has at times produced mixed results that often confound the two constructs and inhibit comparisons across studies.
Trust

Scholars from a number of disciplines have worked to define and measure trust (Golembiewski and McConkie 1975; Kramer and Tyler 1996), including significant efforts from sociology, psychology, business, and communication researchers. This diversity of research, however, has also led to measurement that may in fact assess different constructs – such as personality-based trust and structural trust – often combined under the umbrella of the single word "trust" (McKnight and Chervany 1996). This project has drawn most significantly from the original sociological stream of trust, defining it as a willingness to believe in various attributes of others, including honesty and benevolence (McKnight and Chervany 2001). The key concept in this definition is the willingness aspect – to "willingly" become vulnerable – whether the other party is another person, an institution, or people in general (McKnight and Chervany 2001; McKnight et al. 2002).

In developing the multidisciplinary model of trust used here, McKnight and associates (1998) review definitions of trust across disciplines and arrive at a response that covers the general meaning of trust, reflects important research findings, and offers a manageable means of examination. Two aspects of trust stand out when looking across fields: the affective side involving feelings of security and the presence of a risk that could end negatively (McKnight and Chervany 2001; McKnight et al. 1998). The resulting model (Figure 1) approaches trust-related behaviors with four elements: trusting beliefs, trusting intentions, disposition to trust, and institution-based trust (McKnight et al. 2002). This paper focuses on beliefs and intentions.

Trusting beliefs allow one to accept with relative security that the other party has characteristics that would be beneficial in a trusting relationship (McKnight and Chervany 2001; McKnight et al. 1998). The characteristics of trusting beliefs fit into four conceptual categories: competence, benevolence, integrity, and predictability (McKnight et al. 1998). Competence refers to the belief that the other party has the ability to do what needs to be done. Benevolence is when one believes the other party cares genuinely about the relationship and will act selflessly and responsively (McKnight et al. 2002). Integrity concerns the belief that good-faith agreements will be kept and assumes an ethical character in the other party. The fourth category is predictability, a focus on the consistency of another's actions and the ability to accurately predict behavior relevant to any ongoing relationship (McKnight et al. 2002).

Trusting intentions means a willingness to depend upon on another party (McKnight et al. 2002). Willingness to depend and subjective probability of depending form the sub-constructs of trusting intentions. The willingness aspect covers a preparedness to render oneself vulnerable to the other party while the probability of depending means the perceived likelihood that one will actually depend upon the other party.

Within the model, trusting beliefs is predicted to relate positively to trusting intentions; an individual with high trusting beliefs feels the other party possesses attributes that permit a willingness to depend (McKnight et al. 2002). This relationship between beliefs and intentions mirrors that suggested by other models such as the Technology Acceptance Model (Davis et al. 1989) and the Theory of Reasoned Action (Fishbein and Azjen 1975).

This multidisciplinary model encompasses a range of trust definitions, using the broad reach of prior research to develop an integrative model and measurement (McKnight et al. 2002). Such a multi-faceted definition ideally allows for the examination of this topic across a range of situations and disciplines, ideally following a scientific path to consensus (Kuhn 1962) through cumulative effort following a prescribed direction (McKnight et al. 2002).

Credibility

Like trust, credibility has not lacked for attention from researchers in a number of fields. Marketers, social
psychologists, and communication researchers, for example, all maintain interest in understanding how to influence attitudes, beliefs, and behaviors. This interest naturally includes examining the complex factors that affect the credibility of a source and how message recipients react to messages (Hovland 1951, p. 16; Petty 1983, p. 17; Wathen 2002, p. 18; McGuire 1973, p. 19; Vallone 1985, p. 20). Perhaps this complexity is a factor in the varying definitions and measurements of credibility (Moore and Rodgers 2005).

Much credibility research builds upon McGuire’s (1978) five elements of persuasive communication: source, message, channel, receiver, and destination variables (Pornpitakpan 2004), with source variables – including credibility – as one of the major factors contributing to persuasive influence (Kiousis 2001; McGuire 1978; Pornpitakpan 2004).

Source credibility is consistently defined as a multidimensional construct focusing on the sender of content (Kiousis 2001), with many scholarly definitions and approaches investigating the core dimensions of source credibility (Kiousis 2001; Pornpitakpan 2004). The most frequently studied and accepted are those used here: expertise (competency) and honesty (also frequently referred to as trustworthiness) (Hovland et al. 1953; Kiousis 2001), both of which enable the source to be believable. Other dimensions have been proposed and tested, such as intention-toward-others (Hovland et al. 1953), dynamism (Andersen 1961), authenticity, accountability, and autonomy (Hayes et al. 2007), but the findings often conflict, perhaps because of the content topics or individuals’ different cognitive requirements to evaluate credibility (Pornpitakpan 2004).

Just as the results from testing different dimensions of source credibility have varied, the perception of sources placed in various media have varied as well, particularly when pitting traditional media versus online media (Johnson and Kaye 1998; Mashek et al. 1997). For example, Johnson and Kaye (2004) surveyed blog users and found these users considered bloggers to be highly credible due to a perception of more detailed information. In contrast, Wasserman (2006) reported that consumers are twice as likely to trust information on a corporate website or a professional review rather than on a blog.

However, higher credibility sources do tend to result in more effective persuasion on both attitude and behavioral measures (Pornpitakpan 2004), sometimes with particular benefit given to honest sources, regardless of expertise (McGinnies and Ward 1980). That is, the degree of perceived source credibility can influence the recipients’ intentions to use the suggestions made by the source and the acceptance or rejection of such suggestions (Bannister 1986; Suzuki 1978).

Summary

There are certainly closely related topics in the study of trust and credibility. The competence component of trust is similar to the source credibility conceptualization of expertise. Credibility researchers consider how predictability, benevolence, and integrity contribute to the honesty of a particular message source; those same ideas, not surprisingly, are prominent in the trust literature. Given the potential linkages to be made between the academic study of trust and credibility, this study built on this literature in an investigation of how users evaluate online health information from varying news sources.

The basic premise of this project was to look at how Internet users’ opinions of an author might be influenced by the apparent source of online content. Specifically, this research was aimed at investigating differing perceptions of trust in and credibility of a traditional news source and bloggers. This exploratory research was guided by two primary hypotheses. Based on the recent Wasserman (2006) findings, we hypothesize lower trust and credibility for bloggers.

H1: Subjects will place more trust in traditional news sources than in bloggers.

H2: Subjects will rate traditional news sources as more credible than in bloggers.

We also posit that the trust and credibility variables will relate to each other, although we do not make any specific predictions about how highly particular variables will relate.

H3: The trust and credibility variables will all be significantly correlated but also discriminant from each other.

To investigate this, research subjects were invited to participate in an online survey. Given the prevalence of online health information and the frequency with which Internet users search for this information, this project made use of a health context for the constructed news stories employed to investigate these research questions. The following sections describe the procedure and sample used in this study.

METHODS

Procedure

After consenting to take part in the project, participants provided demographic data and information about general media use. Subjects were then presented with a news story related to one of two health topics in one of two “frames.” The two health topics in this study were food.
news stories were crafted to include background information and preventive measures. These two stories were presented in “frames” that were designed to look like either an Associated Press (AP) news story or an online blog. One key feature of a blog news story that would not necessarily be present in an AP news story, however, is links to external organizations and other resources. Indeed, omitting such links from the blog condition of this study could make the blog seem less realistic. For this reason, half of the subjects seeing the blog news story were presented with a version that included links to external organizations (e.g., National Institutes of Health, Food and Drug Administration) that would make the blog appear more realistic and potentially indicate a certain level of expertise of the author; the other half of the participants saw a blog that did not include links to external organizations. Figure 2 presents the AP version of the food poisoning news story, and Figure 3 shows the blog version of the HPV story.

After viewing the article, participants responded to items related to trust in and credibility of the article’s author, willingness to depend on the author’s advice regarding preventive measures, and related issues. Trust items were adapted from McKnight et al. (1998), and credibility items were written to measure the common dimensions of competency and honesty. Trust variables assessed in this final survey section included trusting beliefs (4 items, α = .91), behavioral intentions (4 items, α = .96), and trusting intentions-willingness to depend on the author’s advice regarding preventive health behaviors (4 items, α = .94). Credibility variables included perceptions of information credibility (4 items, α = .94), writer competency (4 items, α = .94), and writer honesty (4 items, α = .90). The survey also measured similarity to (3 items, α = .81) and positive opinion of the writer (α = .87). Table 1 provides a latent variable intercorrelation matrix with the average variance extracted (AVE) for each variable and the square root of the AVE on the diagonal.

### Subjects

Subjects were recruited from an online community. Invitations to participate were posted on the home page and on the main community message board. Subjects were compensated with a one-year subscription to the site’s premium services. A total of 360 individuals completed the survey (N = 360), with a mean age of 26.5 (SD = 7.8). The sample included more males (64.4%) than females (33.6%), and was predominantly white (90.3%), followed by Asians (3.1%) and Hispanics (2.9%). The Website draws a global audience, including the United States (59.6%), Australia (7.5%), Canada (5.1%), Sweden (4.8%), and the United Kingdom (4.2%).

### Table 1

<table>
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<th>Trusting Beliefs</th>
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<th>Trusting Intentions-Willingness to Depend</th>
<th>Info Credibility</th>
<th>Writer Similarity</th>
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<td>Behavioral Intentions</td>
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<td>Info Credibility</td>
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<td>.61**</td>
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<tr>
<td>Writer Similarity</td>
<td>.72</td>
<td>.37**</td>
<td>.27**</td>
<td>.13*</td>
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<td>Writer Competent</td>
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<td>Writer Positive</td>
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<td>.36**</td>
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<tr>
<td>Writer Honest</td>
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**p < .01, *p < .05; Square root of AVE presented on the diagonal.
FIGURE 2
Associated Press News Story

Food poisoning costs U.S. more than $1 billion in healthcare, missed work

Associated Press
Updated: 5/20/2007 at 5:34:46 PM EST

WASHINGTON, D.C. - More than a quarter of all Americans come down with food poisoning each year, suffering symptoms such as nausea, vomiting and diarrhea, according to public health officials.

Each year, there are about 76 million foodborne illnesses in the United States, but most of these cases are preventable. People developing food poisoning typically come down with symptoms within 48 hours of consuming contaminated food or drink.

Many cases are mild and pass so rapidly that they're never diagnosed, but one out of every thousand does result in hospitalization. The illnesses and hospitalizations from one of the most common bacterial infections—salmonella—account for up to $1 billion in medical expenses and lost work time each year.

An estimated 55 percent of food poisoning occurrences are caused by improper cooking and storage of foods while 24 percent stem from poor hygiene, such as not washing hands before handling food. Only 3 percent of cases are the result of an unsafe food source. Nonetheless, the growing rates of food poisoning—not to mention its personal and financial cost—leave public health officials convinced that foodborne pathogens are a real public health risk.

Food poisoning can be prevented, however, with some simple behaviors, such as: regularly washing hands, carefully cleaning utensils, thoroughly cooking food, and storing raw and cooked food in separate containers.
Study participants were asked what media sources they use to obtain news. Television was the most frequent response (77.5%), followed by online news Websites (70.8%), newspapers (61.1%), radio (56.9%), blogs (27.8%), and news magazines (25.6%). Subjects also reported how many hours per week they spend on the Internet looking for general news (4.4 hours/week; SD = 6.2) and health information (1.1 hours/week; SD = 2.1). These media-savvy individuals provided an interesting sample given this study’s topic, the results of which follow.

RESULTS

The results section is divided into two parts, beginning with the findings on the trust in and credibility of the AP and blog stories. The second half of the results considers unexpected findings related to the apparent influence of the content of the news story.

Trust and Credibility: AP vs. Blog

To explore differences in users’ perceptions of AP and blog health news, differences between key variables were tested through t-tests. Perhaps surprisingly, respondents reported stronger trusting beliefs in the blogger over the AP writer (t(289) = 2.16, p < .05). These trusting beliefs did not translate to behavioral intentions toward the blogger, however, as subjects had greater behavioral intentions for the AP writer (t(290) = 3.44, p < .001). Also, participants expressed greater trusting intentions-willingness to depend on the AP writer’s advice about preventive health behaviors (t(290) = 1.75, p < .10). Taken together, this could be considered mixed support for H1,
though the stronger trusting beliefs in the blogger merit examination in future work.

Shifting to credibility, subjects’ assessment of the credibility of the information in the article did not vary between AP and blog articles. No statistically significant differences arose regarding perceptions of the author’s competence or honesty. Subjects did not have more positive opinions of either author, nor did they feel like either was more similar to them. As such, the results did not provide support for H2.

Table 1 shows that the trust and credibility constructs are significantly correlated (p < .05). Discriminant validity of these constructs is tested by examining if the correlation between each two variables is less than the AVE square root for each variable. Table 1 shows this to be the case. Thus, H3 is supported. While not directly related to the testing of the formal study hypotheses, potential differences were investigated between those subjects seeing the blog with links to external organizations and those who saw the blog without links. Study subjects did not vary on any of the trust or credibility variables based on the presence or lack of blog links.

Trust and Credibility: HPV vs. Food Poisoning

This study was not initially intended to test the effect of varying types of health information on trust and credibility, but potential differences were explored to guide future research. These tests, focusing on the same trust and credibility variables and assessing differences based on news story subject matter (food poisoning vs. HPV), uncovered an unexpected trend – more positive perceptions of the author writing about food poisoning, regardless of the apparent source of the story. Authors writing about food poisoning were rated higher on trusting beliefs (t(289) = 2.02, p < .05) and behavioral intentions (t(290) = 5.93, p < .001).

Subjects considered the information in the food poisoning article to be more credible (t(291) = 5.62, p < .001). They also had more positive opinions of the food poisoning reporter (t(291) = 3.23, p < .001), felt the author was more similar to themselves (t(291) = 3.61, p < .001), more honest (t(291) = 2.86, p < .01), and competent (t(291) = 3.36, p < .001).

DISCUSSION

One purpose of this project was to begin exploring links between the trust and credibility literature. Key constructs of a conceptual model of trust, paired with relevant credibility elements, formed the foundation. Though the results were mixed for the hypothesized outcomes, the study does offer important insights for marketing professionals and future research.

Results of this study indicate that there is not necessarily a clear preference for more traditional news sources over new media sources in terms of trust or credibility. This has significant implications for public relations efforts, suggesting that marketers should not focus public relations efforts exclusively on traditional mass media news outlets. There is potential for abuse, of course, if marketers decide to create blogs as public relations efforts and fail to disclose sponsorship. High-profile coverage of several such cases provides fertile ground for research into how knowledge of those mistakes might impact perceptions of blogs in general.

It is clear that context matters a great deal in how users evaluate the trustworthiness and credibility of online news sources, but such a strong impact of the particular topic of the news story was not expected and certainly merits further examination. Future work focusing on health must consider other potentially relevant variables (e.g., personal relevance, religious and political beliefs) to assess their role in users’ evaluations of health news and varying media outlets. Also, other contexts must be explored to see if other general news topics – financial, political, science, etc. demonstrate similar variation based on specific news stories. We speculate that the amount of perceived risk involved in the two news topics may have affected the differential results.

An especially important direction for future research is formal model testing, to begin integrating credibility constructs into the existing trust typology used in this project. This particular study hoped to provide direction for larger-scale analyses of how credibility fits into that model, and the results point to interesting implications for this theoretical model building. From Table 1, we can see that several credibility constructs relate strongly to trust. We believe that information credibility will lead to behavioral intention to follow the health advice given. Whether information credibility’s effects are mediated by trusting beliefs or by source credibility needs to be studied. It is likely that writer competence credibility will play an especially strong mediating role for health advice. The specific topics of the news stories clearly played a role in how users evaluated the authors and news sources. Future research must consider how contextually relevant personal-level variables might influence the relationships in the theoretical model. As an example, a study related to health might consider concepts like disposition to trust and health locus of control to evaluate how subjects’ perceptions of the control they have over their own health might influence their perceptions of health news and media. Similarly, readers’ evaluations of financial news could vary greatly based on their self-efficacy in managing their own finances. The long-term relationships that readers have with specific news media, writers, or other sources could be another factor in perceptions and feelings of trust and credibility. A comprehensive model...
bridging the trust and credibility literature would be a major contribution to these fields, and successful research aimed at such a goal will likely also require consideration of variables outside of the trust and credibility domains.

Another important direction for future research is varying the quality and realism of the blog condition used in these studies. While blogs can be high-quality news outlets, many are not subjected to rigorous editing. Also, the news stories in this project read like a story authored by a news reporter. Purposely incorporating several errors into the blog, as well as more links, could enhance the realism of the blog for study participants. Exploring such variation could add methodological challenges (e.g., successfully measuring which users noticed the errors without confounding that response with other survey items) but merits the effort to advance this research and make findings more useful for journalists, marketers, and PR professionals.

Several limitations deserve notice when viewing the outcomes of this study. There are considerations about the representativeness and size of the sample because Internet users do not necessarily mirror society — particularly for education, information-seeking and demographic variables, although online samples can be as generalizable as phone surveys (Bethell et al. 2004) and the sample here does not necessarily differ from other online collections.

Along with the style of the text, the content is another limitation. Both the newspaper-style story and the blog only dealt with health matters. It is plausible that readers would react differently to content focused on other topics. Health as a subject can be particularly stimulating for some readers, which may provoke particular reactions in a trust and credibility context.

This paper represents one of the first attempts to theoretically and empirically study trust and credibility in an online environment, if not one of the first attempts to compare the two constructs. The research contributes to marketing and communications knowledge by examining the relationship between trust and credibility, two often studied but confounded constructs.

Other important practical considerations are that the research indicates that for Internet users, there does not exist distinct partiality for a particular type of news source. Moreover, the study suggests an interrelationship between content and context when users judge online news for credibility and trustworthiness.

The potential here in understanding individuals’ relationships with online content is remarkable, as it is of great importance to marketers, journalists, advertisers, government and anyone else concerned with message delivery. In addition, the central constructs examined in this study are vital to the long-term relationship development essential for business-to-business affiliations and consumer-brand connections.

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LIVING ONLINE: CONSUMER BEHAVIOR IN SECOND LIFE

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SUMMARY

Virtual hyperrealities and virtual worlds, such as the online application Second Life, have received increasing interest in popular and business process. Second Life is a three-dimensional virtual social world that has been created by the San Francisco-based company Linden Research, Inc. Users (who are called “residents”) can enter it through a downloadable client program and subsequently interact with each other in the form of personalized avatars, explore their environment, purchase virtual products and services or create new content within the world. While some of the products and services available within Second Life are available free of charge the higher quality and branded versions are usually sold for virtual money (Linden Dollars). In order to obtain such money, avatars can either exchange Real Life currencies for Linden Dollars via the Second Life Exchange or derive virtual income by managing businesses, working in stores or providing entertainment services.

The increasing popularity and economic importance of Second Life has also motivated many Real Life companies to start activities within this world. One of the key motivations why Real Life companies may decide to be present within Second Life is a potential impact of Second Life flagship stores on Real Life brand attitudes and purchase intent (Enright 2007). In our research, we assume that the benefits of maintaining a virtual flagship store within Second Life are similar to those achieved by traditional or online advertising. We apply a modification of the well-established attitude toward the ad—attitude toward the brand (\(A_{ad}\) – \(A_{brand}\)) model to our research setting. Specifically we rely on MacKenzie and Lutz (1989), who propose that \(A_{ad}\) is influenced by ad credibility, attitude toward advertising, attitude toward the advertiser and mood. \(A_{ad}\) subsequently drives \(A_{brand}\) and, ultimately, purchase intention. Within this general framework we furthermore assume that the relative importance of \(A_{ad}\) antecedents is not the same for all Second Life residents but differs depending on the degree of usage intensity (i.e., usage duration and weekly usage) and consumption frequency (i.e., shopping and purchase frequency).

To collect data we collaborated with a French market research firm (Repères) which maintains a representative panel of 10,000 Second Life residents and contacted a subset of this panel with the task of visiting one of five pre-selected Second Life flagship stores. Panelists were subsequently asked to send screenshots from their visit back to the market research company and to participate in a larger online survey which included our study as the first section. Data collection resulted in a total of 717 responses, 580 of which were usable after deletion of multiple submissions and distorted data. Most of the respondents in our sample joined Second Life 6–12 months ago, currently use it between 25 and 44 hours per week or three to six hours a day and report to go shopping several times a week and to purchase items 2–3 times per month. Combined, this shows that Second Life represents a substantial part of the day-to-day activities of its residents.

The test of our hypotheses was performed using the Mplus software tool (Muthén and Muthén 1998–2007), Version 4.21. We observe a significant impact of the attitude toward a Second Life flagship store on Real Life brand attitude (path coefficient: 0.417, significance < 0.00005) and of Real Life brand attitude on Real Life purchase intent (path coefficient: 0.674, significance < 0.00005). With respect to store attitude antecedents, store credibility, attitude toward the shopkeeper and mood all influence a user’s attitude toward a Second Life flagship store, while there is no impact of the general attitude toward purchasing on Second Life on store attitude (significance: 0.4490). A test of a potential moderating impact of usage intensity and consumption frequency on store attitude antecedents shows that usage intensity significantly moderates the influence of attitude toward the shopkeeper and mood (significance of 0.0130 and 0.0062 respectively) while consumption frequency appears to moderate the impact of all four store attitude antecedents (all significance levels either below or equal to 0.0218). Summarizing these results show that exposure to Second Life flagship stores influences Real Life brand attitudes and purchase intent. They therefore, provide empirical support for spill-over effects between Second Life and Real Life. Additional, these findings provide evidence that experienced residents show different behavior than residents with lower levels of usage intensity and/or consumption frequency. This implies that companies may need to target these groups differently in order to obtain optimal levels of advertising effectiveness within this new medium.

Obviously, our analysis can only be seen as a first step to better understand the consumer use and business potential of virtual social worlds in general and Second Life in particular. Future studies could, for example, analyze whether the creation of Second Life flagship stores and...
especially the distribution of virtual equivalents of Real Life products within Second Life could also have negative consequences in terms of Real Life sales. Alternatively future research could take the company (vs. consumer) perspective and analyze how firms in different industries currently use virtual social worlds.

About 10 years ago, management journals were full of articles published about one main topic: The rise of a new medium that was, at that time, forecasted to change everything and to mark the beginning of a new way of doing business. Market research companies were founded to investigate how consumers behave within this new medium and consulting companies regularly highlighted that making commercial use of it would be a strategic necessity. At this point, the medium was the World Wide Web. We think that virtual social worlds in general and Second Life in particular are equally likely to be associated with a set of specific characteristics that offer unique challenges and business opportunities that deserve more detailed investigation.

REFERENCES


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THE IMPACT OF INTERNET TRUST ON THE ADOPTION OF
INTERNET BANKING AND THE MODERATING
ROLE OF PERSONALITY

Sonja Grabner-Kräuter, University of Klagenfurt, Austria
Rita Faullant, University of Klagenfurt, Austria

ABSTRACT

Although Internet banking is now regarded as a
significant complementary channel of distribution to tradi-
tional forms of retail banking, it still encounters signifi-
cant consumer resistance. This study investigates the role
of Internet trust as a specific form of technology trust in
the context of Internet banking. The results provide strong
support for the proposed influence of Internet trust on risk
perception and consumer attitudes toward Internet bank-
ing. Furthermore, this study contributes to the trust litera-
ture by demonstrating that selected personality facets
have a moderating effect on the relationships between
Internet trust, perceived risk and the attitude toward
Internet banking.

INTRODUCTION

Trust in general, is an important factor in many social
interactions, involving uncertainty and dependency. Trust
is central to any economic transaction, whether conducted
in a retail outlet in the real offline world or over the
Internet, by means of a website. However, trust is even
more important in an online situation (Riegelsberger et al.
2005; Walczuch and Lundgren 2004). One important
reason for the importance of trust in e-commerce is the
fact that in a virtual environment the degree of uncertainty
of economic transactions is higher than in traditional
settings. Internet-based commercial transactions can bring
about several risks that either are caused by the implicit
uncertainty of using open technological infrastructures
for the exchange of information (system-dependent un-
certainty) or can be explained by the conduct of actors
who are involved in the online transaction (transaction-
specific uncertainty) (Grabner-Kräuter 2002). Internet
banking can be regarded as an especially suitable research
case for examining questions related to risk and trust,
as the lacking of trust is considered to be one of the main
reasons why consumers are still reluctant to conduct their
financial transactions online (Flavian et al. 2006; Holsapple
and Sasidharan 2005; Luarn and Lin 2005; Yousafzai
et al. 2003). The analysis of factors that impact the deci-
sions of costumers to adopt innovative retail services such
as Internet banking has extensively focused on the issue of
user technology acceptance (Chau et al. 2006; Lai and Li
2005; Ravi et al. 2006; Wang et al. 2003). Especially in the
information systems literature questions related to user
technology acceptance have received wide and intense
interest. However, models such as the technology accep-
tance model (TAM) proposed by (Davis 1989) and exten-
sions and modifications of the TAM that have been
suggested by many researchers (for an overview see Chau
and Lai 2003) might not adequately consider the potential
influence of psychological and situational factors
(Dabholkar and Bagozzi 2002). Moreover, most empiri-
cal studies on consumer online trust focuses on trust
toward the Internet vendor and thus on interpersonal trust,
whereas the influence of technology or system trust on
online consumer behavior is largely neglected (Grabner-
Kräuter and Kaluscha 2003). Hence in this paper we focus
on the concept of Internet trust as a specific form of
technology trust and its influence on the consumer’s
perceived risk of Internet banking and the consumer’s
attitude toward Internet banking. To form a more com-
plete picture of factors influencing consumer decisions to
use the Internet as a medium for conducting financial
transactions we encompass selected personality facets in
our study. Following (Dabholkar and Bagozzi 2002)
recommendation we investigate how these personality
facets moderate the relationships between determinants
of Internet trust, risk, and attitude.

THE CONCEPT OF INTERNET TRUST

In the online trust literature trust is mostly defined as
a belief or expectation about the trusted party or object of
trust (the website, the web vendor and/or the Internet) or
as a behavioral intention or willingness to depend or rely
on another party, coupled with a sense of vulnerability or
risk if the trust is violated (McKnight and Chervany 1996;
McKnight et al. 2002; McKnight and Chervany 2002). In
the context of Internet banking, the trustor is typically a
consumer who has to decide whether to adopt Internet
banking or stay with more traditional ways to undertake
her/his financial transactions. Compared to face-to-face
transactions, Internet banking transactions have some
unique characteristics, such as the extensive use of tech-
nologies, the distant and impersonal nature of the online
environment, and the implicit uncertainty of using an
open technological infrastructure for financial transac-
tions (Yousafzai et al. 2003). These particular features of
Internet banking render a unique environment, in which
trust is of crucial importance. Most online trust studies
focus on interpersonal trust, where the object of trust is the
H1: Familiarity with the Internet will increase Internet trust. The prevailing view of consumer trust in the e-commerce literature contends that trust has a direct positive effect on attitudes and behavior (Jarvenpaa et al. 2004; Kim and Prabhakar 2000; Suh and Han 2003). Attitude has long been shown to influence behavioral intentions and actual behavior (Ajzen 1991). The relationship between trust and attitude draws on the notion of perceived consequences (Pavlou and Fygenson 2006). Internet trust enables favorable expectations that the Internet is reliable and predictable and that no harmful consequences will occur if the online consumer uses the Internet as a transaction medium for his/her financial transactions. Therefore, we propose that

H2: Internet trust positively influences the consumer’s attitude toward Internet banking.

**PERCEIVED RISK OF INTERNET BANKING**

The concept of consumer-perceived risk has been widely dealt within the marketing literature and has been shown to influence consumer behavior to varying degrees and in varying contexts (Cunningham et al. 2005; Mitchell 1998). Previous research suggests to include perceived risk as an important factor influencing online consumer behavior (Cunningham et al. 2005; Pavlou 2003; Salam et al. 2003; Schlosser et al. 2006). The most important categories of perceived risk associated with Internet banking are likely to be financial risk and security risk related to the potential loss because of deficiencies in the operating system or misappropriation of funds through illegal external access (Awamleh and Fernandes 2006; Littler and Melanthiou 2006). Drawing on the work of (Luhmann 1989) trust can be seen as a mechanism to reduce the complexity of human conduct in situations where people have to cope with uncertainty. In this functional perspective Internet trust can be seen as a mechanism that reduces the uncertainty of using open technological infrastructures for the exchange of information, i.e., system-dependent uncertainty (Graber-Kräuter 2002). In the context of online shopping, several studies have confirmed the expected risk reducing impact of trust (Gefen et al. 2003; Jarvenpaa et al. 2000; Pavlou 2003). Hence, we conclude that Internet trust is a mechanism that reduces the perceived system-dependent risks of economic transactions on the Internet. We propose that

H3: Internet trust is negatively related to perceived risk of Internet banking.

Without solving the existing problems of conceptualization and measurement of perceived risk (Mitchell 1998) the impact of risk factors on attitudes, intentions or actual usage of online-shopping has been investigated in a number of studies (see the overview in Chang et al. 2005). Several researchers refer to Ajzen’s Theory of Planned Behavior (e.g., Ajzen 2001) as a theoretical framework (e.g., Jarvenpaa et al. 2000; Pavlou 2003; Teo and Liu 2002). In several studies a significant negative impact of risk perception on the attitude toward online shopping was found (Jarvenpaa et al. 2000; Laforet and Li 2005; Van der Heijden et al. 2003). Drawing on these findings we posit that

H4: Perceived risk of Internet banking is negatively related to the consumer’s attitude toward Internet banking.

**THE CONCEPT OF PERSONALITY**

**Overview of the Big Five Research**

In personality psychology considerable agreement has been arrived five factors of higher order constitute the pattern of traits across individuals: Neuroticism, Extraversion, Agreeableness, Openness, and Consciousness (Costa and McCrae 1992). In consequence the concept of the Big Five has been employed in and linked to essential
areas of applied psychology and social science, e.g., emotions and well-being (Larsen and Ketelaar 1991; Watson and Clark 1984), life satisfaction (Costa and McCrae 1980), to marketing and consumer behavior (Mooradian 1996), motives and values (Roccas et al. 2002). However, the Five Factor Model has not been without its critique. In many studies personality traits failed to predict concrete behavior. Also in the e-trust literature scholars investigating the impact of the Big Five on trust in electronic retail settings did not find any supporting evidence that personality-related factors influence the dependent trust variable (Walzuch and Lundgren 2004). In most studies, in order to assess personality, the relative parsimonious NEO-Five Factor Inventory (NEO-FFI) (Costa and McCrae 1992) is used, which might constitute one reason for the lacking significance of the personality-behavior-relationship, as this raster is too coarse meshed. By splitting up the five dimensions into 30 narrower facets, additional information is thought to be gathered about individuals over and above what could be obtained from the five common factors (Costa and McCrae 1992). Costa and McCrae (1995) define the broad five factors as “collections of specific cognitive, affective, and behavioral tendencies that might be grouped in many different ways,” and facets designate the lower level traits which correspond to these groupings (p. 23). As knowledge of how facets of personality might be related to concrete behavior is still very limited in existing literature, we take an exploratory approach in this study and choose four facets which seemed to be plausible determinants in the context of Internet trust and the adoption Internet banking: trust, anxiety, straightforwardness, and openness for actions.

The Impact of Facets of Personality on the Adoption of Internet Banking

**Direct Determinant – (Propensity to) Trust.** Propensity to trust or disposition to trust is the extent to which a person displays a tendency to be willing to depend on others across a broad spectrum of situations and persons (McKnight et al. 2002). This type of trust has its roots in personality psychology (e.g., Rotter 1967) and recognizes that people develop, over the course of their lives, generalized expectations about the trustworthiness of others. In Costa’s and McCrae’s Big Five personality framework propensity to trust (which is simply labeled “trust”) is a facet of the Agreeableness dimension (see Table 1). It can be defined as the tendency to attribute benevolent intent to others, while distrust delineates suspicion that others are dishonest or dangerous (Costa et al. 1991). Low scorers on this dimension are further described as being cynical, pessimistic, and skeptical. We posit that propensity to trust is extendable toward technical systems and influences both Internet trust and the perceived risk of Internet banking.

H5a: People with high/low scores on the trust-scale display higher/lower levels of internet trust.

H5b: People with high/low scores on the trust-scale display lower/higher levels of perceived internet banking risk.

**Facets as Moderators.** Apart from the direct effect of the trust-facet on Internet trust and perceived risk of Internet-banking, we propose other facets which might moderate the relationships in the main model. Anxiety is a facet of Neuroticism and describes the extent individuals are apprehensive, fearful, prone to worry, be nervous, and jittery. Individuals who score low on this facet are calm and relaxed, and they do not dwell on things that might go wrong (Piedmont 1998).

H6: Anxiety moderates the relationships in the main model of the adoption of Internet banking.

Straightforwardness belongs to the dimension of Agreeableness and implies directness and frankness in dealing with others. High scorers on this scale are frank, sincere and ingenuous, while on the opposite individuals are described as being shrewd, clever, and crafty. Those people might regard more straightforward people as naïve. Though the scale is designed to describe human behavior in relation to others, this facet might also be determining individual behavior in other everyday-life situations where trust is necessary.

H7: Straightforwardness moderates the relationships in the main model of the adoption of Internet banking.

The facet Openness to Actions is part of the dimension of Openness to Experiences, and describes the willingness to try different activities. Individuals with high scores on this scale prefer novelty and variety to familiarity and routine, while those with low scores on this scale find change difficult and prefer to stick with the tried and true (Piedmont 1998). This trait is interesting in so far that adopting a new technology like internet banking implies abandoning old habits.

H8: Openness to actions moderates the relationships in the main model of the adoption of Internet banking.

**EMPIRICAL STUDY AND RESULTS**

To test the proposed relationships, data from 381 randomly selected customers from different Austrian banks who also are Internet users (both adopters and non-adopters of Internet banking) were collected. Table 1 displays the descriptive sample information.
A standardized questionnaire with closed-response questions using 7-point-rating scales was developed. All measurement items were drawn from the literature (Awamleh and Fernandes 2006; Chaudhuri and Holbrook 2001; Costa and McCrae 1992; Lai and Li 2005; McKnight et al. 2002; McKnight and Chervany 2002; Meuter et al. 2005; Wu and Chen 2005), and they were adapted using standard psychometric scale development procedures. Global and local fit indicators of the final measurement model all exceeded the recommended thresholds (see Figure 1 and Appendix Table 1). As Figure 1 shows, all proposed main effects in the structural model are highly significant and the results provided support for hypotheses 1 to 5b. R² values of the endogenous constructs are .37 (Internet trust), .36 (perceived risk of Internet banking), and .58 (attitude toward Internet banking). Hence, the personality facet propensity to trust and familiarity with the Internet influence Internet trust, explaining 37 percent of its variance. Both propensity to trust and Internet trust influence perceived risk of Internet banking, explaining 36 percent of its variance. Internet trust has a strong positive effect and perceived risk of Internet banking has a medium negative effect on the attitude toward Internet banking, and together these variables explain 58 percent of the variance of attitude. The results of the main effect model provided support for hypotheses 1 to 5b. Familiarity with the Internet has a strong positive effect impact on Internet trust (β = .59; p = .000). Internet trust has a strong and positive impact on attitude toward Internet banking (β = .66, p = .000) and a strong and negative impact on perceived risk of Internet banking (β = -.57, p = .004). Perceived risk of Internet banking has a negative impact on attitude toward Internet banking (β = -.16, p = .002). In support of H5a and H5b, propensity to trust has a significant positive impact on Internet trust (β = .16, p = .002) and a significant negative impact on perceived risk, (β = -.11, p = .025).

The Moderating Influence of Personality Facets.
To test hypothesis 6 to 8 (the moderating influence of the personality facets anxiety, openness for actions, and straightforwardness), we conducted a multi-group analysis in AMOS (e.g., Baron and Kenny 1986). In order to create subgroups for comparison the items on each scale of the latent variables were summed up and split into two groups per each facet, one group with high-scorers and one group representing low-scorers on each scale. The group division was operated by median split, and the following group sizes were obtained: anxiety (7 items = .820) 182 high- vs. 199 low-scored, openness for actions (8 items α = .730) 175 high- vs. 205 low-scored, and straightforwardness (6 items α = .706) 181 high- vs. 200 low-scored. We also tested moderating effects for gender (195 female, 185 male) and age (until 30 years n = 128, 30 to 50 years n = 167, over 50 years n = 86).

For testing the model comparison, one model restricts the parameters in the model to be equal across
groups. The more general model allows these parameters to vary across groups (e.g., Homburg and Giering 2001). If $\chi^2$ improves significantly when moving from the restricted to the more general model, the exogenous latent variables have a differential effect on the dependent variable, and the personality facets can be seen as a moderator. Significance is assessed on the basis of the $\chi^2$ – difference between the models with the use of a $\chi^2$ – distribution with one degree of freedom. In the first step of the moderator analysis, an overall $\chi^2$ – difference test for the moderator variable was conducted. Two models – one that imposes equality constraints on the parameters across subgroups, and a general model that allows these parameters to vary freely across subgroups – were compared.

The null hypothesis assumes that personality facets do not have any effect on the relationships of latent constructs in the model. This null hypothesis must be rejected, as the $\Delta \chi^2$: for all parameters set equal across subgroups, is significant for anxiety ($\Delta \chi^2 = 13.430^{**}$), and Openness for actions ($\Delta \chi^2 = 11.889^*$), indicating that these two facets function as moderators in the main model. For straightforwardness ($\Delta \chi^2 = 5.218$ n.s.), age ($\Delta \chi^2 = 5.596$ n.s.) and gender ($\Delta \chi^2 = 4.809$ n.s.) the Chi-Square-Difference test is not significant, meaning that there are no moderating effects for these variables.

Table 2 displays the results of the moderating analysis. The personality facet anxiety moderates one path in the basic model, namely the relationship between familiarity and Internet trust. In the basic model experience with the Internet increases trust toward the Internet. The moderating analysis shows that this effect is stronger for individuals with low anxiety scores, whereas for those with high anxiety scores, more experience with the Internet does not lead to more Internet trust in the same extent.

A further significant moderation can be reported for the facet of openness for actions which moderates two paths. If the main model shows that Internet trust diminishes the perceived risk of Internet banking, then this relationship is even stronger pronounced in the group of people with high openness for actions, whereas those with low scores on this facet show a weaker relationship. The second moderated relationship of openness to actions is that of propensity to trust and perceived risk of Internet banking. The moderating analysis reveals that this relationship is only significant in the group of individuals with low openness to action scores, whereas for individuals with high scores on this facet no significant impact of the trust disposition can be reported. The other tested facet straightforwardness has no moderating impact on the relationships in the main model. We have also tested moderating effects for gender and age, but no significant effects appeared.

**DISCUSSION OF THE RESULTS**

As yet, most studies on consumer online trust have focused on trust-related characteristics of the Internet firm or the website interface. In order to derive effective implications for enhancing consumer trust in e-commerce a number of empirical studies have attempted to identify the elements that are pertinent to the formation of online trust. Because the willingness to buy online or adopt
Internet banking depends both on the consumer’s trust in a specific party (website or online merchant) and in the Internet as underlying transaction medium, not only characteristics of the merchant but also characteristics of the website and the underlying technology infrastructure are factors that affect online trust. The results of this study provide strong support for the proposed influence of Internet trust on risk perception and consumer attitudes toward Internet banking. We conceptualized Internet trust as trusting beliefs in the reliability and predictability of the Internet and the willingness of the consumer to depend on the Internet with regard to economic transactions and thus did not include any characteristics of the bank or the bank’s website in our definition.

Some might argue that the adoption of Internet banking might rather depend on the website information or trust toward the bank. Therefore in a rival structural model (the results are not reported in this paper) trust in the bank was included as another antecedent of the attitude toward Internet banking. Bank trust did not show any impact on the attitude toward Internet banking and there only was a small intercorrelation between bank trust and Internet trust. Thus it can be concluded that trust toward the bank or the Internet vendor in a broader sense and trust toward the Internet (as technology) must not be confounded or treated as different dimensions of the same construct “online trust,” but have to be regarded as two distinct constructs that influence online consumer behavior in different ways.

Another contribution of this study to the trust literature is the confirmation of the hypothesized impact of propensity to trust on Internet trust as a specific form of technology trust. The question if the psychological concept of dispositional trust or propensity to trust is extendable toward technical systems is controversially discussed in the literature (Kaluscha 2004; McKnight et al. 2002; McKnight and Chervany 2002). Our findings assert that not only people may be the object of dispositional trust, but trust propensity might be a generalized tendency both across different situations and different objects of trust.

In addition, this study contributes by modeling the influence of facets of personality, though not all hypothesized effects were confirmed. We have shown that the adoption process of Internet banking is not a mere question of web design, or actions dedicated to diminish perceived Internet risk, but that it is a complex psychological process in which predispositions in the personality

<table>
<thead>
<tr>
<th>Path</th>
<th>Anxiety High</th>
<th>Anxiety Low</th>
<th>Chi-Square Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Familiarity → Internet trust</td>
<td>.555 (t = 6.533***)</td>
<td>.856 (t = 8.840***)</td>
<td>Δχ² = 6.725***</td>
</tr>
<tr>
<td>Δχ² for all gammas set equal across subgroups (ΔDF = 6): 13.430 **</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet trust → risk internet banking</td>
<td>-.895 (t = -7.499***)</td>
<td>-.626 (t = 8.112***)</td>
<td>Δχ² = 4.214**</td>
</tr>
<tr>
<td>Δχ² for all gammas set equal across subgroups (ΔDF = 6): 11.889*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Propensity to trust → risk internet banking</td>
<td>.112 (t = .685 n.s.)</td>
<td>-.440 (t = -3.151***)</td>
<td>Δχ² = 6.704***</td>
</tr>
<tr>
<td>Δχ² for all gammas set equal across subgroups (ΔDF = 6): 6.704***</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Path</th>
<th>Openness High</th>
<th>Openness Low</th>
<th>Chi-Square Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet trust → risk internet banking</td>
<td>-.895 (t = -7.499***)</td>
<td>-.626 (t = 8.112***)</td>
<td>Δχ² = 4.214**</td>
</tr>
<tr>
<td>Δχ² for all gammas set equal across subgroups (ΔDF = 6): 11.889*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Straightforwardness</th>
<th>Δχ² for all gammas set equal across subgroups (ΔDF = 6): 5.218 n.s.</th>
<th>No significant moderating effects</th>
</tr>
</thead>
</table>

** Interpreted as extremely significant; *** Interpreted as significant; n.s. Interpreted as non-significant
structure of potential Internet users play a significant role. Thus, even if bank managers might devote valuable efforts to design Website interfaces with improved usability and security in order to enhance Internet trust and reduce the perceived risk, these steps are likely to have diverging success among Internet bank customers, depending on their personal predisposition. In practice however it is quite difficult for bank managers to assess the personality scores on the relevant facets of their customer base as a whole. Therefore, in the long run in order to enhance trust in Internet banking and to reduce the perceived risk there might be no other means than actions in communicating the reliability and predictability of the Internet banking system. This contains detailed information about the use of security features already in the instruction phase for the Internet banking user, furthermore regular information up-dates for customers about security improvements, and also high-publicity events such as public lectures, research grants, etc. Negative headlines concerning Internet banking, as lately happened in Austria, where phishing-attacks with misuse intentions have caused high uncertainty among Internet banking users, have to be counter-balanced by overt efforts to improve security and to regain customer trust.

With our research we were able to demonstrate that personality traits do have an impact upon trust and perceived risk in the context of Internet banking. By incorporating narrower facets of personality our study sheds a different light on simplifying conclusions reporting a zero-influence of personality on trust and risk. Due to parsimony reasons we have integrated those facets which to our opinion might plausibly have an impact on trust and risk-related decisions. What is missing is a systematic analysis of the relationship between facets of personality and trust and risk-related behavior. Also, the impact of personality might be moderated by several environmental factors, such as positive/negative experiences with the Internet and Internet banking, the perceived look of the respective web sites, but also by interaction effects of different personality facets. From other studies for example we know, that openness scores diminish with increasing age, and that women in general display higher scores on the neuroticism scale (González Gutiérrez et al. 2005) – our results do not confirm these findings for the openness to actions scale, still it can not be excluded that demographic differences might be detected also for other personality facets and their relationship to Internet banking.

REFERENCES


APPENDIX

TABLE A–1
Psychometric Properties of the Scales in the Main Effect Model

<table>
<thead>
<tr>
<th>Item</th>
<th>Indicator Loading</th>
<th>t-Value Factor Loading</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted</th>
<th>Fornell-Larcker Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Trust</td>
<td>ITRUST2</td>
<td>683</td>
<td>16.633***</td>
<td>0.88</td>
<td>0.65</td>
</tr>
<tr>
<td></td>
<td>ITRUST3</td>
<td>639</td>
<td>16.020***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ITRUST4</td>
<td>673</td>
<td>16.489***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ITRUST5</td>
<td>585</td>
<td>—</td>
<td></td>
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</tr>
</tbody>
</table>
## APPENDIX (CONTINUED)

<table>
<thead>
<tr>
<th>Item</th>
<th>Indicator</th>
<th>t-Value</th>
<th>Factor Loading</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted</th>
<th>Fornell-Larcker-Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Risk of Internet Banking</td>
<td>RISK_IB3</td>
<td>654</td>
<td>20.357***</td>
<td>0.92</td>
<td>0.74</td>
<td>0.49</td>
</tr>
<tr>
<td></td>
<td>RISK_IB4</td>
<td>679</td>
<td>19.783***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RISK_IB5</td>
<td>848</td>
<td>24.562***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RISK_IB6</td>
<td>784</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitude toward Internet Banking</td>
<td>ATT1</td>
<td>836</td>
<td>—</td>
<td>0.95</td>
<td>0.87</td>
<td>0.65</td>
</tr>
<tr>
<td></td>
<td>ATT2</td>
<td>890</td>
<td>32.611***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ATT3</td>
<td>879</td>
<td>32.109***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Familiarity with Internet</td>
<td>Dauer_I</td>
<td>757</td>
<td>15.546***</td>
<td>0.89</td>
<td>0.81</td>
<td>0.43</td>
</tr>
<tr>
<td></td>
<td>FREQ_I</td>
<td>836</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust propensity</td>
<td>Agree1_6</td>
<td>602</td>
<td>9.916***</td>
<td>0.80</td>
<td>0.59</td>
<td>0.07</td>
</tr>
<tr>
<td></td>
<td>Agree1_7</td>
<td>879</td>
<td>9.120***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Agree1_8</td>
<td>267</td>
<td>—</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Questionnaire

#### Internet Trust
1. With adequate safety measures on a website I don’t hesitate to enter my credit card information. (willingness to depend on the Internet)
2. I trust the Internet. (willingness to depend on the Internet)
3. When performing a transaction on the Internet I know exactly what will happen.(trusting beliefs – predictability)
4. Internet transactions (e.g., online shopping or online hotel reservations) always function as expected. (trusting beliefs – reliability)

#### Perceived Risk of Internet Banking
5. I am afraid that other people might get access to information about my Internet banking transactions.
6. I believe it can rather easily happen that money is stolen if using Internet banking.
7. I am afraid that the confidentiality of my financial transactions might get lost when using Internet banking.
8. I think that privacy is not guaranteed when using Internet banking.

#### Attitude Toward Internet Banking
9. In my opinion it is desirable to use Internet banking.
10. I think it is good for me to use Internet banking.
11. Overall, my attitude toward Internet banking is favorable.

#### Familiarity with Internet
12. How long have you used the Internet?
13. How often do you use the Internet?

#### (Propensity to) Trust
14. My first reaction is to trust people.
15. I tend to assume the best about people.
16. I have a good deal of faith in human nature.
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REEXAMINING CONSUMER PURCHASE INTENTION IMPACTED BY C2C ONLINE RESALE

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SUMMARY

In C2C online auctions, consumers play dual roles as consumers and resellers. The behavior of consumers expecting to resell desired goods online before buying them should be quite different from ordinary buying-for-consumption. Applying the concepts of mental accounting (Thaler 1985, 1999), we investigated experimentally changes in buyers’ intention to purchase a product when they become aware of the feasibility of subsequently reselling it online and explain why and how consumers change their decisions.

Payments for desired products can be coded as losses, whereas the benefits derived from continuously using the products are coded as gains. When the gain-loss ratio of buying a product is greater than one, consumers have a greater intention to purchase it. Okada (2001) and Purohit (1995) have argued that replacement purchase decisions involve not only a marginal cost-benefit analysis, but also a subjective accounting analysis. Consumers subjectively depreciate the initial purchase price and create a subjective book value for the now-used product (Heath and Fennema 1996). When the replacement purchase is made, the buyer pays a subjective price equal to a write-off of this book value. Only when the marginal benefit is higher than the marginal cost (or price) plus the subjective cost will the consumer purchase the product. Therefore, we propose that consumers will have a greater intention to purchase when they are aware of the feasibility of reselling the desired product online prior to acquiring it because they could combine the purchase and resale mentally in order to maximize utility. This joint evaluation can turn the monetary return of a resale into a purchasing benefit and overcome the subjective cost of used goods. If the marginal cost (price) of a product is lower than the marginal benefit plus the monetary return of the resale, the consumer would decide to purchase the product. In other words, combining purchase and resale offers the buyer the opportunity to eliminate or postpone the loss from the purchase until the product is resold online, or even turn the loss into a mixed gain (Thalter 1985, 1999) if the resale return is high enough.

In addition, we argue that when consumers act as resellers of an owned product online, the subjective book value of the resold item is the “internal resale reference price” (IRRP), defined as the possible market price of resold items, which sellers infer from market information and which can affect the IRRP and resale decisions. Based on above deduction, following hypotheses are formulated and test by a between-subjects design consisting 477 participants from a Taiwan’s online community.

H1: Prior to a purchase, consumers with high online resale awareness will have a greater intention to purchase than those with low online resale awareness.

H2: Among consumers with high online resale awareness, the higher the ERRP, the greater the intention to purchase.

H3a: Among consumers with high online resale awareness, the higher the ERRP, the higher the estimated resale return.

H3b: The higher estimated resale return, the greater the intention to purchase.

H4a: Among consumers with high online resale awareness, the higher the ERRP, the lower the estimated payment.

H4b: The lower the estimated payment, the greater the intention to purchase.

H5a: The higher the ERRP, the higher the probability of a net increase in the estimated value of the combined purchase and resale.

H5b: Consumers who estimate net gains will have a greater intention to purchase than consumers who estimate net losses.

Several implications are suggested by research results. First, consumers’ purchasing decisions can be significantly influenced by their online resale awareness ($t = -4.51, p < 0.001$). Second, once consumers have online resale awareness, their intention to purchase a desired product can be affected by the ERRP ($F = 16.2, p < 0.001$). This implies that a consumer’s product preference is influenced not only by personal taste and product attributes, but also by the conditions of resale. Further, we found a high ERRP indicates a lower depreciation rate, a
higher resale return \((F = 167.631, p < 0.001)\), and a lower purchase payment \((F = 103.22, p < 0.001)\), making the desired product more desirable to purchase. Another substantial implication which can be derived from the ERRP hypotheses (H3 and H4) is that consumer satisfaction with a specific brand comes not only from one’s experience with that brand, but also from the outcome of the brand’s online resale. Third, the intention to purchase is also affected by the framing effect of net gains and losses. This result implies that a consumer resale, in contrast to a retailer’s professional resale, can be influenced not only by economic calculations, but also by emotional concerns (Chu and Liao 2007) such as represented by the endowment effect (Thaler 1980).

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A PROFILE DEVIATION ANALYSIS OF TOP PERFORMING SERVICE EMPLOYEES IN BANK BRANCHES AND CALL CENTERS

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SUMMARY

Amongst the three general types of service encounters – remote, phone, and face-to-face (Zeithaml and Bitter 2000), it is the remote encounter where large-scale standardization of service delivery could be achieved. In the other two, since service is the result of human interaction, service quality of the frontline employees determines the success or failure of the service. However, the profile of successful customer-contact employees in face-to-face service encounters may not match those in phone service encounters. These differences are important to explore not only to identify and reward successful service personnel but for their recruitment as well. In this research, we conduct a comparative study between phone and face-to-face encounters, using configurational theory approach, where the profile of the top performers on service quality is identified and compared in relation to the three components of organizational commitment, and demographics.

In the financial services sector such as banks, both face-to-face services in branches and phone encounters through call centers are important customer contact channels. There are several differences in customer service delivery between face-to-face and telephone encounters. First, the personal abilities and characteristics of the frontline employees matter most in face-to-face contact as compared to the skills required in call centers that are mostly acquired through training, and which are easily transferable from one call center to another. Performance in branches involves less scripting and standardization as compared to call centers, which provides an opportunity to the more able employees in branches to use their initiative and truly stand out as better performers. Second, non-verbal behaviors (such as employee demographics and attitudes) are more important determinants of service quality in face-to-face encounters. Third, the customer’s role in creating quality service is less salient in phone encounters (Zeithaml and Bitter 2000). The feedback generated from customers is more direct and immediate in branches as compared to call centers where feedback is collected by the supervisor through excessive or electronic monitoring.

Configuration theory has been used in management over the last decades to assess complex, multidimensional phenomena implied in fit or congruence relationships in ways that are more consistent with the holistic framing of strategic management and marketing theory than traditional approaches such as interactions or contingency theory that lack correspondence between verbal and statistical approaches to testing the theory. Configurational theories posit higher effectiveness (performance) for employees that resemble the ideal type defined by theory than for those that are not. When a small number of factors are being considered and there is a single specific criterion, the fit can be conceptualized as moderation (interaction) or mediation. As the number of variables to be considered increases, profile deviation becomes the most appropriate approach. Profile deviation is similar to a gestalt except that it is criterion-specific. The increased effectiveness is attributed to internal consistency or fit among the relevant structural and strategic factors (Doty et al. 1993). Our research proposition is that the ideal type employees (as defined by dimensions of commitment and demographics) deliver significantly superior service quality than the non-ideal employees.

Surveys were distributed to 640 employees in call centers and 300 employees in branches of a retail bank in the United Kingdom. Only those employees who were permanent staff were selected in the sample. This yielded 342 and 170 useable responses from the call centers and from the branches, giving net response rates of 53.5 percent and 57 percent respectively. Customer contact employees evaluated their own performance on service quality on a shortened and adapted version of the SERVQUAL instrument (Parasuraman et al. 1988). Separate instruments were devised for call centers and branches, bearing in mind the nature of differences between the two sets of encounters. It was important to determine measure equivalence of service quality since it was intuitively possible that respondents from the two settings could interpret service quality differently. We first established the psychometric properties of service quality in each sample separately. These were found to be acceptable. Using common service quality items, we then performed multiple group comparison using AMOS. The first step was to test for configurual equivalence which established that in both samples the same measure was being mapped, i.e., with same indicators and latent variables. This could not be rejected ($\chi^2 = 1515.51$, df = 688, $Cmin/df = 2.20$, RMSEA = .049, TLI = .860, CFI = .93). Testing for weak factorial invariance, i.e., constraining the factor loadings...
to equality across the samples showed that measure equivalence could not be rejected based on the chi-square difference test ($\Delta \chi^2 = 45.682, \Delta df = 32, p > .05$). Subsequent tests for measure equivalence were unacceptable suggesting that there are differences in the $\tau$ matrix (equality of constant terms); the $\varepsilon$ matrix (equality of unique error terms) and the $\alpha$ matrix (testing for equality of means of the latent factor). These results suggest there is acceptable measure equivalence but it cannot be assumed that the measures are fully equivalent. Organizational commitment was measured with the revised three-component scale of organizational commitment (Meyer et al. 1993). The scale comprises six items each for affective commitment, normative commitment and continuance commitment.

We employed profile deviation analysis as a methodological innovation in marketing research. To test for profile deviation, an empirically derived calibration sample was developed from the top 10 percent of employees rank-ordered by for service quality (Venkatraman and Prescott 1990; Vorhies and Morgan 2003). Euclidian distance was calculated according to the formula (Venkatraman and Prescott 1990):

Where MISALIGN = Degree of misfit, X are aspects of commitment and demographics, X-bar is the mean of the X for the calibration sample (or the mean of the non-ideal 10% random sample). A regression model was run with profile deviation (PD). There are several advantages in using profile deviation such as the ability to add more variables that have proven useful in other studies without leading to increased demand on sample size but yielding a more holistic description of the ideal service employee. Developing a more holistic profile may lead to superior employee selection and may be used for rewarding outstanding employees on some objective measure.

The profile deviation for the face-to-face employees is significant and negative ($\beta = -.311, p < .001$). This supports the hypothesis that employees who deviate in their profile from the best performing employees deliver low levels of service quality. The variance explained by the model is 8.5 percent of service quality. This may appear rather low but is consistent to comparable studies (Vorhies and Morgan 2003). The random profile deviation is non-significant ($p > .10$) and the regression coefficient is very small ($\beta = -.013$). This finding provides further support for the robustness of our model. An alternative finding would be interpreted as meaning that deviation from any sample of 10 percent of the employees would be associated with poor service quality and would be contrary to the theory. The call center results show that profile deviation is not significant. This is perhaps not surprising. In most call centers, the important metrics are probably not service quality since the resolution of problems is usually the key performance indicator. This is more so because callers are usually interested in quick and effective solution, which is achieved by front line employees having a deep knowledge of the product or service and the procedures for fixing the problem. In general the responses are highly standardized and relatively impersonal. Examining the profile of the top employees for the face-to-face centers in our study, shows that they have the following characteristics: moderate to high affective commitment, moderate continuance commitment, and moderate to high normative commitment. They are relatively well experienced and appear to be in their middle age with average age of 40 years. This service delivery mode is predominantly staffed by females as noted in the demographics. On the other hand, in call centers, the top performers have relatively high affective commitment, moderate continuance commitment, and high normative commitment. They are relatively inexperienced and significantly younger in comparison to those in face-to-face encounters.

In both call centers and branches, we found the profile of top performers to bear all three components of commitment, which is in accordance with the contentions present in literature. Employees who value organizational goals, feel emotionally attached to and identify with the organization (affective commitment) exert greater effort on behalf of the organization than those who are not. Thus, affective component of commitment is found to be the strongest amongst top performers. On the other hand, normative commitment, seen in employees who merely stay under an obligation, has been found to be moderate in top performers in both call centers and branches. Finally, continuance commitment, found in employees who stay for a particular need, has been found to be the least among the top performers in both contexts. Although slightly higher in call centers than in branches, organizational commitment differences between the best performers in the two contexts are not statistically significant. However, significant differences in total experience ($p < .001$) and age ($p < .001$) between top performers in branches and in call centers have been found.

Managerial implications are offered based on the results. In both banking call centers and branches, it may be more prudent to foster affective commitment in employees as it has been found to dominate the commitment profiles of top service quality performers. Organizations wishing to foster long-term affective commitment in their employees need to manage the antecedents and correlates of affective commitment effectively. Internal marketing strategies should be designed incorporating “work” variables such as role clarity, autonomy, participation in decision making, training, feedback and job satisfaction, which have been found to encourage affective component
of commitment significantly among the employees (Meyer and Allen 1991). The results of our study offer some interesting insights for service employee recruitment, retention and development strategies in banking organizations as the profiles of top performers in branches and call centers have been found to differ in terms of service quality, commitment, age, and experience.

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DEREGULATION WITHIN SERVICE INDUSTRIES AND ITS IMPACT ON BUYER BEHAVIOR: A PRICING PERSPECTIVE

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SUMMARY

There is a growing trend toward deregulation in services industries but what deregulation means for buyer behavior from a service perspective remains a relatively unexplored area of research. This paper focuses on price deregulation within services and examines how the change from a regulated to a deregulated pricing environment moderates the extent to which service buyers use a market-based reference price when forming price perceptions. The paper draws upon the competing expectations are developed and then empirically tested in a commercial insurance context.

One view focuses on how greater price competition (i.e., an environment brought on by price deregulation) leads to markets characterized by less product variety. This view provides a basis for expecting that price deregulation will increase buyers’ ability to form and use a market-based reference price because of the expected dampening effect of deregulation on the complexity of service offerings. An alternative view postulates that price regulation promotes competition via similar locations in the product space and consequently results in higher product variety. This view provides a basis for expecting that price deregulation will decrease buyers’ ability to form and use a market-based reference price because of the expected inflationary effect of deregulation on the variety of service offerings available in the marketplace.

The deregulation examined in this paper is the removal of a legislated price floor within the commercial insurance industry. The sample frame used for the present study was collected from policyholder records provided by a large insurance carrier selling within both price regulated and competitive pricing environments. The service buyers were organizations purchasing workers’ compensation insurance to cover injuries to their employees. A questionnaire measuring the different constructs of interest for this study was developed and mailed to randomly chosen respondents.

Analysis of survey responses from buyers purchasing commercial insurance in price regulated and price deregulated environments provided strong evidence that buyers use a market-based reference price when evaluating service products and that the effect is greater in a competitive price (vs. price floor) environment. This finding provides clarity to opposing expectations in the literature regarding the impact of deregulation on buyers’ use of a market-based reference price and provides a basis for several recommendations regarding the marketing of service products.

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ABSTRACT

There have been many calls in the marketing literature for improving our understanding of service innovation and new service development. However, much of the work to date in the service innovation domain is primarily rooted in traditional new (tangible) product development models and processes; i.e., it is heavily influenced by a goods-dominant logic (GDL). In this paper we bring a new perspective to service innovation – a perspective rooted in the emerging service-dominant logic (SDL). By building on some key foundational premises of SDL, we propose a novel framework based on three potential sources of service innovation (i.e., three mechanisms for direct knowledge transfer): collaborative competences; a dynamic capability of market orientation; and knowledge interfaces. Then, we develop and test a set of hypotheses predicting the degree of innovation and its impact on firms’ performance in a sample of luxury hotels. Our paper makes several contributions. First, it constitutes one of the inaugural applications of the SDL to a concrete marketing issue – service innovation – and derives a specific conceptual framework for service innovation from SDL’s general principles. Second, our research contributes directly to the service innovation literature, by offering fresh insights on the potential drivers of service innovation and service innovation success, thereby offering important implications for marketing managers. Third, our research also adds to the general marketing literature, by analyzing key constructs related to service innovation – i.e., market orientation and customer involvement – whose role might be different when investigated in a different and broader nomological network.

INTRODUCTION

To date much of the work in the service innovation domain is primarily rooted in traditional new (tangible) product development models and processes; i.e., it is heavily influenced by a goods dominant logic (GDL) (Menor et al. 2002; Hauser et al. 2006). The main fallacy of this logic is that services are treated at best as a special kind of (intangible) products (Rust 1998), and the debate on innovation is couched in apparent differences between goods and services – that is, “what goods are not” (Vargo and Lusch 2006, p. 282). This view not only hinders the emergence of more productive frameworks for guiding innovation in services, but also partially blocks a complete understanding of the innovation processes in general (Drejer 2004; Drazin and Schoonoven 1996).

To address this void in the literature we aim to bring a new theoretical perspective to service innovation, rooted in the emerging service-dominant logic (SDL) (Vargo and Lusch 2004). SDL proposes a shift in the marketing paradigm, where services are placed at the center of the stage and conceptualized as direct applications of specialized skills and knowledge for satisfying someone’s needs (Vargo and Lusch 2004, pp. 6–8). By building on some key premises of SDL, we propose a novel framework based on three potential sources of service innovation (i.e., three means for changing the process of knowledge application): (a) collaborative competences; (b) a dynamic capability of market orientation; and (c) knowledge interfaces. Then, for each source, we develop and test a set of hypotheses predicting the service innovation outcomes and their effects on performance.

THEORETICAL BACKGROUND

Service Innovation in a Goods-Dominant Logic

Service innovation is a typical trans-functional research topic, although the extant conceptual and empirical work emanates primarily from service marketing (Karmarkar 1996). Both marketing research (Johne and Storey 1998; Hauser et al. 2006) and management scholars (Drazin and Schonoven 1996; Ford and Bowen 2002; Drejer 2004) agree that the service innovation literature is largely biased toward a goods-dominant logic (GDL). The mainstream view that still dominates the research landscape on service innovation basically extends the models developed for tangible products to service activities, assuming that the drivers of innovation are more or less the same, while they may at best show different priorities between products and services (e.g., Atuahene-Gima 1996; Griffin 1997; Nijssen et al. 2006). Hence, many innovation drivers discovered in a product or manufacturing context are assumed to work in service contexts as well. These findings were criticized as being influenced by an excessive emphasis on technology-based innovations (Drazin and Schoonoven 1996), and for not considering services peculiarities, such as intangibility, co-production, simultaneity, and heterogeneity (Gronroos 2000).
To address the preceding criticism, some marketing scholars advocated specific frameworks for studying service innovations (e.g., Martin and Horne 1995; Edvardsson and Olson 1996). Proponents of this “demarcation” approach relied on the assumption that services are a very special type of product (i.e., intangible goods), and therefore requiring innovation models developed for tangible goods to be modified in order to account for service peculiarities (Gallouj and Weinstein 1997). Nonetheless, these attempts have been criticized as well because they tend to stress the peculiarities of services too much, thus neglecting the generality of their findings (Drejer 2004), and because many of these claimed peculiarities do also apply to manufacturing (Rust 1998).

While seemingly opposite approaches, “assimilation” and “demarcation” are indeed two faces of the same coin and are both compatible with a GDL of service innovation. In both cases services are conceptualized in relationship (i.e., are subordinated) to physical goods (Vargo and Lusch 2006, p. 282). Hence, while the extant literature on service innovation is framed around the debate about services as special types of products (intangible goods), there has been little theoretical progress in understanding “service” as a stand-alone variable and its role as a primary focus of exchange (Lusch et al. 2007). We believe that the use of a goods-based logic is at the core of the dissatisfaction with the current service innovation literature and hinders the emergence of potentially more productive frameworks for guiding service innovation (Drejer 2004; Lusch et al. 2007).

Service Innovation in a Service-Dominant Logic

SDL offers an extraordinary opportunity for looking at service innovation through different theoretical lenses, because it offers a conceptualization of services that is not derived from tangible goods, but comes from a novel and super-ordinate vision of service processes. In this view, service is conceived as a process where tangible and intangible organizational resources – that are themselves based on knowledge – and people skills provided by both service providers and customers (Gallouj and Weinstein 1997). In this view, service innovation always implies a sort of process innovation (direct application of knowledge), whose degree of novelty is largely represented by the extent to which the new service requires a marginal or a radical change in the set of existing competences (Huber 1991).

RESEARCH MODEL AND HYPOTHESES

A careful investigation across SDL key premises highlights three mechanisms for potentially enhancing service innovation: collaborative competences, a dynamic capability of market orientation, and knowledge interfaces. They are expected to impact the outcome of innovation activity in terms of both frequency of service innovation and radicalness. Our research model reflects a source-position-performance framework (Day and Wensley 1988), where the innovation outcome is the central positional mediator linking antecedents and innovation effects. Variables have been lagged to ensure sequential effects in our causal chain (Hunt 2002).

Collaborative Competences

First of all, SDL places the customer at center stage. Two key SDL propositions are as follows: “Customer is always a co-producer” (FP6), and “The enterprise can only make value propositions” (FP7). Co-production means that a service provider without customers cannot produce anything; while co-creation means that the value of service provision can only be generated by the user in the “consumption” process and through use (Vargo and Lusch 2004).

Given the active role of customers in the service process, a first driver of a service innovation should be the extent of customer direct involvement in planning and delivering the new service (Bendapudi and Leone 2002). A direct involvement of customers facilitates shared inventiveness and co-design, and improves needs alignment through a better customization of the product (Vargo and Lusch 2007). An extensive involvement of customers in the development process, especially in idea generation, increases the likelihood of a service success (Martin and Horne 1995, p. 212), and leads to improved competitive advantage through enhanced customer experience (Lusch et al. 2007). In short, involvement and collaboration transform the customer, a critical external source of knowledge for innovation, into an operant resource on which the firm can act to foster innovation and competitiveness (Vargo and Lusch 2004).
H₁: Higher the customer involvement in the service innovation process, higher the innovation output.

SDL points out that service co-production occurs not only with customers, but involves other partners in the value network that produce service solutions or service bundles (Vargo and Lusch 2006, p. 284). This view is supported by another SDL premise stating that: “Organizations exist to integrate and transform micro-specialized competences into complex services that are demanded in the marketplace” (FP9). A continuous exchange across network players facilitates the collection of competences, which the firm can continually renew, create, integrate and transform, and stimulates the generation of new and more complex services. The ability to integrate operant resources between organizations increases the ability to gain competitive advantage through innovation (Lusch et al. 2007, p. 9). Through networking, potential innovators can reduce costs, risks, and uncertainties linked to innovation processes by cooperation, information sharing, acquisition of external knowledge, opening new markets, etc. (Pittaway et al. 2004). External players in the value-chain, such as suppliers, partners and institutions, are important sources of knowledge and their involvement in the innovation process of a focal firm accelerate internal innovation, and expand markets for external use of the innovation (Chesbrough 2003).

H₂: Higher the partners’ involvement in the service innovation process, higher the innovation output.

A Dynamic Capability of Market Orientation

Two other foundational premises of the SDL are: “A service-centred view is customer oriented and relational” (FP8) and “Knowledge is the fundamental source of competitive advantage” (FP4). Along this line, SDL states that a market and learning oriented organization is compatible with, if not implied by, the service centered model (Vargo and Lusch 2004, p. 6). This means that service provision requires adopting an overall philosophy oriented to be customer-centric and market driven (Sheth et al. 2000), and one that views organizations as dynamic knowledge systems (Slater and Narver 1995).

Concerning market orientation, one main stream affirms that market orientation, especially in its customer orientation sub-component, is inherently entrepreneurial (Desphandé et al. 1993), advocates a continuous proactive disposition (Han et al. 1998), and can be viewed as a form of innovative behavior (Jaworski and Kohli 1993). However, some authors stress that a market orientation may not encourage a sufficient willingness to take risks (Slater and Narver 1995), because it channels attention on current customers and needs, and forces an adaptive way...
of learning, thus detracting from radical innovation (Berthon et al. 1999). This view is echoed by some management literature, which points out how market orientation may lead firms to become hostage to existing customers (Hamel and Prahalad 1994).

The SDL points out that service innovation requires a continuous renewal, creation, integration and transformation of competences and that a key opportunity to compete through service is to constantly identify innovative ways of co-creating value (Lusch et al. 2007, pp. 9–11). Without a proactive drive, market orientation at best allows for anticipating competitors in capturing something that already exists (perhaps in latent form), but it does not allow for controlling a situation by causing something to happen (i.e., being truly proactive). At the same time, simply being oriented toward innovation (i.e., inclined to use new knowledge or insights to facilitate organizational changes), does not ensure that the effort is properly channeled to satisfy customer needs (Slater and Narver 1995). This means that market orientation is a necessary condition for identifying new market opportunities, but it should be complemented by a willingness to forgo old habits and try untested ideas, and to facilitate the adoption of ideas that depart from the usual way of approaching business. This combination creates a dynamic capability of market orientation (Hurley and Hult 1998; Menguc and Auh 2006) that can influence the level of innovation, while market orientation alone, being a resource, can produce only temporary effects as a stand-alone asset.

H3: Higher the joint presence of market orientation and innovative orientation (i.e., stronger the dynamic capability of market orientation), higher the innovation output.

Knowledge Interfaces

The already mentioned premises are reinforced in the SDL framework by another foundational proposition: “The application of specialized skills and knowledge is the fundamental unit of exchange” (FP1). This means that the provision of a new service requires, beyond the capability to absorb knowledge from external players and to dynamically drive the organization toward identifying new solutions, the presence of knowledge interfaces for embedding people and routines involved in the new service provision. These interfaces are social and physical conditions facilitating the transference of knowledge within and among organizations (De Luca and Atuahene-Gima 2007).

Literature points out that a customer’s experience with the service-providing personnel heavily influences customer satisfaction (Zeithaml et al. 2001), and that a prerequisite for a successful launch is that employees clearly understand the types of new products and services the organization is aiming for (Johne and Storey 1998). Given that employees and customers interact during service encounters (Bitner et al. 1990), the involvement of customer contact staff throughout the innovation process is regarded as a key driver of innovation success (Atuahene-Gima 1996).

The SDL reinforces this view, considering service employees as operant resources that may act as the primal source of innovation and organizational knowledge. Firms that treat their employees as operant resources will be able to develop more innovative knowledge and skills and thus gain competitive advantage (Lusch et al. 2007, p. 15). Within an inclusive work environment, employees are stimulated to develop new and innovative ways of providing service, facilitating alignment between the company’s internal capabilities and external objectives (Gounaris 2006).

H4: Higher the employees’ involvement in the innovation process, higher the innovation output.

Beyond the direct involvement of employees, it has been noted that not all new market information automatically becomes part of the firm’s knowledge. It is the very mechanism of intraorganizational knowledge integration that produces the observed pattern of innovation generation (Dickson 1992; Hunt 2002). Knowledge integration mechanisms refer to formal processes and structures that ensure the capture, analysis, interpretation, and integration of market and other types of knowledge among different functional units (De Luca and Atuahene-Gima 2007).

Knowledge integration brings together the organization’s capabilities to create solutions that meet customer needs and are technically feasible, and allows a firm to maintain its capability to produce successful new offerings (Leenders and Wierenga 2002). Adopting a SDL view, where the new process of knowledge application is a direct one and new services go hand-in-hand with modifications of the entire service delivery process (Gallouj and Weinstein 1997), knowledge integration mechanisms may play a crucial role in combining the many sources of knowledge, both internal and external to the firm, and aligning the combination with customer expectations.

H5: Stronger the knowledge integration mechanisms in the innovation process, higher the innovation output.

Innovation Outcomes and Performance

The link between innovation output and firm performance has been documented in management literature (Cohen and Klepper 1996). Motivations underlying a positive association between innovation outcome and
performance are that an adequate innovation effort helps to better accommodate environmental and market uncertainties, and allows firms to adapt their organizational structure and capabilities in such a way as to improve the level of achievement of their goals (Damanpour 1991). This link has also been supported in the service domain, where the relationship works especially at the firm level of analysis (Han et al. 1998; Argawal et al. 2003). The SDL further reinforces this relationship, stating that innovations are instrumental to service competitive advantage, and it is not possible for firms to preserve their performance if they remain static in their value propositions or offered services (Lusch et al. 2007).

\[ H_2: \text{Higher the service innovation output, higher the firm’s performance improvement} \]

**METHODOLOGY**

**Sampling and Data Collection**

The test of our model was performed in the Italian luxury hotels industry. Italy is the first European destination for tourism, with the highest absolute number of visitors and nights spent in hotels (131 millions) in 2006. Hospitality is considered a highly complex service activity, where customers typically evaluate service solutions on more than one criterion and where innovation activities are at the forefront in determining the “best” configuration of service offerings to appeal to their target markets (Verma et al. 2002). The focus on the highest segment of the industry (i.e., luxury hotels) is because this cluster contains the most complex configurations of services, and compared to mid-range hotels, competition in this segment is based more on creativity and innovation in the service package than on price and location (Haugland et al. 2007).

The full list of 193 five-star luxury hotels located in Italy was our relevant population. We included both independent and chain hotels, considering chain hotels whose accounting information was available at the level of single units (Haugland et al. 2007). Independent variables (drivers of innovation) and mediators (innovation outcome) were collected through a self-reported survey. The survey questionnaire was administered through the computer-aided telephone interviewing (CATI) technique during January–March 2007, and questions were related to activities performed in 2006. Ninety-one hotels, representing a 47 percent response rate, participated in the investigation.

The dependent variables (i.e., firms’ performance measures) were measured as observed data collected through the AIDA Bureau Van Djick database, which contains and accounting data for Italian firms with more than 10 employees. Since the predictor-variable measures relate to 2006, firm-performance measures were collected for the years 2007 and 2005. This ensures a temporal sequentiality to measure the effects of innovation activity. One year is considered as an appropriate time lag for seeing the major impact of innovation decisions in this service context (Han et al. 1998). Same measures at the end of 2005, collected before the innovation effort, allows controlling for a potential “halo effect” provided by the initial absolute level of performance.

**Measures**

Table 1 contains items, sources and reliability of our independent variables. Regarding innovation outcomes, we first consider the absolute number of service innovations implemented in the year 2006 by each hotel (Damanpour and Evan 1984). Consistent with our conceptualization, we ask respondents to list the innovation—both technological and administrative—efforts that required a change (either marginal or radical) in their existing set of competences, asking for a brief description of each innovation (Noble et al. 2002). Beyond the frequency, we also assess innovation outcomes through a measure of radicalness of the effort, in order to capture the extent to which the new services require a radical change in the stock of existing competences (Van de Ven 1986). We measure radicalness by adapting the three-item scale of Chandy and Tellis (1998).

As control variable, we first incorporated the effect of slack resources by including firm size, measured as the logarithm of the number of hotel rooms (Harris and Watkins 1998). Then, we included a dummy variable measuring if the hotel is a member of a chain or is an independent entity (Haugland et al. 2007). Finally, we included in the model the level of initial performance of sales and occupancy rate, both measured at the end of 2005, to make our estimations robust against a potential “halo effect.”

**FINDINGS**

We test our framework using three-stage least square (3SLS) approach. This procedure is ideal for dealing with the simultaneous effects in our model as it handles both the endogeneity of the innovation variables as well as the possibility of correlated errors between variables (Greene 2002). Moreover, our use of 3SLS is consistent with that of comparable previous studies (e.g., Han et al. 1998;
### TABLE 1

**Measurement Instrument**

**Customer Involvement** (adapted from Gruner and Homburg 2000)  \( \alpha = 0.74 \)

Please indicate your extent of agreement about how well the statements describe your behavior during the innovation process:

- We interact with customers beyond the standards of market research \( 0.75 \)
- The perceived intensity of customer interaction was high \( 0.78 \)
- The frequency of meetings with customers was high \( 0.77 \)
- The number of involved customers was high \( 0.71 \)

**Business Partners’ Involvement** (adapted from Gruner and Homburg 2000)  \( \alpha = 0.85 \)

Please indicate your extent of agreement about how well the statements describe your behavior during the innovation process:

- We interact with business partners beyond the standards of market research \( 0.88 \)
- The perceived intensity of business partners interaction was high \( 0.79 \)
- The frequency of meetings with business partners was high \( 0.88 \)
- The number of involved business partners was high \( 0.77 \)

**Market Orientation** (Deshpandé, Farley, and Webster 1993)  \( \alpha = 0.79 \)

Please indicate your extent of agreement about how well the statements describe the actual norms in your market:

- We have routine or regular measures of customer service. \( 0.67 \)
- Our service development is based on good market and customer information. \( 0.70 \)
- We know our competitors well. \( 0.59 \)
- We have a good sense of how our customers value our services. \( 0.49 \)
- We are more customer focused than our competitors. \( 0.61 \)
- We compete primarily on the basis of service differentiation. \( 0.64 \)
- The customer’s interest should always come first, ahead of the owners’. \( 0.70 \)
- Our services are the best in the business. \( 0.51 \)
- I believe this business exists primarily to serve customers. \( 0.54 \)

**Innovative Orientation** (Hurley and Hult 1998)  \( \alpha = 0.72 \)

Please indicate your extent of agreement about how well the statements describe the cultural approach to innovation in your organization:

- Technical innovation, based on research results, is readily accepted \( 0.71 \)
- Management actively seeks innovative ideas \( 0.68 \)
- Innovation is readily accepted in program/project management \( 0.69 \)
- People are penalized for new ideas that don’t work (R) \( 0.68 \)
- Innovation is perceived as too risky and is resisted (R) \( 0.66 \)

**Employee involvement** (adapted from Li and Calantone 1998)  \( \alpha = 0.86 \)

To what extent the contact personnel are involved in the processes of service innovation?

- Contact personnel cooperate fully in generating and screening new ideas for new products \( 0.89 \)
- Contact personnel fully cooperate in establishing goals and priorities for our strategies \( 0.89 \)
- Contact personnel are adequately represented on project teams and other strategic activities \( 0.87 \)

**Knowledge Integration Mechanisms** (De Luca and Atuahene Gima, 2007)  \( \alpha = 0.83 \)

To what extent does your firm use each of the following activities to capture, interpret, and integrate knowledge and information about market and technology conditions?

- Regular formal reports and memos that summarize learning \( 0.71 \)
- Information sharing meetings \( 0.76 \)
- Face to face discussions by cross functional teams \( 0.87 \)
- Formal analysis of failing product development projects \( 0.68 \)
- Formal analysis of successful product development projects \( 0.82 \)

**Radicalness** (Adapted from Chandy and Tellis, 1998)  \( \alpha = 0.73 \)

To what extent do the following statements represent your organization?

- We are renown in the industry for our innovative breakthrough new services \( 0.81 \)
- We lead the way in introducing service innovations that require brand new competences \( 0.80 \)
- We constantly consider introducing new services that will satisfy future market needs \( 0.81 \)
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* p < 0.05
Frambach et al. 2003). For each endogenous variable, we estimated two models: one containing main effects only, and the other one including the interactive effects.

Hypotheses 1 and 2 are partially confirmed. The capacity to involve customers in the innovation process (H1) has a positive effect on the volume of innovation activity (i.e., the number of service innovations) ($\beta = .29; p < .05$), while it has no effect on the level or radicalness. It seems that customers’ participation enhances the capacity to generate new service ideas, although it does not guarantee that these new ideas represent a radical departure from existing offerings. Conversely, the capacity to involve business partners in the innovation process (H2) has no effect on the volume of innovation, while it is positively associated to the level of radicalness ($\beta = .23; p < .05$). Hence, fostering the participation of business partners increases the likelihood of being a radical innovator, but without affecting the volume of innovations.

Given these results, we explored the presence of a potential interactive effect between the two collaborative competences on innovation outcomes. Results show that there is an interactive effect on the volume of service innovations ($\beta = .23; p < .05$), while no interaction was detected regarding radicalness (see Figure 2). In short, to get radicalness only the participation of business partners matters, while customer involvement has no role. Conversely, to increase the volume of innovations, customer participation is relevant, and partners’ involvement may enhance such a contribution.

Hypothesis 3 is also partially confirmed. Market and innovative orientations have no effect, neither main nor interactive, on the volume of innovations, while they show the expected joint-effect on the radicalness ($\beta = .16; p < .05$). In this case, market orientation also shows a positive main effect ($\beta = .37; p < .01$). Hence, it seems that the cultural inclination of top management has little to do with the volume of innovations, while market orientation, directly and in interaction with innovative orientation, has an enhancing effect on the degree of radicalness (see Figure 3).

Hypothesis 4 is confirmed. The participation of contact personnel in the innovation process leads to an increase in the volume of innovations ($\beta = .42; p < .01$) as well as an increase in the degree of radicalness ($\beta = .58; p < .01$). The involvement of contact personnel seems to be one of the most consistent drivers of service innovation. Regarding the role of knowledge integration mechanisms (H5), increasing the presence of such mechanisms has no effect on the volume of service innovations, while it is an enhancing factor for radicalness ($\beta = .31; p < .01$).

Hypothesis 6 investigates the second block of equations and tests the relationships between innovation outcomes and performance. While radicalness has a positive effect on performance, both regarding occupancy rate ($\beta = .02; p < .01$) and sales growth ($\beta = .11; p < .01$), the number of innovations has no direct effect on either performance indicator. As in the previous case, we tested the interactive effect of radicalness and number of innovations on performance in an exploratory fashion, and we observed that, both regarding occupancy rate ($\beta = .00; p < .05$) and sales growth ($\beta = .03; p < .01$), there is a positive moderating effect. Hence our findings reveal that radicalness has a strong positive effect on each performance

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**FIGURE 2**
Customer Involvement and No. of Service Innovations at Different Levels of Partners’ Involvement

![Graph showing customer involvement and service innovations](image-url)
measure, and that the number of innovations is an enhancing factor that magnifies these relationships (see Figures 4 and 5).

DISCUSSION

Theoretical Implications

The first contribution of the paper relates to the Service-Dominant Logic. Our analysis is one of the first attempts to apply the SDL perspective at the empirical level and to a concrete management issue – service innovation – seeking a different and better understanding of this phenomenon. Our analysis shows that the SDL can be a powerful way for both proposing new marketing models and revising already existing ones, through the adoption of a different visual angle. In particular, our study is among the first to provide empirical evidence that employees, partners, and customers, although with different degrees and through different mechanisms, can be considered as operant resources in the innovation processes (Lusch et al. 2007), together with top management and knowledge management mechanisms. Hence, acting on those resources allows for improving service firms’ performance via increasing the innovation outcomes.

A second set of implications involves the literature on service innovation. Our paper answers the recurrent and vibrant calls for further research on new service development (Johne and Storey 1998; Menor et al. 2002; Drejer 2004; Nijssen et al. 2006). Through the use of SDL, we propose a new framework that goes beyond either the assimilation or the demarcation approaches. We propose and test three drivers of these new knowledge applications: collaborative competences (i.e., the capability to involve customers and business partners in the innovation process); a dynamic capability of market orientation (i.e., the joint presence of market and innovative orientation); and knowledge interfaces (i.e., the role of contact personnel and that of integration mechanisms). One of the most interesting findings is that, except for contact personnel, the other predictors show a different effect on innovation according to the type of outcome (number of innovations vs. innovation radicalness), implying a complex nexus of relationships. The fact that the involvement of contact personnel is a recurring driver of service innovation offers an important insight for the service marketing literature: treating employees as an operant resource in the innovation process may have robust and positive effects on firms’ performance via innovation outcomes. The use of two measures for assessing innovation outcomes also reveals that radicalness is the only element with a significant main effect on firm performance, while the volume of innovations has an enhancing effect the magnitude of radicalness. This partially confirms the view that, in general, the sheer number of innovations can be considered a hygiene factor in the service domain (Kirca et al. 2005), while only radical innovative efforts can have a significant impact on performance. Yet, it also reveals that a frequent and consistent non-radical effort acts as a multiplier of the effect of radicalness.

A third contribution relates to the role of collaborative competences. Our findings suggest that the involvement of external players in the innovation process may have a many-sided effect. Customers seem to positively
act as constant idea generators, increasing the volume of innovations, although their contribution does not seem to be capable of affecting the level of radicalness of the innovations. The opposite happens for business partners, whose involvement is associated to more radical yet less frequent innovations. Yet, when customers are highly involved, business partners’ involvement starts to have an effect on the volume of innovations as well. These findings offer empirical evidence supporting theoretical streams that broadly call for more open systems (Chesbrough 2003) and customer-active paradigms (Von Hippel 1976). By shifting our focus from goods (where these paradigms were introduced and tested) to services, and by distinguishing innovations from innovation success, we provide a clearer and richer picture of the set of relationships between external players’ participation and innovation outcomes.

A fourth contribution of our study is to the literature on market orientation. Various metaanalyses and reviews to date provide mixed empirical evidence regarding the relationships among market orientation, innovation, and performance; and, most articles dealing with market orientation seem to start with the premise of mixed evidence.
Yet, there is agreement that two things have been overlooked in literature exploring the link between market orientation and performance: temporal sequentiality, and non-sporious associations (Hunt 2002). Our analysis addresses both these neglected conditions and provides a robust estimation of the effects of market orientation. First, we have a time-lag structure to measure the impact of market orientation on performance via innovation; and second, we explore the role of market orientation in a broad nomological network (Baker and Sinkula 2005). Our findings extend recent findings of Menguc and Ahu (2006) on the link between market orientation, innovativeness and performance, and reveal that market orientation – directly and in interaction with innovative orientation – is associated with more radical innovative efforts, and that its effect on performance is only partially mediated by the innovation route.

**Managerial Insights**

Our analysis also offers some insights for service managers. First of all, our data suggest that in order to improve performance via innovation outcomes, service managers first have to “look outside” the core organization, especially when the offering is a service bundle provided through a network of players. Successfully changing complex bundles of services requires the active participation of business partners that provide critical services in the bundle. On one side, customers usually do not separate quality assessment among single providers in a service bundle: hence, the involvement of business partners can help ensure that all the changes in the service bundle are aligned and fit with customer requirements. On another side, the growing complexity and micro-specialization of these service bundles make the focal organization sometimes far removed from the periphery of the network, thus rendering them less capable of capturing and interpreting stimuli for change.

Second, benefits from innovation activity also come from “looking inside” the service organization. Our analysis suggests that employees are an extraordinary tool to absorb market knowledge, and that their experience is crucial for designing new services. Their involvement in the innovation process ensures a continuous effort as well as a positive contribution to more radical ideas. With appropriate incentives, contact employees can be the closest and the most receptive resource for customers, but without being too prone to their current requirements. Knowledge becomes the very essence of any service provision, and service managers should pay attention to how knowledge flows within the organization. The presence of mechanisms to store the experience developed in earlier launches and to share the knowledge coming from different sources increases the chance that new services are purposeful applications of knowledge to satisfy customers’ needs.

Third, our analysis suggests that service managers also have to “look at themselves.” The cultural inclination of top management plays a fundamental role in pushing the service organization toward a significant innovative effort. When the implementation of the marketing concept is coupled with a genuine proactive inclination, the firm develops a dynamic capability that can transform a mere market-driven organization into a market-driving one. In a sense, this dynamic capability keeps the organization on a future-oriented path, avoiding being too prone toward current customers. In another sense, this dynamic capability helps to anchor the pro-active drive to market, reducing the risks of a purely supply-driven innovation effort. In short, this dynamic capability is one of the ingredients that can handle the critical tensions between proactive and reactive market orientation, when companies “must lead and be led at the same time” (Atuahene-Gima et al. 2005).

Finally, our analysis suggests that the radicalness of innovations is more important than the volume of innovation activity, but also that the latter can amplify the effect of the former. Managers should carefully consider this interactive effect, which means that a continuous stream of even small innovations is more than a simple necessary condition to survive, because it helps to build a more balanced innovation outcome and to increase the rate of success of more radical initiatives. In short, incremental and radical service innovations can be considered neither as alternatives nor as purely additive phenomena, but as complementary ones.

**Limitations and Future Research**

First, our model was tested in a single industry. In spite of the benefits this choice, and even though the hotel industry can be considered as a prototype for several service domains, our findings should be generalized with care. In particular, contexts where self-service activity is more pronounced or where the role of technology is dominant may require integrations and/or amendments to our model. It would be instructive to examine the proposed framework in a different service domain or across a variety of service domains. It would also be interesting to test the same model in the context of manufacturing firms that offer services.

Second, given that ours was an inaugural attempt to invoke the SDL propositions in order to derive a model for explaining service innovation, it is possible that we missed some other potential drivers of innovation, and that the picture may be more complex than in the proposed model. In this case it would be interesting to come back to the SDL and try to exploit all its potential in terms of antecedents and consequences of (service) innovation. We believe that the adoption the SDL is one of the most promising avenues for future research in the marketing field.
countries and regions of the world. Replicating the analysis in larger markets or with a cross-country perspective might also help to mitigate potential concerns about the relatively small sample size in the current analysis.

**REFERENCES**


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WILL THEY STAY OR WILL THEY GO? CUSTOMER INTENTIONS TO FOLLOW WHEN SERVICE WORKERS BOLT

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Tom J. Brown, Oklahoma State University, Stillwater

SUMMARY

Service industries as disparate as beauty parlors and law offices share a common malady: customers who follow defecting service workers to new firms. Each year thousands of service workers move on to a new place of employment, forcing their regular customers to decide whether to stay with the old firm or follow the worker to the new firm. The revenues at stake are naturally enormous and managers need to understand how customers make the decision to use another of the firm’s service workers or follow the defecting worker.

The literature on customer to service worker relationships is extensive (Agustin and Singh 2005; Eisingerich and Bell 2007) but is dominated by work done from the company’s perspective (Gwinner et al. 1998; Palmatier et al. 2007b). Within this literature, the work done on intentions to follow a defecting worker is sparse (Palmatier et al. 2007a), particularly when approached from the customer’s perspective (Bove and Johnson 2006). We propose in this paper a way to address the intention to follow from the customer’s perspective.

Customer affinity to a particular service worker grows out of the delivery of exceptional customer value (Parasuraman and Dhruv 2000). If the customer believes the defecting worker is singularly able to provide the accustomed value and that he or she cannot receive similar value from another worker at the original firm, the temptation to follow the defecting worker will be strong. But what makes a service worker stand out as a singular source of value to the customer and not appear to be simply another member of a homogeneous group of competent providers? A model of this process should address the social, competency and creative aspects of value delivery in the customer to service worker relationship. We propose that positivity, expertise, and taste surrogacy determine service worker singularity and the resulting intentions to follow the defecting worker. Further, the performance ambiguity of the service provided will moderate the effects of expertise and taste surrogacy on the singularity of the service worker. This will provide a different perspective on customer intentions to follow than is presently modeled in the literature.

Literature

Many researchers presume that overall satisfaction (an affective response) is driven by performance, and that performance evaluations reflect the perceived qualities of features or attributes (a cognitive response) of the product such that there is a cognitive-affective-conative response during a high involvement service purchase process (Chiou and Droge 2006). This implies that information is followed by feelings and in turn behavioral dispositions form (Dick and Basu 1994). Oddly enough, the customer’s choice criteria features do not always align with the features that drive satisfaction (Oliver 1997). But this is not the only oddity about satisfaction. There have been substantial attempts to link satisfaction with customer loyalty, which at first glance would seem to be an obvious connection, but empirical investigation does not always bear this out (Mittal and Lassar 1998). Repeated attempts to link loyalty firmly to satisfaction have been equivocal. After initially employing satisfaction in loyalty research, some began to question its central role and in particular whether it is the key antecedent of loyalty (Oliver 1999).

The antecedents of intentions to follow are not clear from the satisfaction and loyalty literature, though these constructs, along with quality, customer needs and other concepts would seem to share a common domain (Oliver 1997). Attempts to understand intentions to follow using traditional constructs such as trust, commitment and loyalty have been partially successful but have not yet produced a well-proven model (Bove and Johnson 2006; Palmatier et al. 2007a).

Model

The three constructs of Positivity (mutual friendliness and caring that contributes to the positive nature of the service encounters), Expertise (ability of the service worker) and Taste Surrogacy (the ability to determine and deliver the service desired in terms of artistic, risk or fashion characteristics) are posited to determine a new construct, Singularity of the Service Worker (the degree to which the consumer believes he or she could not receive the same value from another service worker). The effects of Expertise and Taste Surrogacy on the Singularity of the
Service Worker are expected to be moderated by Performance Ambiguity (the difficulty the consumer has in understanding what service is required and how the service is performed). Finally, the Singularity of the Service Worker is expected to determine the Customer Intentions to Follow the Service Worker. References are available upon request.

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IF ONE STEPS OUT OF THE PHALANX: ANALYZING LEADERS’ INFLUENCE ON SALES FORCE AUTOMATION ADOPTION WITH A FOUR SOURCE DATASET

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SUMMARY

Nowadays, salespeople are confronted with increasing demands in the fields of product complexity, customized solutions, and technological innovations. Thus, sales forces are widely provided with applications of sales force automation (SFA henceforward) tools. It has been argued that the use of SFA enhances the performance of salespeople and thus can accrue a competitive advantage. However, dedicating huge financial resources to SFA tools often goes hand in hand with failure rates of 55–75 percent of such projects. The major reason for such failure rates seems to be the missing adoption of SFA tools by the sales force. Against this background, understanding why SFA tools are adopted or rejected to a certain extent is an important issue.

In search for explanations of such low adoption rates, research started to investigate determinants of SFA adoption. Studies in this area have primarily concentrated on antecedents at the salespeople’s level. However, despite a salesperson’s degree of freedom concerning the SFA adoption decision, superordinates may be influential on salespeople’s SFA-related attitudes and behaviors. Given this fact, it is surprising that the effect of superiors’ adoption on salespeople’s SFA adoption has not yet been examined with multilevel frameworks in previous research.

Against this background, the purpose of this study is to develop and empirically test a multilevel model on salespeople’s SFA. The key proposition of our model is that in order to achieve salespeople’s SFA adoption, both the adoption by direct superordinates (e.g., sales managers) and higher level superordinates (e.g., sales executives) are necessary. In addition, we examine in how far commonly tested determinants of SFA adoption at the sales force level can be transferred to superiors’ levels.

In our analysis, we compare different sources of antecedents of a salesperson’s SFA adoption. On the one hand, we examine the effect of major determinants of the classical Technology Acceptance Model (TAM) at an individual level (within-level). On the other hand, based on social influence theories, we examine leaders’ impact on subordinates by their own SFA adoption (cross-level). This means that we additionally integrate a potential driver of SFA adoption in our conceptual framework which we suppose to exert an incremental influence on SFA adoption. Specifically, we suppose that this driver impacts over and above the determinants of the classical TAM on SFA adoption.

In order to test our framework, we conducted a large-scale empirical investigation based on a four-source dataset. This implies that we employed data from four distinct sources: regional managers, sales managers, salespeople, and objective firm data on SFA usage. Our results provide evidence that the major antecedents of the Technology Acceptance Model do not exclusively explain SFA adoption at the salesperson’s level but can be applied to superior levels as well.

Besides, we found a significant influence of both, the superordinate sales manager’s SFA adoption as well as the sales executive’s SFA adoption on salespeople’s SFA adoption. That is, the SFA adoption on both superior levels directly influences the SFA adoption of salespeople. Thus, it can be followed that the hypothesized cross-level influences indeed have an incremental impact on salespeople’s SFA adoption which goes beyond the within-level effects.

The key finding with managerial relevance is that superiors’ SFA adoption affects salespeople’s SFA adoption. Thus, top managers should strive for the adoption of a new SFA tool at several hierarchical levels. Consequently, the same attention needs to be directed to salespeople’s superiors as to the sales force itself. In particular, salespeople’s SFA adoption will rank highest in case that the endeavor of ‘getting all leaders on board’ has been accomplished successfully.
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MANAGING SALES TECHNOLOGY-RELATED CHANGE MECHANISMS: A COMMITMENT AND COPING PERSPECTIVE

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SUMMARY

Sales organizations are undergoing formidable changes and the implementation of sales technology (ST) represents a strategic priority in complex and costly initiatives that seek to forge information technologies with people and processes in pursuit of sustainable competitive advantage. These ST-related changes stimulate a myriad of psychological responses that are vital to their success. This paper builds on the psychological, organizational change, information technology (IT), management, and sales literatures. Specifically, it proposes and tests a theoretical model of the interrelationships among the psychological responses associated with ST-related change (i.e., multi-component conceptualization of commitment to ST-related change and coping with change), and how, in turn, those attitudes influence salesperson ST infusion and sales performance. Data from 323 sales representatives across 22 European-based pharmaceutical sales forces generally support the posited model.

Theory and Hypotheses

Consistent with the relevant literature (e.g., Herscovitch and Meyer 2002), this study takes a person-oriented change approach to investigate ST adoption and its consequences. Thus, our emphasis is on the psychological mechanisms that individuals invoke to cope with and commit to ST-related change. Following an extensive review of the literature and several related studies and additional interviews with salespeople and sales managers, we identified two important constructs from recent research: (a) coping with change and (b) commitment to change, which constitute the psychological mechanisms relevant to ST implementation. We conceptualize commitment to ST-related change as a three-component construct comprising three distinguishable facets: affective, normative, and continuance commitment to change (Herscovitch and Meyer 2002). Coping with change refers to “an employee’s evaluations of a need for changes in the organization, perceptions regarding their ability to cope with such changes, and their perceptions of themselves as initiators of change” (Judge et al. 1999). Based on several lines of inquiry across diverse literatures we develop hypotheses positing that psychological mechanisms influence a salesperson’s ST infusion (i.e., full system use), which, in turn, affect both his/her behavioral and outcome performance.

Research Methods

Data were collected from salespeople working in the Greek pharmaceutical industry; salesperson names and addresses were provided by a mailing-list broker specialized in the prescription-based pharmaceutical industry. We randomly selected 800 salespersons from the list. Salespeople received questionnaires via mail. A total of 323 usable questionnaires were returned, representing a response rate of 40 percent.

Analysis

Measurement scales were subjected to confirmatory factor analysis, which indicated that measures possess adequate psychometric properties. Structural equation modeling was then employed to assess the hypothesized model relationships. The fit statistics indicated that the conceptual model fits the data well (RMSEA = .083; NNFI = .86; CFI = .87; SRMR = .088).)

Discussion and Implications

The present study integrates previously unexamined constructs from the wider psychological, organizational change, IT, management and sales literatures into a comprehensive framework. That proposed model delineates how ST-related change mechanisms can be managed successfully. Overall, the posited model delineates affective and continuance commitment have differential effects on sales behaviors. Surprisingly, although normative and continuance commitment are the major drivers of effective ST implementation, affective commitment does not have a statistically significant effect on ST infusion. We also found that normative commitment has a positive influence, whereas continuance commitment exerts a negative influence on ST infusion. Moreover, the results suggest that coping with change behaviors are positively related with both ST infusion and salesperson performance. The findings of our study have important implications for both theory and practice. References are available on request
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CRM SOFTWARE USE AND CUSTOMER SERVICE: ANTECEDENTS AND OUTCOMES

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SUMMARY

Customer relationship management (CRM) is a process addressing all aspects associated with identifying customers, creating customer knowledge, building customer relationships, and shaping organization and product perceptions. While managers often assume that CRM consists simply of a software application for managing customer relationships, research suggests that successful deployment of CRM software is merely a necessary condition for firm performance and does not distinguish high-performing firms from their peers. The organizational resources known as relational information processes (RIPs), which are the specific routines a firm uses in managing customer information to establish and maintain long-term relationships with customers, are key in CRM success. RIPs are more important than CRM technology use in increasing customer satisfaction and retention in that CRM technology use has no direct effect on customer relationships, but does enhance the effect of RIPs on customers.

How is this firm-level result reflected at the service employee level? That is, what is the impact of CRM software in the delivery of customer service? Prior research has examined the impact of role stressors on job performance for call center agents and other customer service personnel. However, despite the importance of CRM in delivering firm and customer value, and the substantial annual investments in CRM information technology, the impact of CRM software in the delivery of customer service has not been examined empirically. This research attempts to fill this gap by examining how CRM software impacts job performance relative to customer service knowledge.

The performance of customer service employees (CSEs) is generally measured in terms of productivity and quality. Productivity measures include number of customers served, customer wait times, and products sold. Quality reflects the manner in which service encounters proceed—customer problems resolved correctly and pleasantly? Service quality consists of three factors: role-prescribed customer service (expected customer service employee behaviors), extra-role customer service (discretionary behaviors that extend beyond formal role requirements), and cooperation (helpful behaviors directed toward other workgroup members). While productivity is easier to measure than service, sole focus on productivity is problematic because it does not sufficiently capture service and may lead to insufficient understanding of service performance and customer purchase intentions.

An important characteristic of boundary-spanning personnel impacting job performance is that of customer orientation. Rather than focusing on the attitudinal dimension of customer orientation, this research focuses on the behavioral dimension. Specifically examined as potential antecedents of job performance is the role of CSEs’ knowledge regarding customer service and regarding the CRM software used. Knowledge structures, particularly the procedural knowledge structures associated with sequences of events and actions commonly associated with customer service, are important because they distinguish more effective from less effective CSEs. In addition, several potential antecedents of customer service and CRM software use knowledge bases are examined: empathy, management commitment to service quality (MCSQ), and technology readiness.

The data used to test the hypotheses were collected from CSEs (call center agents and face-to-face service employees) in two different industries—automotive and banking. CSEs responded online to survey items related to their customer service and CRM software knowledge, empathy, technology readiness, and MCSQ perceptions. After the CSEs completed the survey, their supervisors were contacted and asked to rate the CSEs’ job performance. The sample size is 282.

Confirmatory factor analyses were conducted first to ensure the constructs exhibited acceptable reliability levels and discriminant validity. Subsequently, the hypotheses were tested using structural equation modeling, which revealed support for four of the five hypothesized relationships. Only the direct hypothesized relationship between CRM SW use knowledge and CSE performance is not supported. However, CRM SW use knowledge exhibits an indirect effect on performance through customer service knowledge. Further, the results suggest that only particular dimensions of each construct are operational in the nomological network. Specifically, only the perspective taking dimension of empathy and the empowerment dimension of MCSQ are associated with customer service knowledge. However, the three dimensions of MCSQ are significantly correlated with each other and the SEM
analysis suggests training and rewards may be antecedents of empowerment. Of the four factors conceptualized to comprise technology readiness, only the accelerating dimension of innovativeness is significantly associated with CRM SW use knowledge.

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CUSTOMER RELATIONSHIP MANAGEMENT CAPABILITY: ANTECEDENTS AND ITS IMPACT ON CRM PERFORMANCE

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SUMMARY

Customer Relationship Management (CRM) is increasingly regarded as a strategic option to achieve and maintain sustainable competitive advantage by forging closer relationships with valuable customers (Day 2000; Day and Van den Bulte 2002). Consequently, research on an organization’s CRM capability (CRMC) as means to achieve this competitive edge and its relationship to performance outcomes is of increasing interest to marketing researchers. To date, only few studies examined the CRMC consisting of multiple elements and investigated its impact on performance outcomes more specifically (e.g., Day 2000; Coltman 2006). Such research is needed to understand why some firms are much better than their competitors at managing customer relationships and how they achieve CRM superiority that enables them to gain competitive advantage (Day and Van den Bulte 2002; Jayachandran et al. 2005). Likewise, only few studies exist that analyze how a superior CRMC can be developed (Day and Van den Bulte 2002). Hence, research on the dimensions that comprise a CRMC, their antecedents, and related outcomes would provide valuable insights in terms of how to develop a superior CRMC that can lever business performance. (Day 2000; Day and Van den Bulte 2002; Jayachandran, Hewett, and Kaufman 2004).

Customer Relationship Management Capability Model

Based on the work of Day and Van den Bulte (2002), the first goal of the study is to extend the conceptualization of the CRMC and to test its relation to CRM performance empirically. We conceptualize a CRMC as the essential capability of an organization in order to achieve superior CRM performance. An examination of the literature on capabilities in CRM (e.g., Plakoyiannaki and Tzokas 2002; Day and Van den Bulte 2002; Coltman 2006) and an examination of recent practice-oriented studies relating to this issue suggest that a CRMC is composed of multiple dimensions. As a result of an extensive literature review and interviews with knowledgeable managers, we identified three distinct elements of a CRMC: knowledge management, organizational alignment, and interaction management, whereas each is expected to have a positive effect on CRM performance. Furthermore, marketing literature focuses on customer orientation, the “set of beliefs that puts the customer’s interest first” (Deshpandé, Farley, and Webster 1993), an antecedent to the CRMC. Moreover, recent research suggests that IT infrastructure acts as an antecedent to CRMC similarly (Coltman 2006). Therefore, our second goal is to evaluate the role of IT infrastructure/relationship orientation in CRM by treating them as antecedents to a CRMC. Thereby, new insights as to how to develop a CRMC will be provided.

Methods, Results, and Discussion

The questionnaire was personally mailed to a sample of 2,000 CEOs, chief marketing, and MIS executives drawn from a commercial address database. In total, we obtained 231 usable questionnaires. To test our hypotheses, we decided to use a covariance structure modeling approach.

As our results show, all three elements of the CRMC have a significant positive effect on CRM performance. Organizational alignment and interaction management seem to have a larger effect on CRM performance than knowledge management. Most surprisingly, interaction management has been so far neglected in current CRM research. Our empirical model also shows that all the three key constructs are significantly positively affected by an organization’s IT infrastructure and relationship orientation. While IT infrastructure seems to be of utmost importance in terms of developing a firm’s interaction and knowledge management, its effect on organizational alignment is comparably small. In contrast to this, organizational alignment is highly affected by a firm’s relationship orientation, while the latter still strongly relates to knowledge management and interaction management. As such, organizations should adopt a more comprehensive approach when implementing CRM and need to focus on knowledge management, alignment, and interaction management issues that enable them to be ahead of competition. Particularly, our empirical results indicate that organizations should put great emphasis on adapting their organizational structures, functions, and processes to market imperatives and to develop an organization’s ability to deliver and provide customers with consistent, relevant, and appropriate interaction sequences during the relationship lifecycle, while capturing, managing, and delivering reliable customer knowledge only rudimentally.
affects CRM performance. From a managerial point of view, organizations should emphasize its technological advances as well as strengthen the whole organization’s orientation toward relationships in order to establish a sustainable CRM. References are available upon request.

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SUMMARY

The question of customers’ satisfaction has been of central interest for marketing scholars and practitioners for decades (Oliver 1997). Customer satisfaction legitimately represents an important prerequisite of repurchase intention and loyalty (Anderson and Sullivan 1993; Mittal and Kamakura 2001; Oliver 1999), which significantly influence companies’ turnover, profits, and eventually, shareholder value (Anderson, Fornell, and Mazvancheryl 2004; Gruca and Rego 2005; Mittal et al. 2005). Longitudinal research demonstrates that a one-point increase in customer satisfaction increases firms’ cash flows by $55 million (Gruca and Rego 2005). In the modern context of greater marketing accountability, the “financialization” of the marketing field is on its way regarding the growing hegemony of the finance function (Lehmann 2004; Rust et al. 2004). Among the most pressing issues that chief financial officers face, reducing days’ sales outstanding (DSO) – that is, the average number of days a company takes to collect revenue from business customers after a sale – is key (Collins 2003), because uncollected invoices seriously degrade cash flow positions (Bragg 2005). The Credit Research Foundation estimates that, on average, one DSO represents a lost opportunity cost of $10,000 per day, or $3.65 million per year (Leone 2006). Thus, determinants of companies’ DSO require careful tracking and management (Asselbergh 1999; Collins 2003).

Yet market-based assets, such as customer satisfaction, rarely are captured in accounting and financial figures (Aaker and Jacobson 1994; Lehmann 2004; Srivastava, Shervani, and Fahey 1998). In turn, the Marketing Science Institute has called for deeper investigations of the links between marketing initiatives and financial performance, as well as searches into relevant monitoring metrics (Lehmann and Reibstein 2006). Postconsumption research tends to address positive consequences of customer satisfaction, largely ignoring potential negative financial effects of dissatisfied and disloyal customers (Gupta and Zeithaml 2006; Luo and Homburg 2007). Even if we might infer potential adverse monetary consequences of low customer satisfaction or loyalty, we still know little about how companies’ accounting and financial results may be at stake (Rust et al. 2004). The ability to predict customer defection and thus avoid undesired bottom line–related issues remains of paramount interest for both practitioners and academics (Oliver 1997; Zeithaml 2000). As regrettably noted by Chandrashekaran and colleagues (2007), the anticipation of customer defection seems to remain an elusive goal. In her comprehensive research agenda, Zeithaml (2000) raises the question: “How can defection-prone customers be identified?” Almost a decade later, her question remains unanswered, and warning systems that can determine potential defection of customers continue to represent a vain ambition (Oliver 1997, 1999; Reichheld 1996; Zeithaml 2000).

This article proposes a possible solution to the problem of appraising and predicting business customers’ disloyalty that does not rely only on traditional post-hoc customer satisfaction surveys, whose inability to explain customer defection is widely recognized (Chandrashekaran et al. 2007; Lehmann and Reibstein 2006; Reichheld 1996). By considering the potential relationship between customer dissatisfaction and companies’ cash flow deceleration (Gruca and Rego 2005; Srivastava, Shervani, and Fahey 1998), this research posits that dissatisfied customers may delay their invoice payments, which influences companies’ DSO, and thus provide a signal of their intention to leave. Because such cash flow holding hurts companies’ financial results, customers who engage in such actions may demand a cautionary approach and careful treatment to reduce DSO. Concurrently, DSO appears worth the attention and cooperation of both marketers and financiers who must monitor dissatisfied customers; it thus represents a potential new metric to detect defection-prone clients.

Multiple sources data collected from more than 580 business customers of a large service organization reveal that front-end customers’ (buyers’/users’) perceived fairness and satisfaction influence back-end customers’ (accountants’/payers’) satisfaction and delay payments, after controlling for financial difficulties and invoice correctness. The results also reveal a positive relationship between late payments and customers’ intention to leave.

To the best of our knowledge, this article represents the first attempt to investigate directly and theorize about the relationships among business customer dissatisfaction, DSO, and potential disloyalty. It proposes and tests a marketing/accounting framework of possible explanations of companies’ DSO. In doing so, this study provides another perspective on how marketing initiatives may
help chief financial officers to reduce DSO and contribute to shareholders’ wealth by improving firms’ cash flow positions and save on borrowing costs. Hence, such findings add to the ongoing effort to legitimize the accountability of marketing through the customer management angle and contribution (Moorman and Rust 1999; Srivastava, Shervani, and Fahey 1998; Srivastava, Shervani, and Fahey 1999; Rust et al. 2004). The results supply academics and practitioners from both the marketing and finance disciplines with some challenging insights for further study and discussion. References are available upon request.

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ORGANIZATIONAL BUYERS’ VALUE PERCEPTION IN UNCERTAIN PURCHASING SITUATIONS: AN EMPIRICAL STUDY

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SUMMARY

Business marketers dedicated to creating customer value should understand how their customers assess value under uncertain buying situations, because many organizational buying decisions are hampered with buyer uncertainties. Considering the paucity of research in this area, we develop and empirically test a conceptual model dealing with different (i.e., mediating, and moderating) effects of decision-making uncertainty on organizational customers’ value perceptions. Guided by a relational perspective of perceived value (cf., Ralvald and Gronroos 1996), we examine the antecedents of value perceptions at both the transactional level (i.e., episodic benefits and costs) and relational level (i.e., relational benefits and costs).

Episodic benefits refer to the core procurement benefits (functional or utilitarian benefits) and supplementary services benefits perceived by an organizational customer pertaining to a particular purchase episode. These benefits are important to any purchase and the fundamental reasons why an exchange takes place, no matter the purchase is with a first time supplier or a long-time supplier. Relational benefits are utilities beyond the core performance and supplementary services that the customer can obtain from the formation, development, and maintenance of a long-term buyer-seller relationship. They are often unavailable or irrelevant in discrete transactions but represent where long-term suppliers can differentiate their offerings from first-time suppliers. Our study confirms the existence and importance of at least four groups of relational benefits: confidence, interpersonal goodwill, customization, and supply stability.

Episodic costs refer to product costs (i.e., price) plus transportation, installation, operating, maintenance, and replacement costs. These costs are expended in each and every purchase episode, and prior expenditures of their nature have limited value for subsequent transaction episodes. Relational costs are resources committed to initiating, managing, and dissolving a buyer-supplier relationship. Once the organizational buyer incurs a certain amount of relational costs in dealing with a supplier, there is no need to spend a similar amount of these costs over and again in each subsequent purchase episode.

Our findings show that organizational customers place more emphasis on episodic benefits and relational costs in assessing value in high (than low) uncertainty situations; and conversely, they rely more on relational benefits and episodic costs in low (than high) uncertainty situations. Uncertainty also affect perceived value though its direct negative effects on perceived episodic benefits and relational benefits and direct positive effects on perceived relational costs and episodic costs.

Our study makes three important contributions to marketing research on customer perceived value. First, our study empirically investigated the value perception process with a relational perspective, by considering both transactional and relational antecedents of customer perceived value (cf., Ralvald and Gronroos 1996). Second, our research shows that perception of benefits and costs is subject to situational, product, organizational, and personal influences - particularly in the way those factors influence decision-making uncertainty. Third, our study confirms the existence and importance of at least four groups of relational benefits: confidence, interpersonal goodwill, customization, and supply stability.

In seeking to create customer value, marketers have to recognize that relational benefits and costs do play an important role in the buyer’s overall value assessment on and above the effects of episodic benefits and episodic costs. Therefore, marketers should develop strategies and create programs to enhance the buyer’s perception of these relational benefits and reduce relational costs. If marketers identify their prospective customer as besieged by high levels of uncertainty, then the best strategy is to emphasize the product’s episodic benefits in all promotional materials including face-to-face communications. In situations of high uncertainty, marketers should emphasize high quality and other episodic benefits under conditions of high uncertainty. In situations of low uncertainty, marketers should work hard to decrease episodic costs of the purchase. Therefore, marketers should develop programs designed to impress customers with the fact that episodic costs of their offering are low and communicate these low costs to the customers. Furthermore, marketers should make every attempt to foster a good relationship with customers. This is because relational benefits are very important in the perception of...
value in low uncertainty situations. For example, marketers can develop a program to ensure the stability of supply and communicates this assurance to their customers. Marketers are also advised to develop and implement strategies that serve to reduce decision-making uncertainty at large.

Key words: Decision-making uncertainty, customer perceived value, organizational buyer behavior, relationship marketing, perceived relational benefits, perceived relational costs, perceived episodic benefits, and perceived episodic costs.

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KNOWLEDGE ORIENTATION: THE KEY ROLE BETWEEN MARKET ORIENTATION AND INNOVATION IN THE SUPPLY CHAIN

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ABSTRACT

This research introduces a new construct, knowledge orientation, to indicate firms’ desire to acquire and willingness to disseminate knowledge. The authors develop a model regarding the key role of knowledge orientation in the supply chain and suggest that market orientation fosters organizational innovation by enhancing knowledge orientation in the supplier-manufacturer-retailer partnership.

INTRODUCTION

Learning mechanisms improve innovation performance (e.g., Grant 1996; Nonaka and Takeuchi 1995), and market orientation, embedded in organizational culture, facilitates a firm’s learning process (Slater and Narver 1995). Specifically, market orientation is positively associated with knowledge acquisition and dissemination in the learning process by expediting knowledge distribution (Day 1994), encouraging market knowledge dissemination (Kohli, Jaworski, and Kumar 1993), and improving quality of gathered knowledge (Slater and Narver 1995).

However, several questions in this area remain. First, some prior studies assume that market oriented organizations are willing to share their knowledge with each other. We challenge the assumption by claiming that firms may not want to share knowledge they carry so as to be more competitive. Therefore, desire to acquire and willingness to disseminate knowledge become the prerequisite in learning process. Second, marketing scholars (e.g., Kohli et al. 1993) conceive of market orientation as a composite construct (i.e., customer orientation, competitor orientation, and interfunctional coordination). The three components exert different effects on organizational performance (Han, Kim, and Srivastava 1998). Customer orientation and competitor orientation may distinctively influence managers’ decisions on operating their businesses, since they provide different benefits (Gatignon and Xuereb 1997). As a result, examining them separately may provide more insights into the critical role of market orientation. Third, much preceding research concentrates on knowledge distribution within a market-driven organization, but to some extent ignores the likelihood that interfirm knowledge flow can be facilitated by market orientation, too. “A [market-oriented] business must be careful not to underestimate the potential contributions of other learning sources, such as suppliers, businesses in different industries…” (Slater and Narver 1995, p. 68).

The objective of our research is to assess the extent to which the firm’s customer and competitor orientations, as part of the organizational culture, influence knowledge orientation, which is defined as firms’ desire to acquire and willingness to disseminate critical knowledge for their organizational innovation. According to Damanpour (1991), organizational innovation is conceptualized as the rate of adoption of internally generated or purchased process, product, or service that is new to the organization compared to its competitors. We maintain that knowledge orientation plays a key role in the relationship between market orientation and innovation at the interfirm level. We explore the triadic link of customer and competitor orientations, knowledge orientation, and innovation between organizations. Supply chains provide us with a useful context to examine these issues, since interfirm communication plays a crucial role within it. The manufacturer is the focus of our research. Centering on the manufacturer, the supply chain is divided into two sets of activities: upstream and downstream. The two sides have different types of knowledge in a supply chain. Specifically, we discuss: (1) How do customer and competitor orientations motivate the manufacturer’s desire to acquire the supplier or retailer’s knowledge? (2) How do the supplier and retailer’s customer/competitor orientations prompt their willingness to disseminate knowledge to the manufacturer? (3) How does knowledge orientation between supply chain members impact the manufacturer’s organizational innovation? (4) Does environmental turbulence moderate the relationship between customer/competitor orientations and knowledge orientation in a supply chain? The remainder of our paper is structured as follows: research background, conceptual development, and discussion.

RESEARCH BACKGROUND

The Triad of Market Orientation, Learning, and Innovation

Studies on market orientation in various contexts have shown that the generation of market intelligence, effective inter-functional dissemination of the intelligence, and responsiveness to opportunities or challenges are aspects of market orientation that lead to substantial competitive advantages and superior performance (Kohli
ness processes in the supply chain to enhance product and relevancy that require the coordination of various business processes in the supply chain to enhance product and service offerings (Bowserox, Closs, and Stank 2000). Market orientation therefore provides positive forces to influence knowledge sharing. These forces, as inherent motivations, can result in ongoing, multidirectional knowledge sharing between supply chain partners.

Wang et al. (2008) suggest that, to ensure that all channel members benefit from the marketplace, partners in the supply chain need to improve their competences to maintain a continuous learning process. The learning process involves a set of activities of knowledge acquisition and dissemination (Hult et al. 2004). Anderson and Weitz (1989) point out that channel members support the manufacturer’s innovation by helping conduct market research and educate customers about its new products. Rindfleisch and Moorman (2003) imply that knowledge flow between channel members is important to new product development because vertical cooperation facilitates generation of “fresh” knowledge and enhances trust. Indeed, interorganizational knowledge sharing in the supply chain may enhance channel members’ capabilities for continuous innovation (Soosay, Hyland, and Ferrer 2008).

The exploratory work of Hurley and Hult (1998) suggests that innovativeness, organizational learning, and market orientation collectively contribute to firm performance. Building on the work on market orientation, Helfat and Raubitschek (2000) find that learning processes and innovations positively link up with performance. By defining the relations among market orientation, innovation, and organizational learning, Moenaert and Caeldries (1996) discuss that proactiveness in satisfying customers and anticipating their needs requires a complex web of information sources. Blazevic and Lievens (2004) present learning as a mediator between market orientation and innovation, where innovation is seen as emerging from information processing activities, which form a knowledge base. These researchers however do not discuss effects of environmental turbulence on innovation performance. Extant research has paved the way for an extension of the investigation of market orientation, organizational learning, and innovation with moderating influences of environmental turbulence in the context of a dynamic supply chain environment.

Knowledge and Innovation in the Supply Chain

Focusing on the manufacturer and its innovation, we limit our attention to the body of research concerning upstream and downstream partners’ knowledge contributions to the manufacturer’s innovation performance. The core elements of market orientation are an organization’s culture that focuses on satisfying customer needs (Homburg and Pfleeser 2000). Creating value for customers involves combination of effectiveness, efficiency, and relevancy that require the coordination of various business processes in the supply chain to enhance product and
Extending the learning network to the downstream side, Hakkio and Laaksonen (1998) suggest that the manufacturer and retailer sometimes lack shared product meanings. The distorted perception can necessitate frequent communication between them. Anya and Mittendorf (2004) show that, since retailers are unlikely to misunderstand environmental changes, a manufacturer may utilize return policy rather than lower price to acquire a retailer's knowledge about market conditions. Kulp (2002) develops a model to examine a retailer's willingness to share its internal information with the manufacturer and precision and reliability of the information. She finds that the manufacturer and retailer hold different information concerning consumer demand, and consequently high willingness of the retailer to share information can strengthen the relationship with the manufacturer. In conclusion, suppliers and retailers have different types of knowledge to facilitate manufacturers' innovation activities and performance. In our study, we examine the three roles within the supply chain (i.e., supplier-manufacturer-retailer) and respectively discuss upstream and downstream knowledge orientation from the manufacturer's perspective. Next, we develop our conceptual model and hypotheses.

CONCEPTUAL FRAMEWORK

Customer Orientation and Knowledge Orientation

Figure 1 shows our conceptual framework. Customer orientation stimulates the manufacturer to generate and disseminate knowledge regarding customers (Kohli et al. 1993). The prerequisite is to accurately understand customers (Danneels 2003). Although the manufacturer can directly obtain information from its customers, fully understanding their needs is often a costly and inexact process (Thomke and von Hippel 2002). Since the retailer occupies an information-rich position by being closest to end users in the supply chain, the manufacturer with strong customer orientation is motivated to acquire knowledge about customers from the retailer. Acquiring knowledge from the retailer may be an efficient and effective way for the manufacturer to develop new products. Even when customers know precisely what they want, they often cannot transfer that information clearly. Retailers can therefore play the role of interpreter to translate customers' meanings. This situation further enhances the customer-oriented manufacturer's willingness to acquire knowledge from the retailer. On the other hand, the retailer seeks to be more competitive and to gain increasing market share by introducing new products (Liu and Davies 1997). To facilitate the manufacturer's new product development, the customer-focused retailer is motivated to disseminate a high volume of relevant knowledge to the manufacturer: customer needs, preferences, and expectations. In addition, strong ties between the retailer and its customers can enhance its motivation to sell innovative products, thereby encouraging it to distribute knowledge to the manufacturer for innovation. The retailer will in this case observe that the synergies gained from disseminating the knowledge about customers would strengthen its position in relation to the market. Therefore, we expect that customer orientation facilitates knowledge orientation on the downstream side in the supply chain.

H1a: Customer orientation of the manufacturer is positively related to its desire to acquire knowledge from the retailer.

H1b: Customer orientation of the retailer is positively related to its willingness to disseminate knowledge to the manufacturer.

Because the customer-focused manufacturer places high priority on finding ways to provide endusers with superior customer value (Han et al. 1998), the commitment leads them to constantly learn from their customers to stimulate continuous innovation (Deshpande et al. 1993). Immediate responsiveness to new customer needs and new products requires technological support. Suppliers' knowledge helps manufacturers meet changes in customers' expectations, especially when suppliers have current knowledge relevant to new knowledge required by the manufacturer for its innovation (Joshi and Campbell 2003). Cumulative knowledge acquired from suppliers is beneficial to manufacturers' knowledge creation (Appleyard 2003), and firms that create and use knowledge efficiently and effectively are able to innovate faster and more successfully (Cavusgil, Calantone, and Zhao 2003; Dickson 1992). As a result, there is a possibility that focusing on customers enhances the manufacturer's desire for greater knowledge from its upstream partners. Once the manufacturer initiates knowledge acquisition from the supplier and the supplier responds by disseminating knowledge, the quality of knowledge is enhanced. According Siguaw, Simpson, and Baker (1998), a supplier with customer focus can affect the norms of the relationship by the motivation for cooperation to satisfy mutual goals of meeting end-user needs. The manufacturer is also the supplier's customer and a customer-oriented supplier will be dedicated to serve the manufacturer and therefore will be willing to meet its knowledge needs for innovation. As a result, we anticipate that customer orientation facilitates knowledge orientation on the upstream side in the supply chain.

H2a: Customer orientation of the manufacturer is positively related to its desire to acquire knowledge from its suppliers.

H2b: Customer orientation of the supplier is positively related to its willingness to disseminate knowledge to the manufacturer.
Competitor Orientation and Knowledge Orientation

Market orientation requires a firm not only to meet customers’ needs, but also to provide better products than its competitors. Operating in an environment of intense competition can lead to a competitor orientation that drives the firm to deliver superior value compared to its competitors. Competitor orientation generally addresses three questions: which competitors, what technologies, and whether customers perceive them as alternatives (Slater and Narver 1994). With the aim of doing better than others, managers are likely to disproportionately place the most emphasis on tangible and visible evidence, and therefore technology becomes the focus of firms with strong competitor orientation (Han et al. 1998). In addition, Clark and Montgomery’s (1999) study indicates that a focal firm identifies its competitors by using a supply-based method (i.e., attributes of competing firms) more frequently than demand-based method (i.e., attributes of customers). The finding seems to imply that the competitor-focused manufacturer highlights upstream rather than downstream knowledge, since the former concentrates on technologies while the latter highlights customers. As a consequence, competitive advantages resulting from innovation will be achieved when the manufacturer forms a strong knowledge orientation with its supplier to facilitate more systematic decision-making and exploitation of new knowledge before competitors do so. Thus, we expect that competitor orientation only facilitates the manufacturer’s desire to acquire knowledge from the supplier.

H3: Competitor orientation of the manufacturer is positively related to its desire to acquire knowledge from the supplier.

The Moderating Effects of Environmental Turbulence

Environmental uncertainty creates opportunities and threats, necessitating the manufacturer’s abilities to continuously learn to keep pace with new product development. Thus, we examine the moderating role of market turbulence and technological turbulence. According to Han et al. (1998), market turbulence is defined as uncertainty caused by heterogeneity in consumer preferences, and technological turbulence is defined as uncertainty caused by irresolution of industry technological standards. In a turbulent market, the manufacturer’s willingness to acquire knowledge from its immediate downstream partners becomes essential for rapid response to customers’ needs. Responding to their needs speeds up the manufacturer’s pace to provide innovative products, which can be facilitated by supplier involvement. In face of technological changes, the manufacturer’s first response may be to adapt to the fast-changing technological settings for its new product development. At the same time, however, the manufacturer may still hold prior perceptions of customers if the market is not as uncertain as the technology. As noted earlier, customer orientation turns the manufacturer’s attention to the issue of how to provide innovative products to customers, while competitor orientation influences how to achieve competitive advantage by employing better technologies than rivals. Accordingly, market turbulence should strengthen the customer-oriented manufacturer’s desire to acquire knowledge from both upstream and downstream partners, while technological turbulence strengthens the competitor-oriented manufacturer’s desire to acquire knowledge only from upstream partners. Therefore, we expect that market turbulence moderates the relationship between customer orientation and knowledge orientation on both sides in the supply chain and that technological turbulence moderates the relationship only between competitor orientation and knowledge orientation on the upstream side.

H4: Market turbulence positively moderates the relationship between the manufacturer’s customer orientation and its willingness to acquire knowledge from (a) the retailer and (b) the supplier.

H5: Technological turbulence positively moderates the relationship between the manufacturer’s competitor orientation and its desire to acquire knowledge from the supplier.

Knowledge Orientation and Organizational Innovation

In this study, we examine how a firm’s inherent motivation affects the organizational innovation through its tendency to share knowledge. Consistent with Damanpour’s (1991) definition, organizational innovation refers to the rate of adoption of internally generated or purchased process, product, or service that is new to the organization compared to its competitors. We define knowledge orientation as the desire to acquire knowledge and willingness to disseminate knowledge. Market orientation, as the cultural foundation of a learning organization, exerts positive effects on new product success through knowledge acquisition and dissemination (Slater and Narver 1995). The prerequisite is that firms are willing to share their knowledge. Within the market-oriented culture, knowledge orientation does not only represent the give-and-take of knowledge, but also places emphasis on a firm’s inclination to share critical knowledge for innovation. We use the term “critical” because not all knowledge is fundamental to the development of new products. The dissemination and acquisition of knowledge that is not relevant is costly and time-consuming. As a result, critical knowledge refers to knowledge required by the manufacturer for its adoption of innovation. The knowledge flow is bilateral. The supplier’s and the retailer’s
willingness to disseminate critical knowledge is also influenced by their respective customer/competitor orientations.

In a supply chain, the manufacturer may acquire critical knowledge from the supplier and retailer to create superior value for customers by rapidly responding to their needs for new products. Suppliers and retailers could disseminate desired knowledge to facilitate the manufacturer’s adoption of innovation, but the acquisition and dissemination of knowledge depend upon whether such an inclination exists. It is the firm’s knowledge orientation that leads it to contribute to the knowledge flow in a timely and accurate manner. Strong knowledge orientation between the manufacturer and its upstream/downstream partners results in the right grasp of market and technological requirements, thereby stimulating new and diverse ideas and creating expertise in new areas that exceeds existing organizational competencies. The manufacturer is therefore likely to benefit from strong knowledge orientation in the supply chain, since knowledge orientation leads it to receive critical knowledge required for its innovation.

H6a: Knowledge orientation between the manufacturer and its supplier is positively related to the manufacturer’s organizational innovation.

H6b: Knowledge orientation between the manufacturer and its retailer is positively related to the manufacturer’s organizational innovation.

SUMMARY AND DISCUSSION

Our study introduces knowledge orientation, the desire to acquire and willingness to disseminate critical knowledge. Notably, we use the term “knowledge” rather than “information” because we examine the willingness, but not actual sharing activities. When a channel partner actually shares knowledge with the manufacturer, the latter needs adequate absorptive capabilities to transform the information it obtains into its own knowledge (Lane, Koka, and Pathak 2006). Our aim is to examine how the market-oriented culture affects the willingness to share what one has (i.e., knowledge). Therefore, knowledge, rather than information, becomes our focus. We focus on how the two core components of market orientation (customer vs. competitor) foster knowledge orientation, and highlight the crucial role of knowledge orientation in the learning process and the function of knowledge orientation to obtain the critical knowledge for adoption of innovation. These research implications create a platform for future exploration of the concept of knowledge orientation in the marketing and organizational learning literature.

In addition, the study has several potential managerial implications. Knowledge orientation presents a strategic way of leveraging customer and competitor orientations of supply chain partners for the development of real-time learning processes. Intelligence generated from knowledge acquisition and dissemination will consequently be current, dynamic, and relevant. Knowledge orientation in the supply chain context will provide firms with an understanding of the positive effects of market-oriented culture on knowledge sharing. Our insights should also encourage firms to establish a market-oriented culture to enhance their effectiveness and efficiency of sharing knowledge in the supply chain and therefore improve their organizational innovation. Moreover, our research likely provides manufacturers with guidelines to select their channel partners. As our propositions indicate, customer orientation seems to have more positive effects on knowledge orientation than does competitor orientation. Therefore, to obtain critical knowledge from other channel members, a manufacturer should not only build up its own customer and competitor orientations, but also select potential partners with strong customer orientation in a supply chain.

Although measurements of most customer orientation, competitor orientation, and organizational innovation can be adopted from the literature, knowledge orientation is newly introduced in our research, and therefore does not have adequate measurement in prior studies. Consequently, measuring knowledge orientation becomes an academic challenge and also research opportunity. Prior research apparently provides us with some clues regarding the measurement of knowledge orientation. For example, the decision making literature can help us understand managers’ perceptions of others firms and their decisions on cooperating activities, such as knowledge sharing. Also, the strategy literature provides us with insights into effects of a market-oriented culture on a firm’s strategy concerning knowledge acquisition and dissemination. We believe that many previous studies can facilitate researchers’ understanding of operationalizing knowledge orientation. Moreover, we examine knowledge orientation in a triadic link (i.e., supplier-manufacturer-retailer). This may lead to a research challenge when it comes to empirical testing, since it may be difficult to collect data from all three at the same time. However, it will be interesting to investigate the three roles’ respective knowledge orientations. Empirical examination can result in more insights into knowledge sharing in the supply chain.
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Although interfunctional coordination is considered as a component of market orientation, it is conceived of as supportive activities for orientation of the firm at strategic level (Gatignon and Xuereb 1997). In addition, our research discusses how a firm learns from its external sources (i.e., other firms). Thus, interfunctional coordination is not examined in our research.

**REFERENCES**


THE EFFECTS OF PIONEERING ADVANTAGES IN BUSINESS-TO-
BUSINESS CONTEXTS: AN ALTERNATIVE APPROACH
USING PIONEER PERCEPTION

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SUMMARY

Previous studies on pioneering advantage in both consumer and business-to-business markets did not start from the buyers’ perspective (except for Alpert, Kamins, and Graham 1992). Few studies have been done using buyers’ surveys, while most studies use database or archival analysis. Studies assume that real pioneers in a specific market are the same as the companies that are perceived as pioneers by the buyers or customers. However, perceived pioneers in the survey, which buyers regard as pioneers, can be different from real pioneers. Based on a survey, this paper is going to investigate the buyers’ perception of a firm as a pioneer and relate it to four dependent variables: purchase intention, commitment, trust, and long-term relationship orientation. Rather than focusing the specific brand as a pioneer, the firm as a whole is being considered.

It is perceived that pioneers consistently have better products than competitors because they stay at the forefront of technology (Golder and Tellis 1993). The perceived pioneering firm’s brand will be chosen as a ‘safer’ brand because organizational buyers want to be sure of their large amount purchase. Considering that pioneers generally charge higher prices than later market entrants (Lambkin 1992), perceived pioneers will have much more purchase intention from the business-to-business buyers if both pioneers and followers have similar prices. Switching costs, also, will make buyers have more purchase intention toward the pioneering firm than later entrants because buyers have to pay extra when they change from the pioneering brand to later entrants. Therefore, business-to-business buyers’ purchase intention toward a perceived pioneer is bigger than perceived later entrants.

The most important antecedent to commitment is the credibility of commitment inputs, which include pledges, idiosyncratic investments, and the dedicated allocation of resources (Anderson and Weitz 1992). Later entrants, with the free rider effect, did not need to invest as much as pioneer did because they could learn from the pioneers’ mistakes. Pioneers’ bigger investments developing and introducing the products into the market is regarded as specific to a relationship with buyers. Once deployed, this investment is difficult or impossible to redeploy to another exchange in the same form (Gundlach, Achrol, and Mentzer 1995). Therefore, organizational buyers will have higher commitment to the relationship with pioneers.

Business-to-business buyers are willing to pay premium prices to suppliers only if they can ensure the product quality. Because trust requires an assessment of the other party’s credibility and benevolence (Doney and Cannon 1997), pioneering brands with the longest history in the market will have an advantage over later movers in the trust building process. In addition, because “pioneering” often creates a favorable image for the firm, the perception of higher quality is readily attributed to perceived pioneers than to later entrants. Pioneering firm, therefore, will have a bigger trust from business-to-business buyers.

Results also generally indicate that there is a positive relationship between market entry order and product quality. In particular, pioneering firms have often been shown to have higher product quality than those of later market entrants. This may be because learning effects within a market can result in pioneers offering superior products (Colvin, Slevin, and Heeley 1999). This perception of superior quality by a pioneering firm can strengthen business-to-business buyers’ intention to establish a long-term relationship (Colvin et al. 1999, p. 186). Therefore, we hypothesize that pioneer perception have positive impact on buyers’ long-term relationship orientation.

A total sample of 1,000 was selected and mailed a questionnaire with a cover letter. Respondents were guaranteed confidentiality and informed that their responses would be used for academic purposes. In order to increase the response rate, a letter from the CEO of the ISM was enclosed. No incentive was given; however, an executive summary of research findings was offered if requested. The model posits direct, positive effects of Pioneer Perception on: (1) Purchase Intention; (2) Commitment; (3) Trust; (4) Long-Term Relationship Orientation. The findings support for all of the hypotheses developed here.

The most important contribution of this study is to emphasize “Pioneer Perception,” instead of real pioneer in the studies of pioneering advantages. While most of the studies in pioneer advantages use either self-report database or history analysis, the current study tries to measure “pioneer perception” using three important characteris-
tics of a pioneer: innovativeness, R&D expenditure, and uniqueness of the product. Another contribution is to measure the effects of the pioneer perception on four important variables: purchase intention, commitment, trust, and long-term relationship orientation. Although Alpert, Kamins, and Graham (1992) tried to define pioneer perceptually in a business-to-business context, they focused on only resellers, not organizational buyers. Business-to-business buyers, however, are different from resellers.

Many companies strive to enter the market first. And entering into a market for the first time is not easy and many factors affect the firm’s entering order. However, being perceived as a pioneer is more important than the act of being a pioneer. Fortunately, being perceived as a pioneer is not so difficult. Marketers, instead of focusing on being a first entrant in the market, need to focus on having pioneer perception because perception as a pioneer has positive impacts on buyers’ long-term relationship orientation as well as purchase intention, commitment, and trust. References are available upon request.

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TRIANGULATION OF SURVEY DATA IN MARKETING AND MANAGEMENT RESEARCH: CONCEPTS, FINDINGS, AND GUIDELINES

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SUMMARY

Virtual consensus exists among organizational researchers in marketing and management that, for survey research to produce valid results and possess practical utility, it often cannot only rely on single informants. To overcome potential biases associated with the use of single informants, prior research has recommended creating a pool of different data in the study of the same phenomenon (Podsakoff et al. 2003; Van Bruggen et al. 2002). This research strategy has been named triangulation and broadly describes the use of multiple reference points to locate a phenomenon’s exact position (Jick 1979).

In the last ten years, prior calls for the use of triangulation have led to an increasing number of applications in the marketing and management literature. In a study on predictors of article impact, Bergh et al. (2006) even find that the integration of multiple data sources significantly foretells article impact.

However, despite its importance, there is surprisingly little guidance in the literature as to how to apply triangulation to marketing and management research. For example, Judge et al. (2007) lament the lack of a “definitive checklist that authors can use to ensure high quality” when integrating “data from two or more independent data sources” (p. 493). Consequently, prior research has often faced serious problems when applying triangulation.

Our analysis of triangulation practices in marketing and management research (Study 1) reveals several problems including (1) issues in reporting convergent validation (e.g., no construct-specific results, lack of clarity regarding second data, unclear time difference between first and second measurement), (2) high variability in applied validation criteria and lack of agreement on preferred criteria, (3) high variability in minimum requirements for acceptable results and lack of agreed thresholds, and (4) high variability of treatment of second data after consistency check. In addition, there is little guidance in the literature on how to deal with inconsistent results (i.e., lack of convergent validity). Thus, although some studies acknowledge and discuss these inconsistencies, others seem to just ignore them.

Another important outcome of our systematic literature analysis is a high divergence in the magnitude of triangulation criteria reported in prior applications. While data on certain constructs invariably converge, data congruence seems to be more problematic for other types of constructs. Given this variance, the question arises as to what construct-related factors are influential to the degree to which different data on the same phenomenon converge. This research question is explored in a second study, in which we build on five data sets including 96 different constructs relevant to marketing strategy. We find that indeed there are strong effects of a number of construct characteristics on key informant reliability. This result provides guidance to marketing and management researchers planning survey studies. Particularly, in research context, for which key informant agreement is predicted to be high (e.g., when objective information is available and constructs refer to non-personal, organizational phenomena), single informant designs appear to provide reliable data.

Collectively, the paper aims to make the following contributions. First, we document the number of applications of triangulation over the years and characterize these applications in terms of relevant criteria such as triangulated constructs and triangulation methods. To our knowledge, no comprehensive study on this subject exists in the marketing and management literature, and little is known about the application of triangulation. Second, recognizing that there is limited agreement as to minimum standards for triangulation, we present commonly used thresholds for various triangulation methods, which ought to provide guidance to future use of triangulation. Third, we evaluate the quality of applications of triangulation. Our in-depth analysis of a critical mass of available applications thus points to problem areas and in turn suggests avenues for improvement. Fourth, our second study heeds the call for “a more complex conception of the connection between constructs and their assessment” (Spector 2006,
Specifically, we investigate construct-related circumstances under which employing a triangulation approach seems particularly commendable for providing proof of reliable results. References are available upon request.

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COMPARING REFLECTIVE AND FORMATIVE MEASUREMENT MODELS ON THE SAME INDICATORS

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SUMMARY

While alternatives to the reflective measurement model have been evident in the literature for at least 40 years (Blalock 1964), Diamantopoulos and Winklhofer’s (2001) article on constructing formative measures changed many marketing researchers’ perspective on measurement. In the formative framework, the observable indicators are considered to cause the latent construct rather than vice-versa. Subsequent articles have expanded on the theory and usage of formative measurement across multiple organizational and social research disciplines (e.g., Jarvis, MacKenzie, and Podsakoff 2003; MacKenzie, Podsakoff, and Jarvis 2005; Petter, Straub, and Rai 2007; N. Podsakoff, Shen, and Podsakoff 2006; P. Podsakoff et al. 2003).

It is common in such literature to speculate on the incorrect specification of measures as reflective when they should be formative, and the consequences thereof (e.g., Diamantopoulos and Siguaw 2006; Jarvis, MacKenzie, and Podsakoff 2003). Such consequences purportedly include significant bias of structural parameter estimates, and the risk of Type I and II errors in statistical inferences. Accordingly, some researchers have argued that many findings in the business literature have been contaminated by researchers’ failure to apply formative models.

The present paper provides a counterpoint to such assertions. Conceptually, we argue that constructs themselves are not inherently formative or reflective. Empirically, we present illustrations which clarify some important distinctions and similarities between the two measurement models. The results show that despite their conceptual differences, formative and reflective specifications may reveal very similar relationships between constructs.

The perspective that constructs are by nature either formative or reflective does not hold with a realist ontology. This realist perspective underlies virtually all discussion of measurement in psychological and organizational research (Borsboom 2005), including the previously-cited works on formative measurement. From a realist perspective, the construct is distinct from its measure, and the nature of the construct should not be changed by its measurement. Yet, in many cases, discussions of formative measurement have considered the construct to be defined by its formative indicators, rather than existing apart from them (e.g., Jarvis, MacKenzie, and Podsakoff 2003). However, if a construct has existence apart from its measurement, then it must conceivably be possible to measure it without recourse to the formative model if necessary. The paper illustrates this argument with a hypothetical example. The results highlight a key distinction between the two models: The formative analysis emphasizes the individual effects of the formative indicators, holding the other indicators constant, whereas the reflective model emphasizes what the indicators have in common.

The paper also provides new insights on Mackenzie, Jarvis, and Podsakoff’s (MPJ, 2005) comparative simulations. MPJ emphasize comparison of the unstandardized effect of one construct on another to draw conclusions regarding the bias of treating formative measures as reflective. However, the unstandardized coefficient depends on the variances of the latent constructs, which are arbitrarily determined by how the constructs’ scales are set. Reanalysis of these simulations shows that differences in how the scales are set leads to large changes in unstandardized parameters. Equally legitimate alternative scalings reveal similar relationships between latent constructs in both reflective and formative model specifications.

As an illustrative substantive example, the paper presents a reanalysis of Law and Wong’s (1999) data comparing formative and reflective models of job perception. The two approaches yield different standardized estimates, but support consistent inferences about the significance of the relationships between constructs.

This work suggests that it may be possible to measure a construct either reflectively or formatively using the same set of indicators. Both approaches may yield similar structural estimates when latent variables are scaled appropriately. The findings do not indicate that formative and reflective measurement models produce similar results in general, because reflective measurement implies patterns of relationships among indicators that do not necessarily apply to formative measures. Nevertheless, the results run counter to earlier concerns that “a substantial proportion of the empirical results in the literature may be potentially misleading,” and they further support calls...
“for the field as a whole to think more carefully about measurement model relationships and do a better job of making sure that the measurement models used match that conceptualization” (Jarvis, MacKenzie, and Podsakoff 2003, p. 216). References are available upon request.

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IS PEER REVIEW RELIABLE? IT DEPENDS ON WHAT WE MEASURE

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SUMMARY

Publish and perish has become the norm in many academicians’ career as decisions regarding tenure and promotions depend to a large extent on publication records. Academicians therefore show strong interest in the process as well as in the criteria used for evaluating scholarly work. Considering the importance of these evaluations, one would expect the evaluation process to provide an accurate and reliable measure of the quality of scholarly work. However, previous research has shown that this is seldom the case and reviewer agreement about acceptance or rejection of manuscript submissions seems often to be more of a coincidence than to be the rule. This is because the outcome of review processes partly depends on factors other than the mere quality of scholarly work. Two important factors are the person who does the evaluations and the degree of formalization of the review process, i.e., whether manuscript evaluation is based on standardized items or on verbalized comments or on both.

The present paper focuses on occasions when the reviewing processes should be considered as a measurement of scientific quality that needs to show high reliability. The referees as well as the evaluation criteria are considered sources of error that may diminish the reliability of such a measurement. In order to address the question of dependability of the review process on those factors the present study refers to generalizability theory.

The data for the study are taken from evaluations of first submissions to a peer-review business journal that is edited in Europe. Two referees were evaluating the same two manuscripts each by commenting on the paper and by using an evaluation sheet with 18 evaluation criteria that could be answered on a 10-point scale. None of the referees were aware of the other referee nor of the fact that they were evaluating the same two manuscripts. The review process was double-blind. The data were anonymously provided by the editorial office to the author of this study.

Then, two independent coders were asked to code which criteria are mentioned in the verbalized comments using the 18 criteria from the evaluation sheet. The analysis revealed that the verbalized comments referred on average to 6.5 criteria out of 18 criteria of the evaluation sheet. Altogether, ten different criteria appeared in all four comments at least once. Four of these criteria were consistently mentioned in all four comments: contribution to theory, readership’s interest in the topic, quality of the line of argument, and completeness of literature review. These criteria are used in a G study with three facets: manuscripts, referees, and evaluation criteria.

The results show that the criteria used for evaluating manuscripts do not produce consistent results neither do the two referees. The generalizability coefficient with a value of .43 is very low. An increase of referees from two to three and to four increases the generalizability coefficient up to about .6 which is still far away from the accepted level of .9. When changing the number of criteria from four to seven and then to ten (which is the maximum number of different criteria used in all four comments at least once), the generalizability coefficient reaches a maximum value of .65. For an acceptable generalizability level, we would need either four referees and 24 criteria or three referees and 32 criteria or two referees and 48 criteria.

When all available data are used (two manuscripts, two referees, 18 criteria), the generalizability coefficients are quite high ($G_d = .95$ and $G_a = .72$).

Taken together, the results show that the reliability of verbalized comments compared to standardized evaluation sheets is quite low. Verbalized comments do not only cover a small number of evaluation aspects which has been already shown in previous studies, they are also less reliable than evaluations that are based on a standardized evaluation sheet. The criteria that were chosen for the verbalized comments are apparently those where referees mostly disagree while criteria with high agreement are not referred to in the verbalized comments.

But why do referees more likely disagree on criteria they are using for comments than on those criteria that only appear in the evaluation sheet? The criteria used for the comments differ from the rest of the criteria. Following Rossiter (2002), who describes a concept by objects (here: the manuscript), by attributes (here: the quality criteria) and raters (here: the referees), attributes can be either concrete (nearly everyone would describe this attribute identically) or abstract (the attribute suggest somewhat different things to the raters). Both coders who were coding the comments were also asked to independently describe the 18 criteria of the evaluation sheet as either concrete or abstract along Rossiter’s definitions. Ten criteria were coded as concrete (such as structure of the paper, presentation of charts) and eight as abstract
(such as contribution to theory, quality of writing). When comparing the criteria that were used at least once in the verbalized comments with those which appeared exclusively in the evaluation sheet, six out of ten criteria in the verbalized comments were coded as abstract while one out of eight criteria that appeared exclusively in the evaluation sheet was coded as abstract (Yates corrected $\chi^2 = 3.850, df = 1, p = .050$). As referees typically have to focus on a few criteria in the verbalized comments, they tend to reflect more extensively on the abstract and more complex criteria and they drop the reference to concrete criteria whose evaluations do not need further explanations. Referee agreement may be high when the referees evaluate manuscripts on standardized evaluation sheets, but reliability is low as soon as their final decision is based on a few abstract and more complex criteria in their verbalized comments since they may have different things in mind when referring to those criteria.

What are the implications of these results for the practice of peer review? Provided that reliability is an issue (which it is apparently only under certain conditions), the editors may be interested in both evaluations from referees, a standardized one and verbalized comments. Only the standardized one should be used for reliability assessment which is necessary in order to detect whether one of the referees is indeed wrong. Verbalized comments, however, do not necessarily need to show high reliability (when additionally measured with standardized items) as long as the referees focus on different aspects. References are available upon request.

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THE IMPACT OF MARKETING MIX EFFORTS ON BRAND EQUITY:
A MULTILEVEL ANALYSIS

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SUMMARY

Brand equity (BE) is regarded as an important concept in both business practice and research on consumer behavior. Companies can gain competitive advantage through successful brands (Lassar, Mittal, and Sharma 1995). In a world of increasingly homogeneous products only strong brands can defy the aggravated price competition in many markets. BE can be defined as the added value endowed by the brand to the product (Farquhar 1989). Over the last fifteen years, the concept of BE has been widely discussed (e.g. Aaker 1991; Aaker and Keller 1990; Keller 1993; Srivastava and Shocker 1991; Srinivasan, Park, and Chang 2005). A review of the marketing literature (Srinivasan, Park, and Chang 2005) on BE shows that, at a conceptual level most of the definitions of BE are broadly consistent with Farquhar’s definition (1989). Unlike the consensus at the conceptual level, efforts to measure BE differ largely (e.g. Park and Srinivasan 1994; Simon and Sullivan 1993; Yoo and Donthu 2001; Srinivasan, Park, and Chang 2005). Furthermore, little empirical research has been addressed to which marketing activities influence BE. Yoo, Donthu, and Lee (2000) claim, that the focus has been on the exploration of BE, not on its sources and development. In their study, they investigate the relationships between selected marketing-mix elements and BE on a perceptual level for shoes, camera film, and television set brands. Their findings suggest that advertising spending and distribution intensity relate strongest to BE.

This study extends their work by investigating the effects of observable marketing-mix effort in the case of automobile brands using secondary data for 14 automobile brands that constitute nearly 90 percent of the car market and a sample of 5,331 consumers in Germany. Given the hierarchical structure of the data, hierarchical linear modelling (HLM) is an adequate method for analysis and hence applied in this study. Hence, we estimate a two level model as follows:

Level 1: In accordance with Keller (1993), we assume two basic dimensions that influence BE: Brand awareness and brand image, whereas brand awareness has two dimensions. We test the following three hypotheses:

\[ H_1: \text{Brand awareness/associations (BAA) has a positive effect on BE.} \]

\[ H_{2a}: \text{Functional brand image (FBI) has a positive effect on BE.} \]

\[ H_{2b}: \text{Hedonic brand image (HBI) has a positive effect on BE.} \]

Level 2: At the brand level, companies have different marketing-mix instruments to influence BE. We therefore hypothesize the following:

\[ H_{3a}: \text{Distribution intensity has a positive effect on the level of brand equity.} \]

\[ H_{3b}: \text{Advertising expenditures have a positive effect on the level of brand equity.} \]

\[ H_{3c}: \text{Product quality has a positive effect on the level of brand equity.} \]

\[ H_{3d}: \text{Price promotions have a negative effect on the level of brand equity.} \]

Results show that at the customer-level, BE is influenced by HBI, FBI, and BAA, lending strong support to hypotheses 1, 2a, and 2b. The variance explained by the model is 51.88 percent. More interestingly, results at level-two reveal that the intercept of the regression is significantly (at .05-level) influenced by the marketing efforts “distribution density (DD)” and “product quality (PQ),” and moderately significantly influenced by “price aggressiveness (PA)” (.1-level). There is no significant influence of “advertising spending” (AS) on the level of overall brand equity. These results lend support to hypotheses 3a, 3c, and 3d, while hypothesis 3b has to be rejected. The two control variables, “number of cars (CP)” and “country of origin (COO)” have no significant impact. Based on these results, the overall brand equity (BE) can be estimated as follows:

\[ BE = \beta_0 + 0.901 \times \text{(HBI)} + 0.747 \times \text{(FBI)} + 0.179 \times \text{(BAA)} + r \]

with

\[ \beta_0 = 5.077 + 0.168 \times \text{(DD)} + 0.186 \times \text{(PQ)} - 0.028 \times \text{(PA)} + u_0 \]
Findings from a hierarchical linear model confirm that price-promotions have a negative impact on building brand equity while distribution intensity and the quality of products have a positive influence. Our results show that advertising spending is not related to building brand equity which provides proof for the long-term character of brand equity. Managers need to consider that in their attempt to improve BE for their brand. References are available upon request.

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EFFECTS OF BRANDED ALLIANCES ON CONSUMER ATTITUDES: DOES THE NUMBER OF ALLIES MATTER?

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SUMMARY

In the field of branded alliances, alliances involving more than two brands are increasingly common. Examples are global alliances in the airline industry such as Oneworld and Star alliance, and customer loyalty schemes such as Nectar and Air Miles. Little is known about the benefits of such multi-partner alliances for the brand images of its constituent partners. Extant research has empirically demonstrated the benefits of brand alliances for brand equity. Different situations of brand alliances have been tested, such as two partners with a "host" brand, a primary unknown brand with multiple reputable allies, and cause-brand alliances. However, little research has examined branded alliances, in which a brand alliance is given a brand name that in turn is endorsed by multiple equal-status partner brands.

The major characteristics of a branded alliance are that it (1) normally involves more than two partners, (2) is given a separate brand name, and (3) there is no focal or host partner brand. Given these unique features, some important questions await exploration. How do branded alliances affect consumers’ attitude toward the different partner brands? And how does the number of allies matter for a branded alliance? The present study aims to explore these issues. We identified only one study that explicitly examined a brand alliance with more than two partners (Voss and Gammoh 2004), which found that the second ally did not increase focal brand evaluations relative to the single ally condition, though it increased evaluations relative to the no ally condition. The present study is different from Voss and Gammoh’s (2004) study in three aspects. First, their study examined a brand alliance with a focal and master brand, while we investigated brand alliances without master or dominating brand. Second, their study did not examine alliances with more than three partner brands, whereas we did. Third, rather than investigating the main effect of the number of partners on partner brand attitudes, as Voss and Gammoh (2004) did, we focus on the effect of the number of partners on the process through which the brand alliance influences partner brand attitudes. Simonin and Ruth (1998) and others have established that several factors, like fit, attitude towards the alliance, and familiarity of the brands, determine to what degree partner brand attitudes will be influenced by the brand alliance. We investigate the way in which the number of partners moderates the effects of these factors.

Our study compares alliances with two, three, and five partners, and investigates the role of brand familiarity in determining the influence of the branded alliance on consumer attitudes toward the partner brands. To test our hypotheses, we conducted two experiments. In these experiments, participants were asked to evaluate a multi-partner branded alliance. The product we used for this alliance was a loyalty card which was endorsed by several companies in diverse industries. The branded alliance (loyalty card) was given a fictitious name: Green Reward Card. The idea behind such a multi-partner loyalty card is that consumers can collect credits from a number of retailers and other companies, which they can later exchange for goods. Our study confirms that branded alliances with multiple partners also affect consumer attitudes toward the partner brands, consistent with research on two-partner alliances (e.g., Rao, Qu, and Ruekert 1999; Simonin and Ruth 1998). Second, we also confirm that the spillover effect of brand alliance is moderated by brand familiarity. However, the direction of this effect is opposite to that found in previous research (Simonin and Ruth 1998). Third, the moderating effect of brand familiarity in turn depends on the number of allies within a branded alliance. For two-partner branded alliances, the spillover effect of the alliance is stronger for the less-familiar partner brand, while for branded alliances with more than two partner brands, more familiar partner brands tend to benefit more from the brand alliance.

One explanation for our finding that attitude toward the branded alliance has a stronger influence on partner brand attitude when consumers are more (rather than less) familiar with the focal partner brand could be that some of the branded alliances in our study involved more than two partners, whereas brand alliances in Simonin and Ruth’s (1998) study had only two partners. Indeed, we find a significant moderating effect of the number of partners in the alliance on the role of brand familiarity. For the two-partner branded alliance, consistent with Simonin and Ruth’s (1998) result, the less familiar brand tends to benefit more from the alliance than the more familiar brand. However, for branded alliances with more than two partners, the more familiar partner brands benefit more from the alliance, while less familiar brands benefit less. This could explain why overall, the moderating role of brand familiarity on the effect of the alliance attitude was positive in our study, rather than negative. The moderating effect of the number of partners that we observed could be explained by the concept of information over-
load. More partner brands implies more brand information to which people are exposed. A higher number of alliance partners could, therefore, actually reduce the ability of people to remember that a less familiar brand was part of the alliance (cf., Brown and Rothschild 1993). It seems likely that the negative effect of information load is stronger for unfamiliar brands than for familiar ones, because familiar brands are more easily accessible from memory.

Besides the spillover effect of brand alliance, we also tested the effect of pre-alliance brand attitude, and observed a significant moderating effect of brand familiarity on the effect of pre-alliance brand attitude. That is, for more familiar brands, the relationship between the brand attitude before exposure to the alliance and the attitude after exposure to the alliance is stronger than for less familiar brands. This result can be explained by the attitude stability of familiar brands. However, while the attitudes and images of less familiar partner brands are less stable over time than those of more familiar partner brands, this does not mean that less familiar brands are also more susceptible to the influence of the image of the branded alliance than more familiar brands. As suggested by our results, more familiar brands are actually more strongly affected by the attitudes toward branded alliances with more brand allies. A lower stability in attitudes for less familiar brands apparently does not always manifest itself in a larger influence of brand cues like a branded alliance, but could also merely manifest itself in random fluctuations in the attitude measure (see Putnam, Leonardi, and Nanetti 1979). References are available on request.

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WORD-OF-MOUTH: DEVELOPMENT OF A MULTIPLE ITEM SCALE

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SUMMARY

Word-of-mouth (WOM) marketing has become a key focus for many organizations, given the decreasing trust customers are placing in organizations and advertising. Against this background, academic research into WOM has failed to keep pace with managers’ escalating interest in the topic. Despite a recent surge in interest in WOM, there has been very little empirical research into the message style itself.

WOM has been defined as informal communication between private parties about goods or services (Anderson 1998). In line with this definition, several researchers have measured WOM in terms of the number of people to whom WOM was given and/or the frequency of such mentions (e.g., Eliashberg et al. 2000; Godes and Mayzlin 2004; Liu 2006; Westbrook 1987). However, such a definition fails to address WOM’s power and scope. Anderson (1998) appears to have been the earliest and one of the few researchers to recognize the importance of WOM content, suggesting WOM can vary in terms of its vividness, pleasantness and novelty and the extent to which it conveys a sender’s experiences in the case of positive WOM and product denigration, relating unpleasant experiences, rumor, relating unpleasant experiences and private complaining that may underlie negative WOM. However, he did not consider these aspects in his WOM measure using a similar measure to that used by Westbrook (1987) and others (i.e., he used counts or the number of people to whom a person spoke about a particular supplier). Other researchers, such as Eliashberg et al. (2000) and Godes and Mayzlin (2004), similarly note that WOM content was likely to be influential, similarly proceeded to measure WOM in the traditional manner. The present study was an attempt to bridge these gaps as it:

1. Enriched the conceptualization of WOM by focusing on message content.
2. Explored the salient facets of WOM content from the viewpoint of a WOM-giver, by developing an incident specific WOM scale with good measurement properties.

Given the focus on message content, it is important to address message characteristics in a particular incident in which WOM is given or received as such incidents are the basic WOM building blocks. Consequently, the WOM incident was the unit of analysis used in the present paper. Further, a services context was chosen as WOM is likely to be more important as it acts as a risk reliever in such situations (Ennew, Bannerjee, and Li 2000; File, Cermak, and Prince 1994).

Method and Results

We conducted three stages of research, a qualitative phase to generate items relating to WOM content, and two quantitative studies to refine the WOM scales. The first of these two comprised 500 people selected from the database of our industry partner in the project, a credit society, who had received positive WOM in the preceding six months and the second 501 people from an online consumer panel who had received negative WOM in the preceding 6 months. In both cases respondents were asked to think of a service context, contexts ranged from cafes and restaurants, to business services. The analysis, which followed DeVellis’s (2003) procedure for scale development, suggested three themes: cognitive content, which reflects the extent to which the message conveys rational elements such as reliability, and the extent to which it the message is specific, informative and clear. This is the logical appeal of a message. The second theme was termed richness of content and concerned the illustrative nature of the message through the content. This theme was represented by terms such as elaborate, explicit, intense, and reinforcing. This reflects the emotional appeal of the message through the content. The final theme was strength of delivery, which concerned the emphasis on message delivery and was reflected in items such as “my message was delivered powerfully” or “in a strong way.” This theme also reflects an emotional appeal, but through delivery rather than content.

The 12-item measure (4 items per theme) was both reliable and valid in both positive and negative WOM contexts. Criterion-related validity was also examined in relation to antecedents such as service quality and perceived value, as the primary message content invariably is based on perceptions of these core concepts. Specifically, we included various value aspects, including social and emotional value, as well as the more common value-for-money measure. The pattern of correlations of these antecedents and the WOM dimensions showed that the impact of various dimensions of service quality and value on the three WOM dimensions, varied according to whether the giver’s experience was positive or negative. Currently
we are investigating the application of the scale to receivers of positive and negative WOM, and are finding support for the scale in these contexts.

Discussion

In the present study we developed a parsimonious and psychometrically sound three-factor scale (emotional intensity of the message, the cognitive quality of the message and the strength of the message) that addresses the delivery of a WOM message. The 12-item scale was found to be reliable and valid not only in the context of giving positive WOM, but also in the context of giving negative WOM. Thus, the scale is unique in its generalizability across contexts, and can be used to compare positive and negative WOM messages. This has powerful implications for service providers, who are now able to compare both positive and negative messages. If our receiver results are supported, as we expect them to be, the scale will also have applications for measuring the effectiveness of the messages from a receiver viewpoint.

The study offers a new perspective on WOM measurement and offers suggestions for future research, as well as practical implications for service providers. References are available upon request.

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TOWARD A BRAND VALUES SCALE: CONCEPT AND FIRST EMPIRICAL STEPS

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SUMMARY

In modern consumer societies brands are closely tied to cultural context (Holt 2002; McCracken 1986). Therefore, brands contain meanings that go far beyond functional characteristics. Consumers have become more and more culturally competent, being able to “read” even complex brand meaning (Bengtsson and Firat 2006). Values are frequently named as being a central element of brand meaning. While it has been common for a long time to speak of brand values in the literature on branding (Aaker 1996; Kapferer 2008; Keller 2008), an increasing number of empirical studies underscoring the relevance of a brand values construct have only recently been published (Allen 2002; Allen et al. 2008; Quester et al. 2006; Strizhakova et al. 2008). However, this concept is not well-developed. Consequently, a sound instrument to measure brand values does not exist.

This paper addresses these important gaps in two ways. First, we offer a framework for conceptualizing brand values that builds on the work of Schwartz (1992) in the field of human values. Second, we report the methodology and results of three studies as steps toward a brand values scale.

The first study’s objective is to assess the fit of the formulation of the original Schwartz value items in the brand context. The German version of the SVS (Schwartz 1992) was distributed among 64 undergraduate and graduate students as well as marketing faculty members of a German university. The results indicated that with regard to the brand context there was a need to reformulate the items. Additionally, most indicators of the Schwartz value type conformity might generally not be well-suited.

Study 2 seeks to gain insights into how the Schwartz value types are understood in a branding context. Thus, a focus-group interview with a panel of nine marketing experts was carried out aimed at evaluating more deeply the suitability of the value types and at understanding which categories of brands might be strongly related to certain brand value types. Looking at the picture as a whole, – with the exception of conformity – all Schwartz value types were first of all overwhelmingly accepted as being suitable for brand values. This also went along with numerous brands being named as reflecting these value types. Second, the semantic interpretation of some value types (i.e., tradition, universalism, achievement, power, and security) seems to differ significantly from Schwartz’s (1994) original definitions. Last but not least, these findings pointed strongly to how potential improvements of the item and task formulation could better adapt the SVS to the brand context. A further review panel consisting of 12 marketing experts tested the list of reformulated items for the wording as well as their breadth of applicability. The findings showed that most value items are suitable for a wide range of brands, that some apply to only a few brands, while others seemed to be generally inadequate for describing brands. Consequently, the latter were eliminated.

Finally, in Study 3 the resulting questionnaire with 39 items was subjected to a survey aimed at quantitatively testing the refined brand values items. The goal was to conceptualize brand values using the insights of Studies 1 and 2 as well as the literature on human value conceptualizations and value-related consumer behavior. A sample consisting of 99 undergraduate and graduate students from three universities in East and West Germany had to evaluate four brands from significantly different categories which were relevant for students. Each respondent was asked on five-point rating scales to indicate to what extent each of the items was descriptive of the respective brand. The data analyses performed include exploratory and confirmatory factor analysis and MDS. The findings suggest the existence of nine different brand value types and indicate that brands can be differentiated on this basis.

In total, the application of the value concept to the brand context is clearly viable. Values are meaningfully associated with brands and brands in turn are associated with Schwartz value types. Furthermore, we provide evidence for additional brand values not covered by a scale exclusively based on Schwartz values. References are available upon request.
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CONSUMER RACIAL PROFILING IN RETAIL ENVIRONMENTS: A LONGITUDINAL ANALYSIS OF THE IMPACT ON BRAND IMAGE

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SUMMARY

Racial Profiling and Retailing

Retail front-line employees may deviate from idealistic behavior by engaging in racial profiling of consumers as a means to curtail shoplifting. Consumer racial profiling is, “a type of differential treatment of consumers in the marketplace based on race/ethnicity that constitutes denial of or degradation in the products and/or services that are offered to the consumer” (Harris, Henderson, and Williams 2005, p. 163). Retailers that encourage consumer racial profiling can not only fail in their efforts to minimize shoplifting, but end up tarnishing their brand. Although racial profiling of retail consumers is ubiquitous, research examining its effects is lacking (Harris, Henderson, and Williams 2005). We examine consumer immediate and short-term brand responses when exposed to consumer racial profiling, and explore how personal moral philosophy and marketing communications influence changes in brand image over time.

Methodology

Data Collection Procedure. Undergraduate business students (N = 145, females = 51%, Whites = 59%, Hispanics = 34%) at a southwest U.S. university were surveyed during regularly scheduled classes. To assess responses toward retail companies that use racial profiling to minimize shoplifting, students viewed a taped 15-minute segment that aired on NBC Dateline. This episode revealed racial profiling of shoppers by employees in prominent apparel retailers – Banana Republic, Eddie Bauer, and Polo.

To assess the effect of marketing communication influence on brand responses toward retailers that racially profile customers, our experimental design included two groups; the control group (N = 55) completed a questionnaire, measuring personal moral philosophy and brand image of the three retailers, before and then again immediately after viewing the vignette. The manipulation group (N = 90) completed the same questionnaires; however, after viewing the vignette and prior to completing the second questionnaire, the researcher distributed news releases pertaining to shoplifting national statistics and appropriate retail responses to shoplifting. To examine the lasting effect of racial profiling of customers on brand image perceptions, one month later all students completed the brand image scales for the three retailers.

Results

An EFA was assessed at two times: for time one (immediately following the vignette) and for time two (30 days after viewing the vignette). The resulting factor solutions for brand image (T1 and T2) (7-point, 7-items), idealism (T1) (9-point, 7-items), and relativism (T1) (9-point, 6-items) showed items loading highly on the appropriate factors and with no meaningful cross loadings. The measurement data was subjected to a multi-group, multi-time analysis. Items were aggregated to three parcels per latent construct to examine the structural model (Little et al. 2002). The fit of the baseline single group, 3-time period configural model was satisfactory, as was the baseline 2-group, 3-time period model. Furthermore, all the factor loadings were significant across the two groups and three time measurements, demonstrating adequate configural invariance and acceptable model fit.

Hypotheses Tests. The hypotheses were evaluated by latent difference score SEM modeling (McArdle 2001) using LISREL 8.72. Overall, the model estimates confirm the influence of immediate marketing communications on consumer reaction to retail racial profiling. In particular, the decline in brand image is attenuated by marketing intervention both immediately after viewing an event, as well as 30 days after the event.

We examined personal ethics as a moderator of brand image outcomes across the three brands and three time periods. As recommended by Little et al. (2006), product terms were regressed onto other indicators to create centered residuals. These residuals were subsequently used as indicators for orthogonal interaction latent variables in the LDS longitudinal model. The results indicate that consumer relativism fails to moderate changes in retail brand image and that idealism significantly moderates the immediate and short-term brand image shift.

Implications

This study highlights the importance of immediate communicative action to lessen the brand image impact of perceived unethical events. Also, to manage a potential negative image shift from a suspect event, corporate
managers may need a segmented approach that addresses general concerns for relativistic consumers and reempha-
sizes prosocial activities for their idealistic segment.

**Future Research Directions**

Different research tools, such as ethnographic meth-
ods, could be used to assess how retail shopper’s experi-
ences are influenced by racial profiling (Healy et al.
2007). Also, the effects of various forms of consumer racial profiling (e.g., avoidance) (Williams, Henderson,
and Harris 2001) on consumer brand responses appears
worthy of inquiry.

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EFFECTS OF FIRMS’ PRE-COMPLAINT HANDLING ACTIONS ON CONSUMERS’ COMPLAINT RESPONSES UTILIZING A GOAL-DRIVEN MODEL

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SUMMARY

The value of consumer complaints as consumer-initiated market information has been increasingly recognized by researchers and managers. Accordingly, firms have tried a number of methods (e.g., making clear remedy policies and providing free 800 numbers) to encourage consumers to voice complaints. However, the effects of these pre-complaint handling policies and actions on consumers’ complaint intentions and corresponding consumers’ complaint behaviors (CCBs) have seldom been theoretically conceptualized and empirically examined. As a result, little is known about how these practitioners’ handling actions could influence consumers’ choice of behaviors, their evaluations of these actions, and which procedure is the best for companies to follow. In an attempt to close this knowledge gap, this conceptual paper establishes a goal-driven model for CCBs and provides a theoretical explanation for the effects of firms’ pre-complaint handling actions on CCBs.

Based on Bagozzi and Warshaw’s (1990) work, this paper proposes that CCBs are intermediate goal-directed behaviors as customers are thought to conduct CCBs in order to achieve desired goals (e.g., seeking redress or venting). In other words, CCBs (e.g., complaint voicing) are conceptualized as implementation acts that increase the probability of achieving a goal (e.g., seeking redress). Although consumers may have multiple goals for CCBs, this paper focuses only on the goal process of seeking redress. It also centers solely on cognitive aspects of the goal process. Hence, this paper employs Bagozzi’s (1992) two-step goal-driven model to provide a theoretical framework.

According to Bagozzi (1992), the first step of goal-driven behavior is goal setting. It is a pre-decisional, deliberative phase involving the formation of a desire and establishment of a goal intention. According to this model, in goal setting appraisal, four attitudinal antecedents are assessed: attitudes toward success, failure, and process, and expectancy of success. In this study, we propose that seeking redress is a major goal of consumers’ complaint behavior, and the appraisal within these four dimensions determines consumers’ intentions to achieve this goal.

By linking the determinants of goal setting with firm-controlled environmental factors, this paper extends Bagozzi’s (1992) goal model. Because goals can be activated by the environment, we propose that information in companies’ redress environment about the accessibility of complaint channels, the responsiveness of service employees, and the availability of remedy policies can activate consumers’ goal of seeking redress. These cues allow consumers to project a company’s responsiveness to their own problematic issues including potential hassles and rudeness that they might experience as well as the potential time and effort that may be involved in the complaint process (Bolfing 1989). This conjecture may facilitate or suppress consumers’ goals of seeking redress. Because the four attitudinal dimensions of goal setting are proximal determinants of desire or goal intention, we suggest that they mediate the effects of situational cues on goal intention.

After consumers set their goals, we propose that the second step of goal-driven behavior is goal striving. In this phase, consumers evaluate different means and choose the best course of action to reach their goals. Because when consumers want to obtain redress they must complain to sellers, the model purports that consumers’ goal intentions of seeking redress is positively related to their intentions to voice complaints. However, it is suggested that the activation of a specific goal not only increases individuals’ preferences for the means that are instrumental for achieving the specific goal (valuation effects), but also decreases their preferences for options that are unrelated to the specific goal (devaluation effects) (Brendl, Markeman, and Messner 2003), and the activation of the primary goal suppresses other unrelated and conflicting goals (Shielding effects) (Shah, Friedman, and Kruglanski 2002). Therefore, if consumers’ goals of seeking redress are activated, they are predicted to be less likely to pursue such alternative courses of unrelated or conflicting actions as negative WOM, exit, and third party actions.

Overall, the paper proposes that information about firms’ complaint handling actions in the redress environment serves as environmental cues and may activate consumers’ goals of seeking redress. The activated goal of seeking redress is suggested to, in turn, increase consum-
ers’ complaint voicing through goal setting and goal striving mechanisms. At the same time, due to the devaluing and goal shielding effects, the activation of the goal of seeking redress may reduce other negative CCB responses such as exit, negative WOM, and third party actions.

This paper makes a contribution to the existent complaint literature by developing a model that explains motivational mechanisms and goal processes underlying CCBs. Moreover, it provides a theoretical explanation for the effects of organizational pre-complaint handling actions on CCBs by attempting to close the gap in the extant literature which currently holds a shortage of studies on the effects of companies’ strategies on CCBs, especially in the pre-complaint stage.

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SERVICE FAILURES AND CUSTOMER FORGIVENESS IN THE HEALTHCARE SECTOR

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ABSTRACT

The study investigates forgiveness as consumers’ stress appraisal and a coping response to service failures in the healthcare sector. We conducted in-depth interviews with fifteen healthcare patrons who had experienced a negative service incident. The findings suggest that forgiveness has varied interpretations. Some customers do not acknowledge the existence of forgiveness in a business setting, whereas others recognize forgiveness as a coping strategy but show signs of decisional rather than emotional forgiveness.

INTRODUCTION

The hospital is worse [in relation to service failures] because that’s where people go when they are sick and people die in a hospital. You do not go there because you want to shop or go overseas, you go there because you are sick and there’s a chance you can die . . . you need extra care, extra attention. [Laura]

Laura’s statement reveals the nature of health services and emphasizes two aspects of these services. The first aspect is related to service use and patronage. It is apparent that customers do not attend healthcare services voluntarily but rather out of necessity, frequently experiencing uncertainty, fear, and vulnerability. This quote identifies all the dissimilarities between healthcare and other services: the customers’ illness, reluctance to use the service, and a choice made out of necessity demand high levels of both medical professionalism and human compassion. These characteristics of health care services are noted by Berry and Bendapudi (2007) as very intrinsic ones, which demonstrate the need for specific attention to this area of research as “no other service sector affects the quality of life more than health care” (p. 121).

Given that the stakes are often quite high: a patient’s health or even life is at risk, people generally express a greater concern for the services and consequently stronger emotional, cognitive, and behavioral responses to any mishaps. Even though mistakes and errors are a risk in any service delivery, customer reactions to and mechanisms for coping with service failures are of particular interest because they provide potential answers as to how to alleviate the consequences of negative incidents in service encounters, which will to some degree always be inevitable.

The purpose of this study is twofold. First, we examine customer emotional and behavioral outcomes as consequences of service failures. Second, we investigate the role of forgiveness as a coping strategy that customers employ in appraisal of and dealing with negative service incidents.

FORGIVENESS AS A COPING STRATEGY

Forgiveness is a well-developed concept with a long history originating in theology. Recently, it has been applied in the fields of moral development, philosophy, psychotherapy, and in developmental psychology (Enright 1994). Forgiveness has received much attention in psychological research as one of the ways humans respond to stress. It is a widely promoted and clinically applied form of coping or healing that follows transgressions in various forms of relationships. Although there is no one established definition of forgiveness (Worthington et al. 2007), it is broadly understood as a process of decreasing “inter-related negative resentment-based emotions” (Malcolm and Greenberg 2000), associated with “motivation/behavior” (McCullough et al. 1997) and “cognition” (DiBlasio 1998).

Most researchers agree that forgiveness is best conceptualized as a process that involves several stages and ultimately provides relief from negative emotions, such as anger, fear, and resentment. These negative emotions are human responses to failures and transgressions people encounter in their relationships. In addition, forgiveness contributes to the restoration of a psychological and physiological balance so that one can repair damaged relationships or enter into new ones after the process of forgiveness has been completed with minimal negativity. Enright, Gassin, and Wu (1992) and Richards (1988) emphasize forgiveness as, first and foremost, an inner personal release, in which negative emotions are relinquished. However, it should be noted the nature and the process of forgiveness are very complex and occur differently in different types of relationships. Worthington (2006) summarizes recent theoretical advances by classifying forgiveness into (1) decisional forgiveness, which is a cognitive appraisal and a behavioral intention to resist an unforgiving stance and to respond differently toward the transgressor and (2) emotional forgiveness, which is a psychological change with more consequences for people’s health and well-being. To understand the concept of forgiveness more completely, it is instructive to juxtapose
it with another human response, namely unforgiveness. Unforgiveness is defined as a stress reaction in response to an appraisal of stress, involves resentment, bitterness, hatred and hostility, and includes unforgiving motivations, such as revenge and avoidance (Worthington 2007). Unforgiveness precedes decisional and emotional forgiveness because it is related to immediate negative emotional reactions to transgressions. Even though unforgiveness may be a conscious strategy to deal with a transgression, decisional and emotional forgiveness may follow it as a way of coping with the emotional imbalance and negativity.

Within marketing, there is an abundance of research that focuses on consumer behavior associated with service failures, such as various forms of complaint behavior (Colgate 2001; Smith et al. 1999; Blodgett et al. 1995; Singh and Widing II 1991) as well as methods and effectiveness of service recovery (McCollough et al. 2000; Singh and Widing II 1991). One underlying dimension of a service failure is the degree of stress that the customer experiences. Central to our understanding of stress is the theory of coping strategies, which differentiates between problem-focused or emotion-focused coping (Lazarus and Folkman 1984). Prior studies (Yi and Baumgartner 2004; Duhachek 2005) indicated that little research had focused on negative emotional experiences in the consumption context but even less research had investigated how consumers cope with negative experiences. The stress and coping theory (Lazarus and Folkman 1984) is the central premise of forgiveness (Worthington 2006), such that problem- and emotion-focused coping may be a basis for decisional and, ultimately, emotional forgiveness.

However, forgiveness as an essential component of business relationships is yet to be investigated. Forgiveness has the potential to accelerate the restoration of a strained relationship between a provider and a customer. Understanding forgiveness in this context may also provide insights into how to eliminate factors that might trigger customer dissatisfaction in the first place. We consider the concept of forgiveness as it applies in the business domain, especially in terms of transactions that trigger the need for forgiveness between customers and service providers.

**METHOD**

The data for this study was collected through in-depth interviews with informants recruited through a market research agency. The screening criterion for the interview was that participants, either personally or as caregivers, had experienced service failure in the healthcare sector at least six months prior to the interview. The agency was asked to select interviewees from a diverse demographic background and with various kinds of service failures. A total of fifteen in-depth interviews were conducted with healthcare patrons. Health care incidents ranged from minor failures, such as insurance claims, waiting times and poor communication skills of the medical personnel, to serious life-threatening and disabling cases of surgical malpractice.

In recognition that human action is a complex and ambiguous phenomenon, a hermeneutical approach was employed to gain a better understanding of customers’ cognition, emotions and behavior (Packer 1985; Thompson 1997). Each interview proceeded from stories that consumers told us about their experiences in healthcare. This allowed each respondent to discuss their experience in their own words (McCracken 1988). Specifically, interviewees exposed the details of a negative encounter from its evolution to resolution and elaborated on the nature of the achieved outcome. Techniques such as paraphrasing and additional follow-up questions (Strauss and Corbin 1998) were employed to ensure that the interviewer accurately understood all responses and was able to clarify any ambiguities that arose during the interview. Questions relating to forgiveness followed a set of questions related to consumer coping strategies with negative emotions. Informants were asked broadly to explain the nature of their forgiveness in everyday life and describe assessment criteria by which they knew that they had forgiven. Then we proceeded to explore whether forgiveness had a place in the relationships between customers and service providers. In operational terms, forgiveness was coded through the categories of affective states (emotions), cognitive responses (appraisal of incidents) and behavioral outcomes (whether customers choose to complain; whether there is re-patronage).

**FINDINGS**

The range of unsatisfactory experiences varied from a lack of attentiveness to personal needs to more severe problems, such as misdiagnosis and poor application of clinical treatments. It is worth noting that not all respondents attempted to resolve the problem with the medical service provider. The findings of the study are discussed here under five key themes.

**Emotional Reactions to Service Failures**

Customers experienced a whole spectrum of negative emotions, ranging from anger, fear, sadness, to frustration, pity, perception of unfairness, misery and, in some cases, long-lasting depression. Everybody stated that service failures were also very stressful experiences for them.

I do feel angry about it, and I think I will always feel angry about it for the rest of my life. [Joanna]
I was just disappointed. I just thought – I think it’s pathetic and it obviously still makes me cross to this day and I am still thinking about this and this was May of last year . . . I should move on! Obviously, there are some things you can’t fix. [Fiona]

Coping strategies with stress varied and ranged from avoidance to active engagement in coping through problem- or emotion-focused management (Carver et al. 1989; Lazarus and Folkman 1984). Specifically, to cope with their negative emotions, customers relied on support from their family members, cried in private, or engaged in sports or other activities.

I’ve got a great husband who I can talk to. I have great adopted children. I tend to walk. I tend to physically walk and exercise. I tend to do creative things with sewing and all those things. I tend to talk to friends. [Janine]

Go for a run or a swim. I generally do exercise if I am annoyed or angry. [Natalie]

When it is possible to resolve a service failure and fix a problem, customers resort to problem-focussed coping; however, when the failure cannot be put right, customers attempt to adjust their emotional state engaging in an emotion-focussed coping style. Serious failures in the health care services are difficult to repair completely, and that is why customers tend primarily to control their own emotions through various means.

And I cry a lot when I am on my own. I think “why me?” but I don’t let anybody see it. You know, you’ve got to live a normal life and just pretend – I try to pretend – it’s not happened. [Jan]

In case of Jan who experienced a serious debilitating case of surgical malpractice, her situational self-efficacy suggests that she is not empowered to bring forth the desirable state, i.e., to be in full control of her health and life. Thus, she forces herself into denial, pretence, i.e., resorts to an avoidance strategy.

Interestingly, although all customers experienced extreme negative emotions at the point of service failures, they tried to hide these emotions from the service providers. In fact, they wanted to show service providers that they were capable of coping with their emotions and dealing with the matter at the professional level. Because they perceived the healthcare sector as highly professional, customers believed they themselves should be taken seriously and professionally. An open expression of their negative emotions in public interfered with this professionalism. They also seemed to put extra effort into controlling their emotions in public and restricted their expressions of emotion to private settings, such as at home, among friends, and with family members. Staying calm and in emotional control was the prevailing theme in customer expression of emotions at the point of service failures.

I tried not to shout because if people were around me, I wouldn’t shout but talk really loudly and point to the baby and try to pull her emotions. . . . She was shouting back and she was pretty loud too. Basically, I just said I’d take it further as well. [Anna]

I was very professional about it but I am very, very upset and very angry – even now, maybe I will still take it to the Medical Ombudsman. [David]

These passages shed some light on such unexplored phenomena (Duhachek 2005) as the nature of interactions between emotional and cognitive appraisal perceptions and the ways by which this interaction is related to customer coping. It is apparent that the context of the service transaction has a significant impact on the kinds of emotions elicited in the event of a service failure and the way in which these are demonstrated. Essentially, there is a service failure paradox. The stake for the customer is very high, emotional reactions are very strong but emotional expressions are kept under strict control.

Complaining Patterns

The decision to complain is complicated by a number of factors in the healthcare sector. First, the nature of the service failure may not be as clear or transparent as compared to faulty products or services in other sectors. Most interviewees recognized at least two levels of service: one stemming from the professional knowledge and expertise of the medical staff and a second related to the actual customer service unrelated to the medical expertise. In the former case, customers need to put extra effort into finding evidence for challenging this professional service. For example, Paula conducted her own research, consulted other sources, and organized a formal meeting to express her concerns. Jan, Victor, Joanna, and Janine received failure confirmations and advice from other medical professionals. In case of customer services unrelated to professional expertise, interviewees primarily considered the complexity of the complaining process and expected results. However, because of very strong and lasting negative emotions and high risks associated with the failure, most customers expressed higher likelihood of complaining as compared to their behavior in other sectors.

I just went to the duty nurse and then I went to the department head, after that I actually wrote a complaint. I was upset about the whole system and I was upset with the department head. [Anna]
Writing to the Medical Practitioners Board is important, so I am not afraid to complain if I have to. Once I’ve written a letter and got rid of it, then I just wait for a reply. If it annoys me so much, I write another letter. [Fiona]

Those who did not formally complain either did not believe in any positive change or were afraid for their own future well-being because of their dependence on the healthcare provider.

I must say, I knew that if I complained I was going to get nowhere. [Janine]

If I . . . take legal action against the first surgeon, I’ll be frowned upon by the medical field, and I need them. I need that surgeon to look after me. [Jan]

A distinct motive for the customer’s decision to complain was for the benefit and sake of others who may seek similar services. Customers projected a lot of empathy toward other patrons of the medical services. As such, customers typically generalized the risks of service failures to others and were motivated to prevent failures in the future.

A lot of people need to know that someone else is fighting for the rules and then they jump on board. A lot of them are scared that some ill will come to their family and to the residents. . . . They need to be assured that that shouldn’t have happened and there are things you can do about it. [Paula]

Because if you don’t complain, then they’ll do the same thing to someone else, or they’ll do the same thing to you the next time. [David]

Some interviewees also mentioned monetary reasons behind their complaints, though emphasized that monetary compensation is not the primary motive but a way of projecting empathy and sympathy toward themselves.

Fairly, I would say maybe compensation. Not a huge amount but some compensation to say “I am sorry that you were sick. I am sorry that you had to go through weeks and weeks of being sick.” I took about six weeks off work . . . because I was just too sick. [Laura]

For the majority of interviewees, the actual process of complaining, either verbally or in writing, was a way of dealing with their anger, frustration, and depression. They were seeking justice and fairness, i.e., positive moral emotions to compensate the negative ones arising from the service failure. Some believed that the problem could be rectified through the complaint process.

Obviously, money does affect the hip pocket a bit more but the older I’ve become, I will stand up and complain if I do not feel the service has been provided or if something is right or wrong . . . I think it’s more if it’s fair or not fair. [Carla]

Sometimes you just leave it, so it’s not worth complaining. . . . In the medical situation, I had to complain because I was in agony. I needed medication quickly and . . . if you don’t get a response, you need to do something else about it. [Sophie]

Forgiveness as a Coping Strategy

The concept of forgiveness has been widely applied in psychological research (Worthington et al. 2007; Maltby et al. 2007) and only recently started to receive attention in the business context. Our goal was to ascertain the role and place of forgiveness in the everyday lives of people. We started with a general discussion of forgiveness. Respondents seemed to agree that forgiveness was necessary for their psychological well-being. Cognitively, they recognized that forgiveness was a way of dealing with their own negative emotions; however, they also acknowledged that it is easier to recognize the positive effects of forgiveness than actually practice it.

It’s [the effect of forgiveness] is huge. I believe very strongly in forgiveness. I think there are certain things that if it’s really, really serious, then it takes an awful long time. I do not think it is a quick fix for anything . . . if it’s long-term and can’t be forgiven, so I guess I am just trying to move on. [Joanna]

I think it’s better for you to forgive. If you don’t forgive for a while, you will make yourself into a harder person and I think you are better off if you can forgive them and get along with them but I do not always put that into practice but that’s what I think. [Irene]

All these quotes support the argument that forgiveness is conservational in nature because the informants’ goal is to try to maintain their current “status quo in the face of threats to their established way of being and perceiving the world” (Maltby et al. 2007, p. 556). Another interesting point is that while contemplating forgiveness, informants think about themselves and how they might feel if they do not forgive. The transgressor is not included in their consideration. Our informants develop their own view on forgiveness but they conceptualize it as their personal coping strategy that supports their own well-being.

When asked to define forgiveness, respondents agreed that it is a long process, and time is a crucial factor that
helps achieve forgiveness. They associated forgiveness with “acceptance of a mistake and moving on,” “ignoring it,” and “letting go.” Most participants mentioned that sometimes you do not have a choice but to forgive because it is about people you love and you live with.

Probably it’s the release; that relief, . . . it [stress] bottles up and sometimes you think about it and I think maybe one day if I forgive, it [stress] will be gone. [Alana]

Probably being at peace with the issue itself, with myself, with the people that have caused it and then just moving on. [Janine]

Janine and Alana believe that the replacement of negative emotions with positive ones and internal peace and relief are the underlying dimensions of forgiveness, whereas Jan and Irene in their conceptualization first visualize the wrongdoer and try to define forgiveness in that context.

If you love somebody, you forgive them anything. Sometimes, it all depends on what people do. [Irene]

I think life is too short to hold a grudge. She [sister] has to deal with what she’s done, and I’ve forgiven her because I don’t want to hold that inside me any more. I’ve released it and let it go. [Jan]

Those quotes revealed that forgiveness cannot be treated as an “all-or-none”; it is an intrinsic process which occurs differently in different types of relationships.

Forgiveness to me means to forget as well. Not to bring it up, even though you may have stored it in there. [Paula]

Paula’s response highlights the nature of decisional forgiveness (Worthington and Scherer 2004) as an intention to behave toward the transgressor in a certain way, ignoring the incident. Her notion that “you may have stored it in” implies that she might still be emotionally hurt but her motivation and behavior are free of desire for revenge or avoidance.

Time heals. Perhaps if someone has made an effort, a genuine effort to show remorse or explain a situation that has been upsetting, you can say, “Ok, I accept that.” [Louise]

In contrast to previous comments, Louise’s focus is on the standpoint that is termed “negotiated forgiveness,” which is based on communication between the “wronged” and the “wrongdoer” (Andrews 2000). Forgiveness cannot be accomplished if the wrongdoer is unaware of the problem, or is unwilling to show remorse and ask for forgiveness. Essentially she expects that the wrongdoer should claim responsibility for the problem.

Forgiveness in the Healthcare Sector

Our next set of questions related to customer perceptions of forgiveness in the business sector in general and in relation to a specific service failure in the healthcare sector. Overall, participants’ responses varied as to their perceptions of business forgiveness in general. Some participants did not believe in forgiveness in the business environment because they treated their business relationships as purely transactional, professional and functional.

It may be in their nature [to forgive] but it might be a different situation because it’s not as emotional in a business situation. [Natalie]

Business is business, and I think it depends on what’s in it for you, that’s all that business is about. I don’t think that friendships are built in business. [Paula]

Others believed that depending on the nature of the service failure and its consequences, forgiveness can take place in business settings but the nature of forgiveness may differ from that in interpersonal settings.

Yes, it does [exist] because if you make a mistake and try to rectify it, there’s forgiveness there. If the business does the wrong thing, the customer sometimes won’t forgive. They’ll never use your services again or they will badmouth you. [Anna]

I think it’s different because if . . . it was a friendship that I really valued, I would have to sort it and I would have to speak about it . . . apologize, and then I would feel ok. With the service provider, I’m not sure they are even aware of what they do. So forgiveness to me is to resolve the problem personally and then just move away. [Janine]

When asked about service failures in the healthcare sector, participants provided a range of responses that reflected different stages in the forgiveness process, including unforgiveness, decisional forgiveness, and emotional forgiveness. Some participants still experienced very strong anger and stress in relation to the service failure and believed that nothing would make them forgive the failure. Most service failures had occurred between six months and two years prior to the interviews.

I don’t think you can forgive them but I just think you can ignore them. You do not let them enter your brain. I don’t think I could ever forgive them for doing it but if you keep them in your head, it just makes you worse. [Victor]
I feel very angry about it. I think if there is some result with it though, then I could make a very clear decision and say, “It’s over.” [Joanna]

I am still very upset about it, but what do you do? I’ll never, never, absolutely never forgive them. Because that was my little girl. I’ll remember it. [David]

Most respondents, however, provided some cognitive justifications for the failures and arrived at decisional forgiveness, although they still experienced frustration or anger toward the service provider and the failure. Most justifications included recognition of human mistakes, understaffed personnel, and a lack of proper funding in the healthcare sector.

You probably can forgive because you realize that there are a lot of people in the world that need doctors and therefore we are going to wait occasionally but you don’t forget. [Louise]

I guess it’s time. I guess mentally. I guess you sort of think about why and realize later that yes, you do make mistakes yourself, so not everyone’s perfect. [Sophie]

One interviewee, Jan, who experienced the most devastating surgical malpractice that resulted in her disability, provided a very detailed account of her forgiveness process that displayed evidence of both cognitive and emotional forgiveness.

It’s a long process. I think you go through every possible emotion before you can forgive someone. You have to go through the upset, the anger, the crying – oh, there’re so many phases I think that you go through and then I got to a point and thought, “This is affecting me. I’m spending so much of my time focused on them because, you know, like the surgeon, I was so focused on him and thinking about him and why did he do this? Why me? And I actually went to a meditation. And they spoke to me about things and I realized that life is so precious and your time is so precious, yet I was giving him more time out of my life than I was myself basically . . . Not that I’ve forgiven him totally, but I think I’m nearly there. I can forgive easier because I may not be here in ten years, I may be in a wheelchair.” [Jan]

Thus, the nature of the healthcare business makes forgiveness more complex and difficult. Service failures are typically more involving and stressful to customers in this sector because they pose higher risks to them or their loved ones than failures in other industries. Although respondents recognize that forgiveness would be a good way of dealing with their stress, they don’t think they can easily forget the failures. Problem resolution is also more complicated and may not be obvious. Respondents recognize that resolving the issue would be helpful to them in their forgiveness process but they are unclear as to how to achieve it.

**Relationship Outcome**

The essence of relationship marketing (Sheth and Parvatiyar 1995) is that customers purposefully engage in continued patronage to reduce their risks and choices. In case of a service failure, continued patronage is questioned. The process of service recovery, conflict resolution, and the regained trust by customers are crucial for the ongoing customer-service provider relationship. The complexity of the recovery process, high risks posed by the failure, and frequently unresolved failures resulted in respondents’ unwillingness to continue business with the service provider in the healthcare sector. Most interviewees seemed to agree that removing themselves from a service provider was their resolution and a form of forgiveness.

No, I won’t go there. I won’t put my family there, they’ll be somewhere else. Give them another chance? I have a choice. I will take them somewhere else. [Paula]

Give them one more chance? No, I wouldn’t put up with it. I’d move on. I’ll find someone else, somewhere else to go. [Louise]

In addition to a failed re-patronage, some respondents openly expressed their desire to spread negative word-of-mouth regarding the provider, which is especially threatening to medical professionals whose customer base largely depends on word-of-mouth.

I know lots of people who are about to have babies and then I could tell them don’t go to [this hospital]. It’s got their reputation at stake. I would spread the word if I felt that it was something that other people should know about but if it’s something very trivial, I wouldn’t bother. [Sophie]

There were only a few instances where re-patronage was opted for/considered, mainly because it was the only convenient option for the customer and the failure had minor consequences. However, even these respondents expressed a stronger preference for discontinued services if alternatives were easily available to them.

I had to go there again, I’ve managed to trust them and give them a second go. I wouldn’t have wanted to but my hand was twisted, so to speak. They’re open from 7:30 a.m., so that was good and I do not have a car readily available. [Carla]
Overall, high failure stakes, high customer expectations of professionalism, and frequently unresolved mistakes in the medical sector put re-patronage in question even when customers reconcile and reach forgiveness.

**DISCUSSION**

The goal of the present research was to explore the concept of forgiveness and its nature by examining the psychological state of customers in conflict situations. We restricted our study to failures in the healthcare sector, which is not a traditional arena for investigation in the marketing discipline. Patients’ evaluations of these professional services are complex to analyze compared with evaluations of product and experience-based services (see Alford and Sherrell 1996; Hausman 2004; Berry and Bendapudi 2007).

This exploratory study confirms Lazarus and Folkman’s theory that people consciously or subconsciously explore various avenues to bring their emotional state into balance after experiencing negative incidents, such as service failures. In relation to forgiveness, while the majority believe in the strong healing power of forgiveness in everyday life, the complexity of the forgiveness process is also acknowledged. Several informants pointed out that it takes a significant amount of time and emotional labor. An interesting shift in informants’ opinions was observed when they considered the place of forgiveness between a customer and a service-provider. Here, customers evidenced a whole spectrum of views which ranged from unforgiveness to forgiveness. Some informants considered their relationships with service providers as existing purely on a business level without creating space for forgiveness. In addition, the complex and in some cases dramatic nature of service failure in health care services highlights two distinct concepts of forgiveness, namely decisional and emotional forgiveness. One can speculate that there is a link particularly between decisional forgiveness and perceived self-efficacy given that some informants demonstrated their ability to organize and execute the courses of action required to produce and achieve desirable outcomes in given circumstances (Bandura 1997). It is apparent that those informants were not holding onto resentment or a need for vengeance on a cognitive level; however, they were still experiencing emotional pain and turmoil as consequences of the incident. While the former could be related to decisional forgiveness even without direct acknowledgment from the informants, the latter was keeping them from experiencing emotional forgiveness. Experience of this sort of disparity between emotions and cognitions suggests that some people, although expressing and practicing forgiveness, do not always experience it on a psychological level.

We have extended previous research that predominantly focused on behavioral reactions of consumers to service failure, and considered how customers’ emotional reactions to a negative incident might account for the varying outcomes associated with maintaining or terminating patronage with service providers. Our findings indicate that the high stakes of medical failures make re-patronage hard to achieve even after consumers forgive service providers. It is possible, however, that the elapsed six to thirty-six months after the service failure may not be sufficient time for complete forgiveness and, thus, re-patronage. Our exploratory study highlights the applicability of the forgiveness concept in restoration of relationships between service providers and customers.

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HOW MANY AND WHAT KIND? THE ROLE OF STRATEGIC ORIENTATION IN NEW PRODUCT IDEATION

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SUMMARY

New product ideation is an important capability for enhancing product innovation performance by shaping what enters the new product development (NPD) funnel (Szymanski, Kroff, and Troy 2007). Thus, the types and quantity of new products launched depend on the idea generation and screening capabilities of the firm. Research into new product ideation, however, is relatively scarce when compared to research into the traditional formal NPD and post-launch stages. Missing is a firm-level perspective that examines organizational characteristics and how they relate to new product ideation activities and outcomes.

A prominent organizational characteristic linked to successful NPD is strategic orientation (Baker and Sinkula 2007; Kirca, Jayachandran, and Bearden 2005; Zhou, Yim, and Tse 2005), here defined as “the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business” (Gatignon and Xuereb 1997, p. 78). Strategic orientation can favor one of three major emphases in a firm’s strategic outlook: technology, competitor, and customer orientation (Gatignon and Xuereb 1997).

While strategic orientation has been associated with innovation in the firm’s launched products, research into the relationship between strategic orientation and new product ideation is lacking. Thus, we examine how strategic innovation impacts new product ideation by developing and testing a set of hypotheses linking strategic orientation to market search behavior and new product ideation metrics (i.e., volume and novelty of new ideas).

Our findings extend the field’s understanding of strategic orientation’s role in product innovation to the realm of new product ideation. Although prior arguments in the literature suggest that a technology orientation is beneficial to innovation performance primarily in a difficult-to-understand and difficult-to-forecast turbulent environment, but may be detrimental otherwise (Gatignon and Xuereb 1997), our results suggest that product ideation can benefit from a technology orientation regardless of market turbulence.

Furthermore, we find a lack of influence from competitor orientation and a marginal influence from customer orientation on novelty of new product ideas consistent with Im and Workman’s (2004) report of market orientation’s non-significant relationship with creativity in launched new products. Although competitor orientation has no direct influence on ideation volume and novelty in our sample, it affects ideation through increased market search behavior. Many competitor-oriented companies are active scanners and analyzers of the market, and intense search activity in turn has a significant influence on ideation volume, and a modest influence on ideation novelty.

We do not find a relationship between customer orientation and market search behavior. While extant literature implies that customer-oriented firms seek to actively increase their knowledge of the market via uncovering expressed and latent needs, it is possible that such a search is not necessarily focused on uncovering new product ideas (the essence of the market search construct), but rather a more general understanding of existing and future customers. Such openness to new market knowledge appears to marginally enhance the quality (i.e., ideation novelty) but not the quantity of new product ideas in customer-oriented firms. At the same time, a technology orientation significantly enhances ideation novelty while slightly reducing a firm’s market search for new product ideas, which leads to fewer ideas, tilting the balance toward quality rather than quantity. References are available upon request.
THE ORACLE OF TECHNOLOGY IN MARKETING PRACTICES: LITERATURE PROFILING ON TECHNOLOGY RESEARCH

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SUMMARY

The pervasive power of technology in transforming today’s business architecture is indisputable and affects every aspect of organizational life. Indeed, the continuous assimilation of technology into marketing practices has become common as marketers stealthily couple new technologies to create value and enhance service quality. In order to appreciate the inherent value of technology contributions, the authors classify the existing literature on technology as it is related to marketing mix. A total of 49 predominantly marketing journals published between 1998 and 2007 are selected for review. Our selection of journals is based on existing journal ranking sets (e.g., Hult, Neese, and Bashaw 1997; Polonsky, Jones, and Kearsley 1999). Articles with technology content are identified and classified based on traditional and services marketing mix elements. Additionally, the authors included more journals than the recommended journal sets to ensure adequate coverage on marketing applications. From the selected journal set, over 1,000 articles published between 1988 and 2007 are identified with a clear technology content.

The profiling process involves three key steps: coding literature, reviewing and auditing. The profiling team consists of all the authors, two technology researchers and two doctoral candidates. A profiling protocol was developed by the principal investigator and later refined by the supporting investigators. A handbook was developed to document the profiling technique, guidelines, coding standards and code of ethics. Multiple indicators are used to decide on marketing mix classifications such as (1) content and title of the paper; (2) authors’ choice of vocabularies and terminologies; (3) for empirical papers, variables used to test hypotheses and (4) level of analysis. Upon the completion of each set of journal coding, a different coder would review the coding material and verify the accuracy of the coded contents.

As identified, much of the work in technology research seems to explore consumers’ attitudes and online behaviors, the internet environment, and the use of promotional versatility. The percentages of technology publications on all elements of marketing mix as indicated in the following parentheses are: Product (13%), Price (7%), Promotion (23%) and Place (19%). For services mix, they are: People – General (13%); People-Employee (6%); People-Customer (5%); People-Business customer (10%). There are also about 4 percent of the identified papers focused on Organization. Additionally, about 15 percent of the identified publications cover more than one marketing mix element. Of all the identified studies, 72 percent are empirical, 21 percent conceptual, while the remaining 7 percent consist of meta analysis, literature review and descriptive studies. Technology research frequently involves the study of adoption, assimilation and diffusion. There are about 20 percent of the studies on adoption, mainly on consumer willingness to adopt the internet as a shopping channel, as a self service tool (e.g., Dabholkar and Bagozzi 2002), and as a service related application such as co-production (e.g., Dong, Evans, and Zou 2008).

In terms of type of technologies assimilated and diffused into the marketplace, research on the internet and web-based technologies was overwhelming with more than 55 percent papers published in the selected journal set. The two widely used theories in technology research are: Technology Acceptance Model (TAM) originally conceptualized by Davis (1989) and Parasuraman’s Technology Readiness index (TRI) (e.g., Matthing, Kristensson, Gustafsson, and Parasuraman 2006).

The current work marks the first profiling attempt to facilitate a better understanding of technology research in the marketing arena and enable further inquiry into and comparison of relevant issues. This literature profiling will also allow technology researchers to identify and explore untapped areas and address unsolved issues. The marketing discipline must continue to refine its technology for higher levels of consumption satisfaction and organizational effectiveness (Sweeney 1972). Lastly, the summary findings presented in this paper provide academicians and practitioners with a useful source of information upon which to draw. Having the benefits of reviewing technology within the marketing mix domain, the authors propose a proactive agenda worthy of scholarly inquiry for future research in three key areas: (1) nature of technologies (2) technology performance paradox and (3) typology, taxonomy, and methodology issues.
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THE POLYDEXTROUS EFFECTS OF PERIPHERAL VISION CAPABILITY, PROACTIVE AND RESPONSIVE MARKET ORIENTATION ON NEW PRODUCT PROGRAM AND FINANCIAL PERFORMANCE

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ABSTRACT

Drawing on the existing peripheral vision, market orientation and organizational capabilities literature, we introduce a nomological network in order to examine the implications of the simultaneous pursuit of peripheral vision capability, proactive and responsive market orientation. We expand on the existing market orientation and ambidexterity research by proposing that simultaneous pursuit of peripheral vision capability and market orientation gradually translates into, new product program and financial performance through the mediating dualities of exploration-exploitation and innovativeness-responsiveness. Using data generated from one hundred and fifty-four Global SBUs, we use structural equation modeling to test these relationships. The support found for all hypotheses tested indicates that firms with a high level of peripheral vision capability, proactive and responsive market orientation, are able to trigger mediating organizational elements and capabilities and become more successful at introducing (launching) new products in their target (focal) markets as well as running the programs necessary for developing new products for both focal and peripheral markets.

INTRODUCTION AND BACKGROUND

Sustainable business performance has traditionally been regarded as depending on the organization’s continuous ability to predict, adapt, and change through product and strategic innovation but this must be balanced by performance generating activities based on exploiting existing markets and products (Smith and Tushman 2005; Van de Ven et al. 1999; Brown and Eisenhardt 1998). Considerable research effort has gradually explored various dimensions of “balance” and simultaneous pursuit of elements including, responsive – proactive market orientation (Atuahene-Gima et al. 2005), exploration – exploitation (Gupta et al. 2006) and even innovativeness – responsiveness (Homburg et al. 2007; Hurley and Hult 1998).

According to Levinthal and March (1993), most firms regularly face the need to engage in sufficient exploration in order to ensure current financial and product success but at the same time to also enable exploration in order to ensure future product and financial performance. Stemming from this realization, some studies consider “organizational ambidexterity” as encapsulating two opposing ends of a continuum (March 1996, 2006).

Focusing, exploiting and capitalizing on current served markets is indeed considered by most marketing academicians and business practitioners alike, as one of the key contributors for firm performance (Atuahene-Gima et al. 2005; Baker and Sinkula 2005). Several researchers support that firms achieve and maintain enhanced new product program (hereafter “NPP”) performance as a result of strong market orientation (Atuahene-Gima and Ko 2001; Jaworski and Kohli 1993). Contrasting this predominant view of market orientation (hereafter “MO”), some researchers have indicated non significant or even negative relationship with business performance (Agarwal et al. 2003; Sandvik and Sandvik 2003). Some of the conflicting results regarding the performance implications of MO have been partly addressed by deconstructing it into proactive and reactive elements (Atuahene-Gima et al. 2005). According to this perspective, the contingent effects of a responsive and proactive focus on served markets enhances a firm’s NPP performance. Despite the importance of deconstructing MO, it may still prove insufficient to ensure sustainable firm survival and success, particularly in situations of perceived long-term environmental discontinuity and volatility (Day and Schoemaker 2004, 2006).

What lies beyond the current area of focus for a firm may concern emerging trends in markets that a firm serves or, it may be faint stirrings in a part of the general environment that the firm barely pays attention to. Day and Schoemaker (2004, 2005, 2006) proceeded to introduce the concept of peripheral vision with the aim of addressing the firm’s need for sustainable performance and success by engaging with and becoming more open and sensitive to peripheral environmental information. Peripherial vision capability (hereafter “PVC”) is a multi-dimensional construct encompassing both behavioral (work routine traits) and attitudinal organizational traits (Day and Schoemaker 2006). These include: (i) leadership orientation toward both the periphery as well as the core, (ii) strategy making which is options oriented and inquisitive in nature, (iii) knowledge sharing routines
especially when considering weak peripheral signals, (iv) an organizational configuration which provides necessary systems and incentives and (v) a flexible organizational culture which engenders curiosity and efficient engagement with the periphery. Firms proceed to capitalize on the periphery by raising action issues and initiating experimental actions (Day and Schoemaker 2006).

Both PVC and MO reflect behaviors such as information gathering, dissemination and the adoption of appropriate action but they are markedly different. Their distinctiveness is important and can best be highlighted by comparing and contrasting PVC and MO in terms of scope and content. Behavioral scholars concur to the three most widely used generic activities in operationalizing the construct of market orientation. It consists of the generation of market intelligence, dissemination of market intelligence, and the appropriate analysis and response to that intelligence (Cadogan et al. 2002; Homburg and Pflesser 2000; Matsuno and Mentzer 2000; Ruekert 1992). A firm with strong PVC will engage the periphery by deploying sensors to collect a wide range of information, process that information accordingly in order to filter out what is not useful and raise issues that are considered important for further action and piloting (Slater and Narver 1995; Haeckel 2004). Both PVC and MO encapsulate collection and processing (dissemination) of information followed by action. However, whilst MO is involved with information related to current and emerging customers and markets, PVC engages a broader information spectrum and content. Instead of information regarding focal markets and customers, PVC targets information regarding competitors, suppliers, regulatory developments, potential substitute products, macro-economic data and even, political events. In that respect, the adoption of PVC, alongside the responsive and proactive MO elements (Atuahene-Gima et al. 2005) expands the scope of MO enabling sustainable NPP and financial performance by engaging both the focal and peripheral areas of a firm’s environment.

Our research makes a number of contributions to the product innovation, market knowledge diffusion, and organizational ambidexterity literature. First, we introduce the construct of PVC and incorporate it as a vital extension of the responsive – proactive MO in order to explore the ensuing NPP and financial performance outcomes. Second, unlike previous studies such as by March (2006), we consider organizational ambidexterity as encapsulating dualities of elements that can be pursued simultaneously (Gupta et al. 2006; Tushman and O’Reilly 1996). Third, we assume a broader ambidexterity perspective by considering the performance implications stemming from the simultaneous pursuit of capability exploration – exploitation and organizational innovativeness – responsiveness. Fourth, we assume a holistic perspective and model a value chain which includes a collective of focal and peripheral vision elements as well as a number of ambidextrous dualities and proceed to explore their interactions and the gradual realization of performance benefits.

We continue with hypothesis development. Thereafter the research methodology is presented followed by data analysis and results. Several conclusions are then derived.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

MO and firm ambidexterity remain the focus of extensive research effort, reflecting the importance and need for the pursuit of multiple strategic orientations as a means of ensuring sustainable NPP and financial performance (Homburg et al. 2007; Atuahene-Gima et al. 2005). Despite this extensive research, incomplete and sometimes conflicting views surround both the implications of MO and organizational ambidexterity. Even though the predominant view supported by several researchers is that organizational ambidexterity is positively associated with performance, some studies view it from a perspective of opposing and conflicting elements (March 2006) while others consider the possibility of simultaneous pursuit, balancing and even punctuated equilibrium over a period of time (Gupta et al. 2006; Tushman and O’Reilly 1996). Furthermore, research on organizational ambidexterity has traditionally solely focused on the elements of exploration and exploitation, while the notion of firm ambidexterity may also be carried over to describe simultaneous pursuit of responsiveness (Jaworski and Kohli 1993) and innovativeness (Hanvanich et al. 2006).

Based on the substantiated importance of the proactive and responsive dimensions of MO, we introduce PVC (Day 2006) as an important extension to the MO perspective vital for ensuring NPP and financial performance. We proceed to adopt a firm nomological framework and examine the effects of simultaneous pursuit of MO and PVC on organizational elements such as exploration – exploitation and innovativeness – responsiveness. We introduce hypotheses that reflect how organizations benefit from the simultaneous pursuit of responsive, proactive MO and PVC. The proposed conceptual model provided in Figure 1, reflects how such simultaneous pursuit is gradually translated into positive NPP and financial performance outcomes via mediating elements of firm ambidexterity including exploration – exploitation and innovativeness – responsiveness.

PVC Effects on Competence Exploration and Competence Exploitation

Firms with strong PVC are able to identify actionable signals and opportunities that originate from the firm’s
peripheral environment and often must move quickly to capitalize on them (Day and Schoemaker 2006). PVC triggered experimentation is expected to generate new knowledge and capabilities but in addition, the process of the necessary risk-mitigating experimentation will also be associated with the ongoing use of the firm’s existing knowledge base and capabilities (Vermeulen and Barkema 2001). Successful and even unsuccessful pilots (experiments) will further enhance the rate of competence exploitation in complementary domains such as manufacturing, sales and service (Gupta et al. 2006). Over a period of time, this process might involve an alternation of exploratory and exploitation focus or a simultaneous pursuit of competence exploration and exploitation. PVC can essentially be expected to enable exploration into new domains via small pilots and risk-managed launches that also trigger the exploitation of existing (tried and tested) capabilities. We therefore posit the following:

H1: PVC is positively related to competence exploration.

H2: PVC is positively related to competence exploitation.

MO Effects on Competence Exploration, Organizational Innovativeness, and Responsiveness

The proactive dimension of MO reflects a firm’s propensity toward the discovery and satisfaction of unarticulated or latent customer needs (Kohli and Jaworski 1990) and is therefore inherently entrepreneurial (Slater and Narver 1995). Market oriented firms are generally more sensitive to environmental information, changing market conditions and customer needs and are therefore in a better position to uncover and overcome internal competence deficiencies (Schroeder et al. 2002; Barney and Zajac 1994). Thus:

H3: Proactive MO is positively related to competence exploration.

In terms of translating MO into innovation benefits, an orientation and focus on latent market needs has been shown to increase the firm’s ability to add new variants of market information on innovative activities and to expand the problem solving capacity of the firm (Levinthal and March 1993). Proactive MO may additionally alert a firm to new market developments thus triggering innovative behaviors and new product initiatives (Atuahene-Gima et al. 2005). Therefore:

H4: Proactive MO is positively related to organizational innovativeness.

Organizational responsiveness refers to the action taken in response to acquired, processed and disseminated focal market information (Kohli et al. 1993). From a behavioral perspective, MO activities are related to the generation, dissemination and reaction to market intelligence (Kohli and Jaworski 1990), elements which are shown to act as positive contributors to responsiveness.
with respect to competitors and customers (Homburg et al. 2007). MO represents superior skills in understanding, responding to and satisfying customer needs (Hult and Ketchen 2001). While proactive MO enables firms to discover and satisfy latent, unarticulated customer needs, responsive MO enables them to capitalize on those discoveries by undertaking market experiments and small pilot launches (Jaworski et al. 2000; Narver et al. 2000). We hence hypothesize the following:

H5: Proactive MO is positively related to organizational responsiveness.

H6: Responsive MO is positively related to organizational responsiveness.

**Competence Exploration and Exploitation Effects on Organizational Innovativeness and NPP Performance**

According to extant literature competence exploration is expected to contribute to innovation activities and initiatives by ensuring project and process efficiency, effectiveness and reliability (Atuahene-Gima 2005). Process and project management benefits resulting from exploitation of existing capabilities and competencies can provide support for both innovation and new product programs, especially in the case of peripheral vision induced exploitation. Considering the direct contribution to innovativeness by competence exploration and the ‘project supporting’ role of exploitation, some scholars suggest that both exploration and exploitation are bound to affect a firm’s innovation performance (Colbert 2004). Innovativeness and new product programs are therefore triggered by competence exploration but at the same time supported and enhanced as a result of taking advantage of existing competencies within the firm (Teece 1986).

We hence propose that:

H7: Competence exploration is positively related to organizational innovativeness.

H8: Competence exploitation is positively related to organizational innovativeness.

H9: Competence exploitation is positively related to NPP performance.

**Organizational Innovativeness and Responsiveness and Their Effects on Market Launch Capability and NPP Performance**

Extant research on innovativeness indicates that even though it is a recognized positive contributor to performance, the ensuing benefits are not necessarily direct but may be the result of a gradual translation of innovativeness to performance through a range of mediating elements. More specifically, organizational innovativeness is shown to translate into product innovativeness (Schmidt and Calantone 1998) which in turn triggers new product success (Sethi et al. 2001). Firms with a strong organizational innovativeness are associated with innovative behavior and processes as well as a capability to adopt, enter and exploit their focal and even peripheral market(s) (Henard and Szymbanski 2001). For some firms this means that they can enter a market or identify a new market niche and launch products to exploit those markets (Wang and Ahmed 2004). We therefore hypothesize the following:

H10: Organizational innovativeness is positively related to NPP performance.

H11: Organizational innovativeness is positively related to market launch capability.

H12: Organizational responsiveness is positively related to NPP performance.

H13: Organizational responsiveness is positively related to market launch capability.

**Conversion of Market Launch Capability and NPP Performance into Financial Performance**

NPP performance is defined as “the degree to which the firm has achieved its profitability, sales volume and revenue objectives for new products” (Atuahene-Gima et al. 2005, p. 466). The activities which underpin new product development and the dimensions and the construct as a whole have been shown to correlate highly with financial performance (Calantone et al. 1995). Finally,
evidence for the positive impact of launch proficiency on financial performance has been provided by, for example, Green et al. (1995), and Hultink et al. (1998).

H14: NPP performance is positively related to financial performance.

H15: Market launch capability is positively related to financial performance.

RESEARCH METHODOLOGY

We generated data from a mail administered survey of firms based on a number of countries, spanning a cross section of industries. First, we randomly selected from the marketing managers yearbook database (2007), 1500 strategic business units (SBUs) spanning all industries and identified appropriate target respondents details. Prior MO studies have used various respondents including CEOs, presidents and general managers (Hult and Ketchen 2001; Hooley et al. 2000), marketing managers and sales managers (Deshpande and Farley 1998), other functional managers such as R&D managers (Kahn 1998), finance managers (Tyler and Gnyawali 2002) and marketing executives (Grewal and Tansuhaj 2001) and have found them to be reliable sources of information about marketing and corporate strategies. The selected senior managers targeted for the purposes of our study included (among others) marketing directors, sales directors and strategic business unit directors.

The survey method followed Dillman’s (2000) guidelines for the Tailored Design Method with a pre-notification mailing, questionnaire mailing, and a series of reminder and follow-up mailings. In total, 1500 individual firms were sampled with an equal number of notification letters and invitations for participations posted. Out of the 1500 firms targeted, 500 firms agreed to participate and 170 completed questionnaires were returned out of which only 154 were deemed useable. The effective response rate was therefore 30.8 percent. The mean tenure of these respondents was 10 years suggesting that they were readily familiar with the key aspects of their SBU’s processes and behaviors. Following Armstrong and Overton (1977) we compared “early” and “late” respondents and found no significant differences between the key variables in the study.

Our measures were sourced from existing literature. For the purposes of the current study, we adopted and adapted the measure of PVC as developed by Day and Schoemaker (2006). The important items that reflect leadership orientation, strategy making, organizational configuration and culture have all been retained. Acknowledging the multidimensional nature of the PVC construct involved grouping the PVC items according to specialized (task related) and architectural (configuration and predisposition related) capabilities (Vorhies and Morgan 2003). PVC items employed a 7-point Likert scale, with customized anchors for each item. The validated, refined and empirically supported scales of responsive and proactive MO by Atuahene-Gima et al. (2005) and Deshpande et al. (2004) were adopted and used in the current study. Capability exploration and exploitation measures were also sourced from Atuahene-Gima et al. (2005). Organizational innovativeness was quantified by utilizing the five item scale frequently used by Hurley and Hult (1998), because of its cultural perspective and incorporates management opinion about the receptivity to new ideas and innovation. We operationalized organizational responsiveness by adapting the scale developed by Hult et al. (2005), itself based on the work by Kohli et al. (1993). All items that were used to measure responsive and proactive MO, capability exploration and exploitation, organizational responsiveness and innovativeness, employed a 7-point Likert scale, with anchors at 1 = “strongly disagree” and 7 = “strongly agree.”

NPP performance had generally been measured by items that reflect the extent to which new products are perceived to have achieved their market share, sales and customer use, sales growth, and profit objectives since their launch. Atuahene-Gima et al. (2005) proceeded to refine and validate the scale of NPP performance and this scale has been adopted for the purposes of the present study. NPP performance items employed a 7-point Likert scale, with anchors at 1 = “Much worse” and 7 = “Much better.” The market launch capability scale that was adapted and validated by Atuahene-Gima et al. (2005) has been adopted and used in the current study. Market launch capability items employed a 7-point Likert scale, with anchors at 1 = “Worse than major competitor” and 7 = “Far better than major competitor.” The business performance scale was composed of traditional accounting-based items and assessed performance in the most recent fiscal year in order to avoid and time lags. The corresponding items employed a 7-point Likert scale, with anchors at 1 = “Increased significantly” and 7 = “Decreased significantly.”

The validity and reliability of our measures was examined by confirmatory factor analysis (CFA) using AMOS 6.0. The scales items were entered into two confirmatory models using the covariance matrix and maximum likelihood estimation. In order to provide a metric, one indicator of each latent construct was specified with a factor loading equal to one and the maximum likelihood method was employed. The first CFA model included the scales for PVC (second order factor), proactive and responsive MO (PMO and RMO), competence exploration and exploitation (CEXPPLR and CEXPPLT). The model converged with an acceptable fit (Normed fit chi-square $\chi^2/df = 1.65$; degrees of freedom [d.f.] = 264; root mean square error of approximation [RMSEA] = .065; com-
Comparative fit index [CFI] = .913; non-normed fit index [NNFI] = .9 and incremental fit index [IFI] = .915). The second CFA model included the scales for organizational responsiveness (ORSP), innovativeness (OI), new product program performance (NPP), market launch capability (MLC) and financial performance (OP). The model converged with an acceptable fit (Normed fit chi-square $\chi^2 / df = 2$; degrees of freedom [d.f.] = 94; root mean square error of approximation [RMSEA] = .08; comparative fit index [CFI] = .92; non-normed fit index [NNFI] = .9 and incremental fit index [IFI] = .92).

The items exhibited strong loadings and their associated t-values were all statistically significant. Table 1 displays the composite reliabilities and all were greater than .7. The test for discriminant validity, the extent to which each latent construct differs from others, together with a correlation matrix are shown in Table 1. Overall, the results indicate that the scales perform well. We used the average score of scales in our subsequent analysis.

**ANALYSIS AND RESULTS**

We estimated a single structural equation model (Table 2) which contains the hypothesized relationships.

Model fit statistics indicate good fit (Matsuno et al. 2002; Dixon et al. 2001): $\chi^2 / df = 2.1$; degrees of freedom [d.f.] = 35; RMSEA = .088; CFI = .92; GFI = .92 and incremental fit index IFI = .92. The hypothesis testing results for both structural equation models are shown in Table 2.

Results from the estimated structural model show strong support for all hypothesized relationships.

**CONCLUSIONS**

Our main research interests concern the understanding of PVC outcomes in the context of sustainable competitive advantage and its gradual conversion into NPP and financial performance. On the basis of the research by Day and Schoemaker (2004, 2006), we take an important first step by introducing PVC as an important enabler of sustainable NPP and financial performance. Our research supports that the collective of focal and peripheral capabilities/orientations has important performance implications which are gradually realized through ambidextrous dualities such as exploration – exploitation and innovativeness – responsiveness. To this end, we proceeded to model the relationships between PVC, MO, competence exploration – exploitation, innovativeness –

| TABLE 1 |
| Composite Reliability, Average Variance Extracted |

<table>
<thead>
<tr>
<th></th>
<th>MLC</th>
<th>APVC</th>
<th>SPVC</th>
<th>NPP</th>
<th>OP</th>
<th>CEXPLT</th>
<th>CEXPLR</th>
<th>CI</th>
<th>ORSP</th>
<th>RMO</th>
<th>PMO</th>
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<tbody>
<tr>
<td>MLC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>APVC</td>
<td>0.791</td>
<td>0.162</td>
<td>0.179</td>
<td>0.178</td>
<td>0.097</td>
<td>0.032</td>
<td>0.117</td>
<td>0.163</td>
<td>0.364</td>
<td>0.053</td>
<td>0.171</td>
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<td>SPVC</td>
<td>0.852</td>
<td>0.456</td>
<td>0.160</td>
<td>0.141</td>
<td>0.126</td>
<td>0.153</td>
<td>0.299</td>
<td>0.125</td>
<td>0.124</td>
<td>0.127</td>
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<td>NPP</td>
<td>0.423</td>
<td>0.675</td>
<td>0.839</td>
<td>0.102</td>
<td>0.065</td>
<td>0.057</td>
<td>0.215</td>
<td>0.256</td>
<td>0.111</td>
<td>0.068</td>
<td>0.128</td>
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<td>OP</td>
<td>0.422</td>
<td>0.409</td>
<td>0.319</td>
<td>0.903</td>
<td>0.175</td>
<td>0.128</td>
<td>0.124</td>
<td>0.207</td>
<td>0.210</td>
<td>0.046</td>
<td>0.089</td>
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<td>CEXPLT</td>
<td>0.312</td>
<td>0.375</td>
<td>0.291</td>
<td>0.416</td>
<td>0.769</td>
<td>0.063</td>
<td>0.035</td>
<td>0.084</td>
<td>0.075</td>
<td>0.029</td>
<td>0.049</td>
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<tr>
<td>CEXPLR</td>
<td>0.179</td>
<td>0.355</td>
<td>0.238</td>
<td>0.358</td>
<td>0.251</td>
<td>0.776</td>
<td>0.075</td>
<td>0.100</td>
<td>0.035</td>
<td>0.039</td>
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<td>CI</td>
<td>0.342</td>
<td>0.391</td>
<td>0.464</td>
<td>0.352</td>
<td>0.186</td>
<td>0.273</td>
<td>0.841</td>
<td>0.148</td>
<td>0.107</td>
<td>0.016</td>
<td>0.072</td>
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<tr>
<td>ORSP</td>
<td>0.428</td>
<td>0.547</td>
<td>0.506</td>
<td>0.455</td>
<td>0.289</td>
<td>0.316</td>
<td>0.385</td>
<td>0.793</td>
<td>0.165</td>
<td>0.052</td>
<td>0.161</td>
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<tr>
<td>RMO</td>
<td>0.603</td>
<td>0.354</td>
<td>0.333</td>
<td>0.458</td>
<td>0.273</td>
<td>0.189</td>
<td>0.327</td>
<td>0.406</td>
<td>0.767</td>
<td>0.056</td>
<td>0.158</td>
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<td>PMO</td>
<td>0.231</td>
<td>0.352</td>
<td>0.260</td>
<td>0.220</td>
<td>0.171</td>
<td>0.198</td>
<td>0.125</td>
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<td>0.237</td>
<td>0.876</td>
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<td>Composite</td>
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<td>0.197</td>
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<td>0.401</td>
<td>0.397</td>
<td>0.615</td>
<td>0.873</td>
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<td>Reliability</td>
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<td>0.86</td>
<td>0.86</td>
<td>0.982</td>
<td>0.79</td>
<td>0.81</td>
<td>0.81</td>
<td>0.79</td>
<td>0.88</td>
<td>0.87</td>
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<tr>
<td>AVE</td>
<td>0.56</td>
<td>0.54</td>
<td>0.52</td>
<td>0.65</td>
<td>0.63</td>
<td>0.63</td>
<td>0.64</td>
<td>0.64</td>
<td>0.62</td>
<td>0.64</td>
<td></td>
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</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Cronbach’s alpha is provided on the diagonal.
Pearson’s correlation coefficient is provided on the lower left hand of the matrix.
Pearson’s correlation coefficient squared is provided on the upper right hand of the matrix.
responsiveness, NPP performance, MLC and financial performance.

The implications of PVC and its gradual translation in performance benefits can begin to be observed through its positive effect on competence exploration (H1) and exploitation (H2). Support found for these two hypotheses indicate that PVC enables exploration into new domains via small pilots and initiatives but also triggers the exploitation of existing competencies. Support found for H3 indicates that competence exploration also benefits from the proactive dimension of focal MO. Support found for H4 indicates that proactive MO enhances a firm’s problem solving and innovative capacity (Levinthal and March 1993). At the same time, support for H5 indicates that proactive MO serves to increase the firm’s problem-solving capacity of project teams hence triggering a fast and efficient response to focal market needs. Support found for H6 indicates that organizational responsiveness benefits from the responsive dimension of MO.

The gradual translation of PVC into tangible performance outcomes begins with its positive effect on competence exploration and exploitation. Support found for H7 and H8 indicates that PVC-triggered exploration and exploitation are in turn positive enablers of organizational innovativeness. Alongside exploitation, competence exploration is found to be a positive contributor of innovation (H7) and NPP performance (H9) providing further empirical support to the research stream that considers

<table>
<thead>
<tr>
<th>Hypothesized paths</th>
<th>Standardized path estimate</th>
<th>(t)-value(^a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypothesis 1 Peripheral vision capability (\rightarrow) competence exploration</td>
<td>0.471</td>
<td>5.203**</td>
</tr>
<tr>
<td>Hypothesis 2 Peripheral vision capability (\rightarrow) competence exploitation</td>
<td>0.405</td>
<td>4.561**</td>
</tr>
<tr>
<td>Hypothesis 3 Proactive market orientation (\rightarrow) competence exploration</td>
<td>0.205</td>
<td>2.926**</td>
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<td>Hypothesis 4 Proactive market orientation (\rightarrow) organizational innovativeness</td>
<td>0.206</td>
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<td>Hypothesis 5 Proactive market orientation (\rightarrow) Organizational responsiveness</td>
<td>0.587</td>
<td>5.346**</td>
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<td>Hypothesis 6 Responsive market orientation (\rightarrow) Organizational responsiveness</td>
<td>0.502</td>
<td>4.597**</td>
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<td>Hypothesis 7 Competence exploration (\rightarrow) organizational innovativeness</td>
<td>0.279</td>
<td>3.296**</td>
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<td>Hypothesis 8 Competence exploitation (\rightarrow) organizational innovativeness</td>
<td>0.225</td>
<td>2.873**</td>
</tr>
<tr>
<td>Hypothesis 9 Competence exploitation (\rightarrow) new product program performance</td>
<td>0.219</td>
<td>2.888**</td>
</tr>
<tr>
<td>Hypothesis 10 Organizational innovativeness (\rightarrow) new product program performance</td>
<td>0.243</td>
<td>3.185**</td>
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<tr>
<td>Hypothesis 11 Organizational innovativeness (\rightarrow) market launch capability</td>
<td>0.190</td>
<td>2.686**</td>
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<tr>
<td>Hypothesis 12 Organizational responsiveness (\rightarrow) new product program performance</td>
<td>0.381</td>
<td>4.884**</td>
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<td>Hypothesis 13 Organizational responsiveness (\rightarrow) market launch capability</td>
<td>0.678</td>
<td>8.691**</td>
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<tr>
<td>Hypothesis 14 New product program performance (\rightarrow) financial performance</td>
<td>0.363</td>
<td>4.147**</td>
</tr>
<tr>
<td>Hypothesis 15 Market launch capability (\rightarrow) financial performance</td>
<td>0.190</td>
<td>2.072*</td>
</tr>
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</table>
exploration contributions toward radical innovations (Atuahene-Gima 2005). Our findings also indicate that the positive contributions to innovativeness and NPP performance result from a simultaneous pursuit of competence exploitation and exploration, adding to existing research on organizational ambidexterity (Tushman and O’Reilly 1996). Organizational innovativeness proved to be a positive contributor to both NPP performance (H10) and market launch capability (H11). Organizational responsiveness is pursued simultaneously and is also shown to have a positive effect on NPP performance (H12) and market launch capability (H13). Responsive firms are therefore shown to be able to quickly detect market changes, reconfigure their processes to meet new requirements, and adopt new product and process technologies ahead of their competition (Hoyt et al. 2007). Finally, financial performance is shown to benefit directly from both NPP performance (H14) and market launch capability (H15) echoing extant literature which recognizes their importance and direct contribution to competitive advantage and financial performance (Wang and Ahmed 2004).

The results of this study should be considered in the context of the limitations inherent in cross sectional designs. Considering the inclusion of a wide array of industry types and company sizes, results supported by this study cannot be generalized to specific business segments nor can they serve as guidelines to firms adopting particular strategies. Present results are further subject to limitations created by the single respondent sources from participating firms. Introduced subjectivity and potential common method bias are the unavoidable consequences and should be taken into account (although testing for common method bias reveals no significant problem). Finally, results should not as yet be considered as indicative of time consistent company behaviors. A longitudinal perspective should be adopted as part of future research in order to address this limitation.

ENDNOTE

1 Hypothesis support is provided in summary / compounded form in order to adhere to the proceedings page limit while the extended and complete support rationale is to be presented during the conference.

REFERENCES


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WHAT DRIVES FIRMS TO EXCELLENCE IN INNOVATION MANAGEMENT?

Malte Brettel, RWTH Aachen University, Germany
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SUMMARY

In the past few decades, numerous predictors of innovation performance have been identified. Nevertheless, the findings on the same variable were often characterized by differences in direction, statistical significance or magnitude across studies. Using a meta-analytic review approach our paper contributes to resolving these disparate findings in a quantitative way and develops a comprehensive understanding for researchers and managers of how to organize companies for successful innovation management. Our meta-analysis shows a crucial difference to former analysis in the field of innovation management (e.g., Henard and Szymanski 2001; Montoya-Weiss and Calantone 1994), which was predominantly based on a mix of both project level and organizational level predictors and performance measures. To the best knowledge of the authors, this analysis is the first attempt in the innovation literature to understand innovation performance predictors on an organizational level. We developed a conceptual framework shown in Figure 1 to arrange the variables reported in the literature into an easily accessible structure and to lead the coding process of the meta-analysis. The framework is based on existing innovation management and new product development literature (e.g., Adams et al. 2006; Brown and Eisenhardt 1995; Cooper and Kleinschmidt 1995; Kahn et al. 2006). In the process of the meta-analysis, we included only those primary analyses which, first, measured innovation performance on an organizational level to prevent the aggregation of results from research that had vastly different goals (Franke 2001; Hunter and Schmidt 2004; Lipsey
and Wilson 2001) and, second, reported the r-family of effects. In total, we identified 293 effects from 48 independent samples and 45 studies. We followed the meta-analytic procedure as described by Hunter and Schmidt (2004) and employed in other meta-analyses in marketing research (e.g., Brown and Peterson 1993; Franke and Park 2006; Henard and Szymanski 2001; Song et al. 2008) to identify metafactors, which are success factors for management of innovations on an organizational level. Furthermore, we conducted a moderator analysis in case the predictors had a low homogeneity level (i.e., were heterogeneous, with a variance explained below 75%).

The results of our meta-analysis are summarized in Figure 2 along the interpretation categories, which split the predictors into four main categories, sorted hierarchically by their explanatory power: (1) Universal success factor; (2) Moderated success factor; (3) Heterogeneous metafactor with significant influence; (4) Heterogeneous metafactor with indefinite influence. We found the following factors having the highest explanatory power, being not influenced by any moderating element and showing a significant positive relation to innovation performance: Dedication of internal resources ($\rho = 0.39, p < 0.001$), proficiency in new product development process ($\rho = 0.43, p < 0.001$), explicit knowledge management ($\rho = 0.51, p < 0.001$), absorptive capacity ($\rho = 0.42, p < 0.001$), top management support ($\rho = 0.32, p < 0.001$) and technological uncertainty ($\rho = 0.32, p < 0.001$). From a managerial perspective we see especially three findings of our research as guiding principles for setting up a successful innovation management: First, systematically managing knowledge improves companies’ innovation performance; second, mastering the new product development process brings excellence to innovation management; third, innovation management needs to be on the top management agenda. Based on the evidence from our meta-analysis and in comparison to the former meta-analysis of Henard and Szymanski (2001), our research has made significant progress toward the understanding of the predictors of innovation performance on a firm level.

We also offer some hints for future research from a methodological point of view. In our analysis we found that several predictors may be strongly biased due to single informants. Additionally, we identified a high number of studies focusing on northern America (n = 20), research in Europe and the Asia-Pacific region (both n = 7), whereas in developing countries such as Eastern Europe, South America, and Africa research is still lagging far behind. Furthermore, we would suggest that

![Figure 2: Summary of Success Factors of Innovation Management](image)
researchers elaborate in more detail the differences between industries, and between services and goods. We acknowledged that only a small number of researchers really focus on a specific industry sector (e.g., De Luca and Atuahene-Gima 2007), or focus on services only (e.g., Voss and Voss 2000), even if major differences in effect sizes are expected (Hauser et al. 2006). This would additionally enable future meta-analysts to detail our primary analysis on moderating factors and extend the number of moderated success factors.

**Keywords:** innovation management, new-product development, meta-analysis, success factors.

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INCREASING SALESPERSON PERFORMANCE WITH SOCIAL CAPITAL: THE IMPACT OF CENTRALITY, TIE STRENGTH AND NETWORK DIVERSITY

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SUMMARY

Becoming less of a lone wolf, high performing salespeople span their firm’s internal boundaries in order to: (1) understand their firm’s capabilities and what it can do for their customers, and (2) motivate exchange with individuals who can provide the resources needed to fashion customer solutions. The goal of our paper is to investigate relationship selling through the lens of social capital theory. Our framework centers on network structure comparing degree and betweenness centrality, the strength of ties with network members, and the resources of network members. We present the results of an empirical study from complete network data involving over 500 employees, of which 101 are salespeople, from an agricultural inputs vendor. We discuss the implications of the results for marketing theory and practice.

Conceptual Framework

As customer needs become increasingly sophisticated, salespeople must be able to motivate and coordinate the resources from a diverse set of individuals in their organization in order to assist selling efforts and provide service to customers over a long period of time (Jones et al. 2005). Social capital consists of the aspects of the salesperson’s intrafirm network structure that facilitate goal attainment (Coleman’s 1988). Scholars have suggested several social capital components as central for the study of marketing, including: network closure (high degree centrality), network brokerage (high betweenness centrality), tie strength, and the resources of direct contacts (Van Den Bulte and Wuyts 2007).

Degree centrality is the extent to which a salesperson connects directly to all other people in their network. A salesperson with direct contact to many others is a major channel of information, being in the mainstream of information flow in the network (Burt 2007). As a result of degree centrality, members of a salesperson’s network are more highly motivated to share the resources necessary to maintain customer relationships, especially complex and highly tacit information. Conversely, the extent to which a salesperson has an information advantage or access to novel information may depend on their ability to span structural holes, or uniquely link separate parts of their network (Burt, 1992). Betweenness centrality allows salespeople to get timely access to novel information from dispersed knowledge pools. The literature on how these centrality positions might influence a salesperson’s performance is mixed. Consequently, we directly test the competing impacts of degree and betweenness centrality on salesperson performance.

H1: Salespeople with higher degree centrality in an advice network achieve higher performance.

H2: Salespeople with higher betweenness centrality in an advice network achieve higher performance.

Tie strength refers to the intensity of a tie by means of the depth of friendship. Recent research has emphasized the importance of tie strength (Burt 2007). Strong ties provide two kinds of benefits; (1) improved access to network member resources via opportunity, ability, and motivation, and (2) coordination of activities between members through richer information transfer and higher expectations for reciprocity (Van Den Bulte and Wuyts 2007). Therefore:

H3: Salespeople with more strong ties achieve higher performance.

Network diversity is a configuration that encompasses a set of contacts from diverse areas. This configuration provides access to diverse information and capabilities, and reduces redundancy. Previous studies in the biotech industry (Powell, Koput. and Smith-Doerr 1996) and startups (Baum, Calabrese, and Silverman 2000) have found that a diverse set of contacts proved to be beneficial for firm performance. Moreover, Ustuner and Godes (2006) argue that contacts must go beyond the sales department. Therefore:

H4: Salespeople with greater network diversity achieve higher performance.

Methodology

Complete network or census data was collected from over 500 personnel of a vendor of agricultural input products in Brazil. To test our hypotheses, we considered interactions of all firm members with the sub-sample of field and shop salespeople (salespeople that work only in
Two outcome measures were used: annual *individual sales* (US$) and *sales growth* (US$) over the past 3-years, 2005 through 2007.

The results of the ordinary least square regression analysis showed that the models explained a significant amount of variation for annual sales ($R^2 = .429$) and sales growth ($R^2 = .244$). Salespeople with high degree centrality in an advice network achieve higher annual sales ($\beta = .49$, $p < .01$), and a moderately improves sales growth ($\beta = .35$, $p < .10$), supporting hypothesis (1) Betweenness centrality negatively influenced annual sales ($\beta = -.22$, $p < .05$), partially contradicting hypothesis (2) The results showed a significant impact of tie strength on annual sales ($\beta = .42$, $p < .01$), partially supporting hypothesis (3) Network diversity had a positive on both annual sales ($\beta = .25$, $p < .01$), and sales growth ($\beta = .25$, $p < .05$), supporting hypothesis 4.

**Discussion**

The contributions made in this paper to marketing theory emerge as a result of the coalescing of relationship selling theory with social capital theory. The results suggest that a closely knit network structure allows sales managers to rely on social norms and trust for mobilizing firm skills and expertise possessed by individual members. The results also suggest that salespeople leverage strong ties in order to quickly increase sales and margin opportunities. Finally, the results uncover an enduring effect of network diversity on performance. A diverse set of contacts appear to influence sales performance in both the short term and over time. References are available upon request.

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BRAND STRENGTH OF COMPONENT SUPPLIERS AS A DRIVER OF THEIR MARKET PERFORMANCE

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SUMMARY

Suppliers of industrial components are today faced with intense global competition and the trend toward product commoditization (Rangan and Bowman 1992). In addition, suppliers are under huge pressure to attain and defend their position as a key supplier as many buying firms in business markets have reduced the number of suppliers by turning toward single sourcing or by inducing competition among a smaller set of component suppliers (Ulaga and Eggert 2006). As OEMs solicit bids on standardized components, tangible product features have lost much of their power as a differentiator. Consequently, there is an increasing awareness of the importance of intangibles such as brand reputation and service quality in differentiating an offer and avoiding pure price-based competition (Vargo and Lusch 2004). In particular, buyer-supplier relationships are perceived as important market-based assets (Cannon and Homburg 2001; Ganesan 1994; Palmatier et al. 2006; Ulaga and Eggert 2006). These intangible, market based assets play a pivotal role in attaining a competitive advantage and creating shareholder value (Srivastava et al. 1998).

Brand equity which is considered a crucial market-based asset in consumer markets has, however, received only limited attention from business environments from both practitioners and marketing academia (Cretu and Brodie 2007). Although ingredient or component brands have been instrumental in driving their owners’ business performance, branding in business markets remains particularly under-researched though scholars have found some initial evidence for its contribution to firm performance in single industries (Aaker and Jacobson 2001; Bendixen et al. 2004; Gordon et al. 1993).

In a similar vein, firms in business markets with clearly identified key customers have relied on direct sales efforts. They have traditionally viewed branding rather skeptically as a “gimmicky tactic” that only makes sense in consumer markets (Bendixen et al. 2004, p. 371; Mudambi et al. 1997, p. 434). This view is based on the perception of organizational buyers as rational decision-makers who base their purchase decisions solely on objective criteria (Erevelles 1998; Homburg et al. 2008). As a consequence, firms in business markets seem to place little emphasis on branding. Business marketers who see potential in the concept of branding nonetheless profess a lack the skills in designing branding strategies and have trouble convincing top management about the value of brands and in justifying brand investments as a central component of business strategy (Donath 1999). This is noteworthy because firms might be spending considerable resources on customer relationships while foregoing the potential benefits offered by brands.

In the present study we develop and examine propositions regarding how marketing to a customer’s customer influences supplier performance in business markets. For example, the immediate buyer of branded hydraulics components may be an original equipment manufacturer (OEM) of industrial machinery, while the machine including the hydraulics system will finally be purchased by the OEM’s customer, the end-user of the machine. The present study responds to the need for a better understanding of the effectiveness of a component supplier’s brand strength among OEM customers as a market-based asset that enhances the component supplier’s market performance. In doing so, we challenge the common belief that establishing close buyer-supplier relationships represents the only viable way for component manufacturers in business markets to add intangible value to their offer.

The impact of component and ingredient brands of suppliers in business markets is examined-based data from multiple-informants – marketing and purchasing managers – from 241 OEM firms. Findings support the expectation that when a supplier brand enhances the value of the OEM’s product, it enhances the OEM’s marketplace performance and makes the supplier’s components more valuable to OEMs. However, OEMs perception of the value of branded components is reduced if suppliers use coercive strategies in negotiating with business customers. Higher levels of value of a supplier’s branded components as perceived by OEMs positively affect behavioral outcomes as well as the strength of relationship between supplier and OEM. Contrary to what the buyer-supplier relationship marketing literature would imply, the effect of OEM-perceived value on behavioral outcomes is mediated by relational variables only to a limited extent.
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REVISITING SALESPERSONS’ CUSTOMER ORIENTATION: WHAT IT ACTUALLY MEANS AND WHEN IT IS IMPORTANT

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SUMMARY

Salesperson’s customer orientation is a widely researched topic in sales literature. More than 80 years ago, Strong (1925) emphasized that personal selling strategies should be oriented toward securing customer satisfaction, and not just purchase orders. Later the concept got reinforced in the personal selling literature, e.g., Kurtz, Dodge, and Klompmaker (1976) suggest that, “Sales personnel no longer specialize solely in increasing sales volume; rather, the prospect’s real needs become the basis of the marketing plan” (p. 13). The well-established conceptualization in the personal selling literature is Saxe and Weitz’s (1982) definition of the salesperson’s customer orientation as “the degree to which he or she (the salesperson) practice(s) the marketing concept by trying to help his or her customers make purchase decisions that will satisfy customer needs” (p. 344). Thus salesperson’s customer orientation conceptualization rests primarily on the marketing concept itself, which is considered to be a cornerstone of the marketing thought, and defined as an integrated, firm-level approach, where all of the firm’s activities are directed toward providing customer satisfaction and establishing mutually beneficial, long-term relationships with its market (Kotler 1980).

However, the fundamental limitation with the extant conceptualization is that it is derived primarily from only the marketing concept, which itself is not very clearly delineated in marketing and undergoes several revisions from time to time. This research is based on the premise that the current conceptualization of salesperson’s customer orientation is limited and narrowly focused primarily on satisfaction of customer needs by the salespersons, which needs to be reconsidered in the light of changing roles of salesperson and the current personal selling realities. Moreover, being a concept that is a derivative of the marketing concept makes its extant conceptualization suffer from the same limitations as that of the parent concept. Although the aim of this paper is not to reconceptualize the marketing concept itself, yet we do make an attempt to reconceptualize the construct of salesperson’s customer orientation by making it more comprehensive and forward-looking. We do this by first reviewing the literature on the marketing concept and its derivative concepts and later also the other related orientation constructs.

In this study we reconceptualize salesperson’s customer orientation as a multi-dimensional construct. We review in detail, extant conceptualizations and operationalization of the salesperson’s customer orientation constructs, including the SOCO. The construct boundaries are appropriately delineated based on the literature review of the various relevant orientation constructs from organization behavior and industrial psychology literatures that are closely associated with salesperson’s customer orientation. We then propose a new definition of the salesperson’s customer orientation construct with seven dimensions that compass all customer related activities for which salespersons should be accountable. These seven dimensions are:

1. Gathering and disseminating relevant information to customers.
2. Understanding the expressed and latent needs of customers.
3. Fulfilling the customer needs continuously.
4. Creating value for customers.
5. Building long-term relationship with customers.
6. Keeping company’s profitability objectives in mind.

Based on the above seven sub-domains of the construct, we provide this new construct definition:

“Salesperson’s customer orientation consists of activities and behaviors of salespersons in all customer-related activities pertaining to gathering and disseminating information to customers, understanding their expressed and latent needs, and continuously fulfilling these needs by delivering products and services by maintaining long term relationship with customers, profitably creating value for them, and keeping them satisfied.”

In the current era, customers are increasingly demanding that customers become more customer-oriented. However, our extant conceptualization of the salesperson’s customer orientation is limited and narrowly focused primarily on satisfaction of customer needs by the salespersons, which needs to be reconsidered in the light of changing roles of salesperson and the current personal selling realities. Moreover, being a concept that is a derivative of the marketing concept makes its extant conceptualization suffer from the same limitations as that of the parent concept. Although the aim of this paper is not to reconceptualize the marketing concept itself, yet we do make an attempt to reconceptualize the construct of salesperson’s customer orientation by making it more comprehensive and forward-looking. We do this by first reviewing the literature on the marketing concept and its derivative concepts and later also the other related orientation constructs.
customer orientation construct seems to be limited. One of the primary purposes of this study is to reconceptualize salesperson’s customer orientation as a multi-dimensional construct. This study contributes by walking the first step by reconceptualizing the salesperson’s customer orientation as a multi-dimensional construct. With this reconceptualization, future research should look at developing a new scale to measure the salesperson’s customer orientation to make it more forward looking and comprehensive.

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AN INVESTIGATION OF EXTERNAL LOCUS OF CONTROL AND ONLINE PRIVACY CONCERN

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SUMMARY

One of the most critical issues, which have garnered much attention in the Internet industry, is privacy on the Internet. Users are offered the opportunities to exert primary control on the Internet. In such a unique environment, the locus of control construct becomes relevant to the general study of these users’ perceptions toward the Internet. As such, this paper explores how locus of control differs among Internet users and how that may affect their concern for Internet privacy.

Privacy is a function of individual choice and reflects individuals’ ability to control their personal information. Consumer privacy, in particular, includes two key factors of control and knowledge.

The advent of the Internet has, however, brought new challenges to how consumers can protect their privacy. The Internet has the inherent capability to mine, store, organize, and transport information about those who use it, with or without users’ knowledge or control. As a result, many consumers are very concerned about their privacy online. Despite sharing a universal concern for better personal privacy on the Internet, not all consumers react or behave similarly toward this issue. One explanation for this difference is consumers’ perceptions and behavior toward Internet privacy varies as a result of their differences in personality traits. This study believes that the concept of locus of control is a possible explanation for the differences in consumer Internet privacy behavior, hypothesizing that the latter is the outcome of personal differences that are more closely related to the locus of control construct than other factors such as Internet usage and demographics. To do this, current study used Levenson (1974)’s dimensions of powerful others (ELOC/Powerful Others) and chance (ELOC/Chance) to examine respondents’ concern for online privacy.

A survey was conducted on a convenience sample of 228 respondents. The age of the respondents ranged from 17 to 49 years old, with an average age of 21.6 years old. Approximately 57 percent of the respondents were female. Each respondent was given a questionnaire comprising a number of items on issues relating to their demographics, Internet skills and experience, external locus of control, and concern for online privacy. A structural model was created with AMOS 5.0. On the whole, the results obtained for the proposed empirical model showed good goodness-of-fit indicators’ values.

The most critical finding in this study was that high ELOC/Powerful Others positively correlated to one’s concern for Internet privacy. This finding might be due to externals’ (powerful others) perceptions of their ability and control over the Internet environment, which led to greater anxiety over the issues of privacy. The transparency of the Internet appeared to enhance the fear of powerful others, aggravated the fear of those with high ELOC/Powerful Others. This fear did not seem to have an impact on individuals with high ELOC/Chance.

Current study has important implications to both online marketers and public policy makers. Not every user desires control, while some users may desire control more than others. Externals’ (Powerful Others) fear for powerful others and their privacy on the Internet may prompt them to desire more control than others. In addition, results from this study found that users with high ELOC/Powerful Others tend to be younger and has less online experience. Past research found that females were found to be more external than males. If so, these users (i.e., young and females) are likely to be more concerned about online privacy compared to Internet users of other demographics. To ease their concern for privacy, users with high ELOC/Powerful Others could be given more option to have greater control over their information.

It is important to note that this is an exploratory study undertaken with a single survey on a group of tertiary student sample. Hence, the results of this study need to be read with caution for any external generalization. Previous studies have found that consumers from different cultures vary in terms of their locus of control. Hence, an area of research that can be explored further is how the issues of privacy may differ across various national cultures. Prior research has also found that people are generally willing to disclose personal information in exchange for some economic or social benefits. This willingness to provide personal information in the light of compensation may also differ depending on customers’ locus of control and is an interesting area for future study.
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ABSTRACT

This paper examines whether an individual’s social responsibility or their perceived relationship will influence their willingness to help when a request for help is made within the context of a relationship. We find that across both interpersonal relationships and company-consumer relationships, the perceived relationship dominates the decision to help.

INTRODUCTION

When the water’s high, when the weather’s not so fair, when the well runs dry, you find out who your friends are. – Tracy Lawrence

Companies rely on their consumers for help in many ways, including spreading word of mouth, participating in marketing research, and in the case of non-profit organizations, volunteering time and donating money. Early research on what motivates individuals to help in ways such as these attributed helping behavior to individual differences such as having an altruistic personality (Rushton 1981; Rushton et al. 1981), being able to empathize with the individual or organization in need (Batson and Coke 1981; Hoffman 1981; Krebs and Russell 1981), or perceiving a strong social or personal responsibility to help (Berkowitz and Daniels 1963; Latané and Darley 1970; Piliavin et al. 1981). Companies who were in need of help, such as charities and non-profit organizations, responded to this perspective by seeking out individuals who are more altruistic or socially responsible and asking them for help. Requests for help were largely framed as philanthropic gestures, and individuals who responded to these requests for help were labeled as altruistic individuals who could expect to be repeatedly asked for help by organizations who were in need.

More recent research, however, has suggested that some individuals help not because of their individual altruism or social responsibility, but because of their relationship with the individual or organization that is in need. Individuals who perceive strong relationships with organizations have been found to be more likely to spread positive word of mouth (Gremler et al. 2001; Harrison-Walker 2001), participate in marketing research (Aggarwal 2004), volunteer time (Sargeant and Lee 2004) and donating money (Bhattacharya et al. 1995). In response to this research, companies who were in need of help shifted their focus from seeking out altruistic or socially responsible individuals to cultivating relationships with their consumers with the expectation that this would increase the likelihood that these individuals would help the company if asked. This type of relationship marketing has become so linked to consumer helping behavior that it has become a fundamental component of fundraising efforts for nonprofit organizations (Burnett 2002; Flanagan 2002; Greenfield 2002; Rosso 2002).

As companies shift their focus from finding consumers who are willing to help to cultivating consumer relationships, it begs the question, is this the right strategy to be pursuing? Should companies be focusing exclusively on cultivating relationships, or is it still worth it to seek out and pursue individuals who are more altruistic or socially responsible, or even to cultivate relationships specifically with individuals who are more altruistic or socially responsible? Will these individual differences still have an effect when the request for help is within the context of a relationship, or will the individual’s perceptions of the relationship overshadow any individual tendencies toward altruistic behavior? This paper addresses this question by examining the effect of individual differences in social responsibility on willingness to help both within and outside the context of a relationship. The goal of this paper is to determine if the socially responsible individual is still more willing to help when the request is made within the context of a relationship or if the perceived relationship will dominate the decision to help.

THEORETICAL FOUNDATION

Several researchers have suggested that the individual differences in helping behavior that are observed are due not to differences in personality, but different perceived social norms of behavior (Berkowitz and Daniels 1964; Eisenberg et al. 1984; Leventhal 1976). Social norms are shared expectations among individuals within a society as to what behaviors are appropriate in a given situation (Elster 1989). Social norms can prescribe behaviors as being appropriate or proscribe behaviors that are deemed inappropriate, and the individual who violates the norm by either engaging in proscribed behaviors or not engaging in prescribed behaviors is subject to social disapproval (Hechter and Opp 2001). These shared expectations can exist among all of the individuals that make
up a society and govern their behavior toward all other individuals within that society, including strangers (Elster 1989; Piliavin et al. 1969). Norms can also be specific to a particular small group (Elster 1989) or even to a particular relationship (Macneil 1980; Rusbult and Van Lange 2003). Individuals who believe strongly in the norms of their society, group, or relationship are likely to behave consistently with these norms, therefore, when the norms prescribe altruistic behavior, these individuals are more likely to help (Berkowitz 1972).

The Societal Norm of Social Responsibility

Societal norms specify how individuals should act and what is culturally acceptable within a society (Reno et al. 1993). These are broad level norms that encompass how society as a whole interacts and expects others to interact. Certain societal level norms prescribe when helping behavior is appropriate (Carlo and Randall 2002) and can motivate helping behavior among individuals. One of these societal norms is the norm of social responsibility, which is defined as “a cultural norm prescribing that the individual should help those who are dependent upon him” (Berkowitz and Daniels 1964, p. 275). Dependence occurs when an individual is in need, is unable to help himself or herself, and is unable to reciprocate any help that he or she may receive (Berkowitz and Daniels 1964). Therefore, the norm does not dictate that individuals must always help others, but rather that individuals should help those who are in need who cannot help themselves and cannot reciprocate. The individual’s obligation to help is positively related to (1) the need of the recipient (Fisher and Ackerman 1988), (2) the degree to which the helper empathizes with the recipient (Batson et al. 1995) and (3) the degree to which the helper feels personal responsibility for the recipient (Piliavin et al. 1981).

Individuals are usually taught societal norms of helping behavior like the norm of social responsibility during childhood and internalize these norms to different degrees (Carlo et al. 1999; Fabes et al. 1999; Rushton 1982). Individuals who believe strongly in the norm of social responsibility feel an obligation to help those who are in need and not expect any form of payback. Therefore, we expect them to be more willing to help, especially when the individual or company is perceived to be dependent. Several studies in consumer behavior have found an increase in willingness to help when the helper perceives the recipient to be dependent (Fisher and Ackerman 1988; Moore et al. 1985). We therefore expect that when an individual who believes strongly in the norm of social responsibility is asked for help independent of a relationship, he or she will be more willing to help than an individual who does not believe as strongly in the norm of social responsibility.

H1: When the helping behavior is independent of a relationship, individuals who are high in social responsibility will be more likely to help than individuals who are low in social responsibility.

Communal and Exchange Relational Norms

Motivation to help can also be influenced by relational norms. While societal norms are general and apply to all individuals living in a society, relational norms are specific to a particular relationship and govern behavior within that relationship (Ellickson 1991). Two relational norms that can influence helping behavior are exchange and communal relational norms (Clark and Mills 1979). Consumer-company relationships have historically been assumed to be governed by exchange norms, in which both parties have the expectation that any benefit given from one party to the other obligates the recipient to return a comparable benefit in return or as repayment at some point in the future (Clark and Mills 1993, p. 684). Recent research, however, has suggested that some consumer-company relationships are governed by communal norms of helping behavior (Aggarwal 2004; Goodwin 1996; Gremler et al. 2001). In these relationships, one party gives help or benefits to the other to demonstrate caring for the other or simply because the other is in need. Helping behavior is often driven by caring for the other party or a desire to see the other party’s needs fulfilled (Clark 1981). In communal relationships, the receipt of a benefit does not create a debt or change the recipient’s obligation to respond to the other’s needs. Studies have found that individuals who were in communal interpersonal relationships and consumer-company relationships were more likely to help their relationship partners and less likely to expect that their help would be returned in the future (Aggarwal 2004; Clark and Mills 1979; Clark et al. 1989; Gremler et al. 2001). We therefore expect that individuals who are in communal relationships will be more willing to help their relationship partner than individuals who are in exchange relationships.

H2: When the helping behavior is within a relationship, individuals who perceive a communal relationship will be more likely to help than individuals who perceive an exchange relationship.

Social Responsibility Versus Relational Norms

The fact that individuals can develop relational norms with both other individuals and companies does not mean that these relationships will no longer be subject to the influence of societal norms of interaction. However, researchers have rarely examined the two levels of norms together to determine which has the stronger influence. Theories of relational norms that concede that any norms that are specific to the relationship must still conform to
the norms of the society within which the relationship exists suggest that societal norms may have the stronger influence (Macneil 1980; Rusbult and Van Lange 2003). On the other hand, the more specific nature of relational norms may lead them to be the dominant influence, as individuals rely on the more specific prescription for behavior over the more general expectation (Licht 2005). This paper examines both of these norms together in order to determine which has the more dominant effect on individuals’ decisions to help when the request for help is within the context of a relationship.

This research question will be tested by examining the circumstances in which the two levels of norms predict contrary behaviors. When an individual is high in social responsibility and is in a strong communal relationship, both norms predict the same behavior – the individual should help his or her relationship partner if he or she is in need. Likewise, an individual who is low in social responsibility and is in an exchange relationship should experience no internal conflict regarding helping; both norms dictate that the individual should not help without the expectation of reciprocity. However, it is not as easy to predict how an individual will behave that is high in social responsibility and in an exchange relationship, or is low in social responsibility but in a communal relationship. It is these norm combinations that will enable us to test the relative strength of the two norms. We therefore offer competing predictions for the interaction effect between the two norms.

H3a: When the helping behavior is within a relationship, the societal norm will dominate such that individuals who are high in social responsibility will be more willing to help regardless of their perceived relationship.

H3b: When the helping behavior is within a relationship, the relational norm will dominate such that individuals who perceive a communal relationship will be more willing to help regardless of their individual social responsibility.

MEASUREMENT OF SOCIAL RESPONSIBILITY

The measurement of the societal norm of social responsibility has been a challenge for researchers. Several scales have been developed in the literature to measure social responsibility, but each has tended to capture a single specific aspect of social responsibility and to have limited generalizability (Peterson and Seligman 2004). Most researchers rely on Berkowitz and Lutterman’s (1968) revised Social Responsibility Scale or Starrett’s (1996) Global Responsibility and Responsibility of People scales. However, these scales are also limited in their scope and do not appear to fully capture the definition of the norm of social responsibility. In addition, neither of these scales has been fully validated and both exhibit limited internal validity (Peterson and Seligman 2004). For this reason, we elected to develop and validate a measure of social responsibility that is more directly related to the definition of the norm of social responsibility given by Berkowitz (Berkowitz 1972; Berkowitz and Daniels 1964).

We began the scale development using the process recommended by Churchill (1979). Based on a careful reading of the literature on social responsibility and the definition and boundaries of the norm, the researchers generated a list of items that reflected the breadth of the construct. Each item was written as a belief or perception of the normative expectations for the participant’s own behavior (see Appendix for final scale items). The scale was then tested in a series of pretests to refine the scale and determine its reliability and validity. Participants in each pretest were asked to respond to the scale items using a seven-point Likert-type scale with endpoints “Strongly Agree” and “Strongly Disagree.” The scale was initially refined using reliability analysis and exploratory factor analysis using principal axis factoring with oblimin rotation, resulting in a thirteen-item scale with a reliability of \( \alpha = 0.92 \). A confirmatory factor analysis revealed that the thirteen scale items loaded onto a single latent factor within acceptable levels of fit (\( \chi^2 = 42.47, p < .01 \), RMSEA = 0.09, GFI = 0.92, NFI = 0.90, NNFI = 0.92, CFI = 0.94). To test whether our scale represents an improvement over the existing scales in the literature, our scale will be tested against Berkowitz and Lutterman’s (1968) Social Responsibility Scale and Starrett’s (1996) Responsibility of People scale, the two closest scales to ours, and subjected to additional validation in Study 1.

STUDY 1

Study 1 was conducted to test Hypotheses 1–3 in the context of an interpersonal relationship. We elected to begin with interpersonal relationships since this is the context in which both of the original norm theories were developed. Study 1 was a 2 (social responsibility: high, low) x 2 (relationship: communal, exchange) design with the first variable measured between subjects and the second variable manipulated between subjects.

Variables and Procedure

We felt that it was important to capture social responsibility and relational norms separately so that participants’ responses to the relational norm manipulation would not be biased by the measurement of social responsibility. To accomplish this, a two-part study was conducted with undergraduate students at a large Midwestern
university. One hundred sixty-five participants completed both parts of the study. The sample was 48 percent male with an average age of 21.

In the first part of the study, participants’ internalization of the norm of social responsibility was measured using our social responsibility scale. We also captured responses on Berkowitz and Lutterman’s (1968) Social Responsibility Scale and Starrett’s (1996) Responsibility of People Scale in order to provide a final test of the validity of our scale against the existing measures from the literature. We also used the first part of the study to capture our dependent measures of helping behavior outside of the context of a relationship. Participants’ helping behavior was measured using Rushton, Chrisjohn and Fekken’s (1981) Self-Report Altruism Scale and Roberts’ (1996) Socially Responsible Consumer Behavior Scale. Finally, since there was concern that responses on our measure of social responsibility may be biased by social desirability, participants completed Strahan and Gerbasi’s (1972) 10-item version of the Marlowe-Crowne Social Desirability Scale.

In the second part of the study, which took place two weeks later, we manipulated relational norms and captured our dependent measures of helping behavior within a relationship. To manipulate relational norms, participants were provided with the definition of both communal and exchange norms and asked to think of a real relationship with an individual in their lives that fit one of the two norms. To check the manipulation of relational norms, participants completed Mills and colleagues’ (2004) Communal Strength scale about the relationship that they had selected. Participants were then asked to imagine a scenario in which the individual that they were thinking of asked them for help either by asking for money for lunch after losing his or her wallet or by asking for a ride to the airport after a prearranged ride had fallen through at the last minute. Participants’ likelihood of helping the individual was measured using a seven-point semantic differential scale in response to the question, “How likely are you to give them money/a ride?” with endpoints “Not at all likely” and “Very likely.” We also measured participants’ expectations as to whether they would be paid back for their help using a seven-point semantic differential scale in response to the question, “Do you expect them to pay you back?” with endpoints “Not at all” and “Definitely.” In order to be certain that any effects were due to our manipulation of relational norms and not other underlying individual differences, we then asked each participant to consider a second relationship that fit the opposite norm from what they had considered before. Each participant was then given the scenario (wallet or airport) that he or she had not received earlier and asked about their likelihood of helping and expectations for payback for this second relationship. The order of both the relationship norms and the scenarios was counterbalanced, and no order effects were found.

Results

To provide a final validation of our social responsibility measure, all three social responsibility scales were separately tested for reliability and factor analyzed using principal axis factoring with oblimin rotation. Our Social Responsibility Scale had an initial reliability of $\alpha = 0.94$ and loaded on two factors. After analyzing the factor loadings, one item appeared to be loading solely on the second factor and to have low item-to-total reliability. That item was removed and the subsequent factor analysis revealed a one-factor solution with all loadings greater than 0.50 that explained 59 percent of the variance. The new twelve-item scale had a reliability of $\alpha = 0.95$. The other two scales demonstrated poorer reliability and validity. Berkowitz and Lutterman’s (1968) Social Responsibility Scale loaded on two factors with about half of the items loading on each, explained only 38 percent of the variance, and had a reliability of $\alpha = 0.72$. Starrett’s (1996) Responsibility of People Scale fared even worse with a four-factor solution that explained 43 percent of the variance and a reliability of $\alpha = 0.70$. This led us to conclude that our social responsibility scale can be considered to be more valid than these previous scales from the literature.

We also tested whether the three scales were correlated, which would suggest that our scale was capturing the same underlying construct as the two existing scales. Our scale was significantly positively correlated with both Berkowitz and Lutterman’s (1968) scale ($r = 0.49$, $p < .001$) and Starrett’s (1996) scale ($r = 0.63$, $p < .001$). This suggests that our scale is related to the other two scales, but our scale is capturing a more general belief in the norm of social responsibility. We therefore decided to use our Social Responsibility Scale for the analysis, summed the items to create a composite measure, and used a median split on this measure to determine high and low social responsibility groups. Before conducting any further analysis, participants’ responses were checked for effects of social desirability. Responses on our Social Responsibility Scale were found to be significantly correlated with responses on the 10-item Social Desirability Scale ($r = .225$, $p < .005$). Social desirability was used as a covariate in any analyses in which social responsibility was an independent variable.

In order to check our manipulation of communal and exchange relational norms, participants completed Mills and colleagues’ (2004) Communal Strength Scale. The scale was tested for reliability across both scenarios and found to have a reliability of $\alpha = 0.91$ in the wallet scenario and $\alpha = 0.80$ in the airport scenario. A factor analysis
using principal axis factoring and oblimin rotation suggested that two reverse-scored items in the scale appeared to be problematic in this context. Dropping those two items resulted in a one-factor solution for both scenarios with reliabilities of $\alpha = 0.94$ and $\alpha = 0.93$, respectively. Using the new 8-item scale, we found that participants in the communal and exchange groups were significantly different in communal strength both in the wallet scenario (on a scale of 8–56, Communal Mean = 47.89, Exchange Mean = 33.02; $F(1, 162) = 143.99$, $p < .001$) and in the airport scenario (Communal Mean = 47.53, Exchange Mean = 31.68; $F(1, 162) = 157.19$, $p < .001$).

Hypothesis 1 was tested using a one-way ANOVA examining the effects of social responsibility on our dependent measures Self-Report Altruism and Socially Responsible Consumer Behavior. These two measures were also checked for reliability, and both were found to be above an acceptable level (Self-Report Altruism $\alpha = 0.88$, Socially Responsible Consumer Behavior $\alpha = 0.95$). Participants who were categorized as high and low in social responsibility according to the median split had significantly different scores on the Self-Report Altruism scale (on a scale of 17–119, High Social Responsibility Mean = 60.02, Low Social Responsibility Mean = 53.88; $F(1, 162) = 9.85$, $p < .005$) and on the Socially Responsible Consumer Behavior scale (on a scale of 16–112, High Mean = 50.03, Low Mean = 41.91; $F(1, 162) = 13.86$, $p < .001$). This suggests that an individual’s social responsibility does influence their self-reported helping behavior outside of the context of a relationship, supporting Hypothesis 1.

Hypotheses 2 and 3 were testing using a 2 (social responsibility: high, low) x 2 (relational norms: communal, exchange) ANOVA conducted on the primary dependent variable of interest, likelihood of helping. The test revealed only a significant main effect of relational norms across both the wallet and airport scenarios (wallet scenario: Communal Mean = 6.26, Exchange Mean = 4.81; $F(1, 160) = 31.65$, $p < .001$, airport scenario: Communal Mean = 6.70, Exchange Mean = 5.14; $F(1, 160) = 51.25$, $p < .001$). Respondents in the communal relationship were more willing to give in both scenarios than those in an exchange relationship, supporting Hypothesis 2. A significant main effect of relational norms was also found for the dependent variable expected payback across both the wallet and airport scenarios (wallet scenario: Communal Mean = 3.56, Exchange Mean = 5.19; $F(1, 160) = 29.99$, $p < .001$, airport scenario Communal Mean = 2.01, Exchange Mean = 3.95; $F(1, 160) = 45.56$, $p < .001$). Consistent with the previous findings, respondents in communal relationships had a lower expectation of payback for both scenarios. No significant interaction effects or main effects of social responsibility were found, supporting Hypothesis 3b, the dominating effect of relational norms.

Study 1 found that while the societal-level norm of social responsibility did affect an individual’s helping behavior outside of a relationship, once a relationship scenario was imposed, the relational norms dominated the decision to help. Individuals who were engaged in communal relationships with the people who were requesting help were more likely to help and less likely to expect payback than individuals who were engaged in exchange relationships, regardless of their social responsibility. Study 2 will determine if this dominating effect of relational norms also holds true for consumer-company relationships.

**STUDY 2**

Study 2 tests Hypotheses 2 and 3 using consumer-company relationships rather than interpersonal relationships to understand which norm, social responsibility or relational norms, motivates consumers to help a company. This study surveyed three hundred alumni of two specialized MBA programs at a Midwestern University to determine whether their individual differences in social responsibility or their relationship with the program, both while they were students and now that they are alumni, has a stronger effect on their likelihood of helping the program. We received 167 responses to the survey, for a response rate of 56 percent. The sample was 43 percent male, and the respondents spanned an age range from under 24 to over 65, with 77 percent of the respondents being between the ages of 25 and 44.

**Variables and Procedure**

As in the first study, respondents’ social responsibility was measured using our Social Responsibility scale. The scale was found to have a reliability of $\alpha = 0.90$, so the items were summed to create a composite measure. Relational norms were captured by giving respondents the definitions of exchange and communal relationships and measuring to what extent they perceive themselves to be in an exchange relationship or a communal relationship with their MBA program. Respondents’ helping behavior was captured by asking them how willing they are to help their program when they are asked and by giving them a specific request for donations and asking them how likely they would be to make a donation if they received this request from their program. Finally, respondents completed a shortened version of Strahan and Gerbasi’s (1972) 10-item version of the Marlowe-Crowne Social Desirability Scale. Responses on the social responsibility scale were again found to be correlated with social desirability ($r = 0.34$, $p < .001$), so this measure was again included as
a covariate in all analyses that involved the independent variable social responsibility.

**Results**

Respondents’ willingness to help their program when asked was regressed onto their individual social responsibility and the degree to which they perceive a relationship with the program as alumni. The regression produced significant results ($F = 132.85, p < .001, R^2 = 0.45$). However, only the respondent’s perceived relationship with the program had a significant effect on willingness to help ($\beta = 0.685, t = 11.526, p < .001$). The respondents’ individual differences in social responsibility did not significantly affect their willingness to help. To better explore this result, a second regression was run that included individual social responsibility and the degree to which the respondents perceived an exchange relationship and a communal relationship. The regression again produced significant results ($F = 58.26, p < .001, R^2 = 0.27$). The only significant predictor was the degree to which the respondent perceived a communal relationship ($\beta = 0.474, t = 7.633, p < .001$).

These results were replicated for respondents’ willingness to donate in response to our request for donations. The initial regression onto social responsibility and perceptions of a relationship produced significant results ($F = 59.29, p < .001, R^2 = 0.29$). Respondents’ perceived relationship with the program was again the only significant predictor ($\beta = 0.573, t = 7.700, p < .001$). The second regression that included perceptions of communal and exchange relationships was also significant ($F = 49.75, p < .001, R^2 = 0.25$), and again, the only significant predictor was the perception of a communal relationship ($\beta = 0.514, t = 7.054, p < .001$).

These findings replicate the findings of Study 1 that once the individual perceives a relationship, be it with another individual or with a company, the perceptions of that relationship dominate any decisions about helping. Individual differences in social responsibility do not have a significant effect on helping behavior within the context of a relationship.

**DISCUSSION**

This paper examined whether individual differences in social responsibility will influence an individual’s decision to help when the request for help is made within the context of a relationship. We found that when individuals make a decision to help independent of a relationship, individuals who are higher in social responsibility are more likely to help than individuals who are lower in social responsibility. However, once the request for help is made within the context of a relationship, individual differences in social responsibility no longer have an effect. The decision to help within a relationship is only influenced by the individual’s perceived relationship and the specific relational norms that govern behavior within that relationship. We were able to replicate this effect across both interpersonal relationships and company-consumer relationships.

These findings provide some initial evidence that Licht’s perspective on societal and relational norms, that the more specific relational norms dominate the more general societal norms when an individual makes a decision, may be correct. In the context of helping behavior decisions, it seems that specific relational norms, especially communal relational norms, dominate the societal norm of social responsibility. Future research should examine additional societal norm and relational norm combinations to determine if this finding generalizes to additional norms.

These findings further suggest that companies who regularly ask for help are using the right strategy by shifting their attention to cultivating relationships. If relational norms dominate societal norms in the decision to help, then companies do not need to spend the effort trying to identify individuals who are more predisposed to helping behavior, because these individuals are not more willing to help than any other individuals who perceive a relationship with the company. On the other hand, companies who are not in the practice of cultivating relationships with their consumers may still be able to solicit help from individuals who are more socially responsible, as these individuals are more willing to help when the request for help is made independent of a relationship.

**REFERENCES**

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**ENDNOTE**

1 Complete details on the scale validation process can be obtained from the corresponding author.


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APPENDIX

Social Responsibility Scale – Final Scale Items

It is my responsibility to help those who are less fortunate than I am.
I always try to help people in need.
If someone really needs my help, I should help them, even if I get nothing back.
People should help others because it is the right thing to do.
I feel bad if someone needs my help and I don’t help them.
I should help those who can’t help themselves.
If I see someone ignore a person who needs help, it makes me angry.
I should help people who are in trouble through no fault of their own.
It is important for a society to help its citizens who are in need.
People who don’t help those in need are not nice people.
Helping others is its own reward.
I always try to help others when I can.
NEED FOR COGNITION AND HUMOR REVISITED: WHY “IT’S FUNNY” DOESN’T ALWAYS MEAN “I LIKE IT”

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SUMMARY

In this article we examine two basic questions: (1) Does how much a person enjoys thinking influence how funny he or she thinks something is, and (2) Does it also influence how humor evaluation is used in his or her overall attitude formation?

Cacioppo and Petty (1982) define Need for Cognition (NFC) as “the tendency for an individual to engage in and enjoy thinking” (p. 116). NFC plays a key role in Cacioppo and Petty’s (1982) Elaboration Likelihood Model, which describes two routes to persuasion: (1) a central route characterized by a high level of active elaboration, and (2) a peripheral route characterized by the use of environmental cues as the basis for attitude formation. NFC has been shown to influence the processing route an individual uses so that high-NFC individuals process information more deeply than those low in NFC (Cacioppo and Petty 1982).

The few studies that examine NFC’s relationship (or lack thereof) with humor have produced mixed results. Zhang (1996) demonstrates that brand attitudes and purchase intent measured after participants’ exposure to print humorous ads are lower (higher) for participants with high (low) NFC scores; since high-NFC individuals tend to utilize central more so than peripheral processing, these individuals are persuaded by argument cogency instead of humor, whereas low-NFC participants are more likely, given their preference for peripheral route processing, to allow the humor to influence their evaluations. Geuens and De Pelsmacker’s (2002) study, however, provides evidence that humor has a universally positive effect on respondents’ evaluations.

We hypothesize that in settings in which motivation to process a humorous stimulus is not a factor (e.g., when the humor is straightforward and not too complex) and as there is no theoretical reason to think that high-NFC participants appreciate humor any more or less than low-NFC participants, the humor evaluation process is quite similar for the two groups. However, a low-NFC person is more likely to rely on a peripheral cue in forming attitudes toward an object and may let a basic affective response (“this is funny”) shape his or her overall attitude toward a humorous object (“this is funny, so I like this”). In contrast, a high-NFC person is less likely to rely on an affective cue (“this is funny”) to shape his/her overall attitude and is likely to employ a more cognitive process in developing that attitude. A similar effect should be observed when humor detracts from rather than drives attitudes. Thus, we hypothesize that in a situation where humor adds (detracts) to (from) overall attitudes toward an object, low-NFC participants will have significantly more positive (negative) attitudes toward the object when humor is present than when it is not, whereas high-NFC participants will have similar attitudes regardless of humor presence.

These hypotheses were tested in two studies. In Study 1, we consider the conventional scenario, where humor is viewed positively, finding that low-NFC participants allow how “funny” they perceive an object to ultimately shape attitudes toward the object (“this is funny, so I like it”), an effect not observed among high-NFC individuals. In Study 1 we used a moderately-liked picture to which a humorous or non-humorous caption was attached to form a captioned picture. Eighty-three students participated in a 2 (humor presence: yes vs. no) X 2 (NFC: high vs. low) between-subjects factorial design. In line with our prediction, results from ANOVA revealed that humor presence interacts with NFC (F (1, 79) = 5.0, p < .03) to influence the attitudes toward the captioned picture (ACP). This interaction effect was driven by low-NFC respondents, for whom the presence of humor increased ACP (M = 4.3 vs. 3.3, F (1, 43) = 10.0, p < .01), whereas the presence of humor had no effect on ACP of high-NFC respondents (M = 4.0 vs. 3.8, F (1, 38) = 0.7, p > .41). Mediation analysis (Baron and Kenny 1986) conducted on the low-NFC part of our sample confirmed that humor evaluation fully mediates the influence of humor presence on ACP.

In Study 2 we find this phenomenon also holds in a setting where detracting humor is present. The results from Study 2 suggest that the presence of detracting humor directly lowers low-NFC participants’ attitudes, whereas high-NFC participants’ attitudes are generally unaffected by it. Study 2 was identical to Study 1 with the only difference that the stimulus consisted of a highly-liked picture to which a humorous or non-humorous caption was attached. ANOVA of the data collected from 75 student participants indicated that the presence of
humor decreased $A_{CP}$ ($M = 4.0$ vs. $4.8$, $F(1, 37) = 7.2$, p < .02) for low-NFC participants, whereas it had no effect on $A_{CP}$ of high-NFC respondents ($M = 4.2$ vs. $4.6$, $F(1, 34) = 1.7$, p > .21). Mediation analysis conducted on the low-NFC participants established that humor evaluation partially mediates the influence of humor presence on $A_{CP}$.

Studies 1 and 2 combine to strongly support our hypotheses and Zhang’s (1996) finding that a person’s NFC plays a key role in humor evaluation. When low-NFC participants viewed a humorous captioned picture, they allowed their affective reaction to the humor to color their overall attitude toward the captioned picture, an effect that did not occur with high-NFC participants in either study. Given their preference for cognitive activity using central processing, high-NFC participants allow much less influence of humor on their attitude toward the target. References are available upon request.

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PASSIONATE DEVOTEES OR KNOWLEDGEABLE BRAND EXPERTS: WHO DRIVES EVANGELISM?

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SUMMARY

Devotees’ affection for their objects of love (Ahuvia 2005a, 2005b) is fascinating and insightful with regards to the deep meaning of possessions and its behavioral outcomes. Literature on devotion (Pimentel and Reynolds 2004; Pichler and Hemetsberger 2006, 2007), brand love (Ahuvia 2005a, 2005b; Carroll and Ahuvia 2005), attachment (Wallendorf and Arnould 1988) and brand zealotry (Rozanski, Baum, and Wolfsen 1999) has revealed the passionate side of consumers, and contributed a lot to a deepened understanding of consumer devotion and its behavioral consequences that go far beyond brand loyalty and word-of-mouth.

Although research on consumer devotion is steadily growing and providing more and more insightful research findings, a common basis for the concept of devotion itself is still missing. Most operationalizations of consumer devotion are unidimensional, emphasizing slightly different facets of obviously related consumer phenomena, such as strong affective commitment, passion, love, and similar. Drawing on works of Fournier (1998) and on psychological theories, we argue for a multifaceted view of consumer devotion that captures not only affective but also a behavior-related component, and offers a more in-depth portrayal of consumer devotion.

From literature we know that love objects receive much attention and dedication. Füller, Jawecki, and Mühlbacher (2006) could show that devoted consumers spend an enormous amount of time on their objects thus gaining quasi-professional expertise of their love brand. Devoted consumers are becoming brand experts over time, thus accumulating enormous brand knowledge. We further know from literature that these consumers engage in a variety of sustaining behaviors and dedicated acts for their objects of love (Pimentel and Reynolds 2004; Ahuvia 2005a).

Passionate consumers evangelize (Matzler, Pichler, and Hemetsberger 2007). However, not all consumers, not even all brand passionate consumers do try to evangelize others. Passion toward an object is not inherent in the object (Belk et al. 2003) but rather a function of many influencing factors, among which is a consumer’s personality. Matzler, Pichler, and Hemetsberger (2007) could support the hypothesis that extravert consumers are the most important and effective brand advocates when they feel passionate about a brand.

Matzler et al.’s findings also show that, although extraversion and openness-to-experience as personality traits are strongly interconnected, openness nevertheless shows no significant effect on consumer passion. Although openness also entails highly emotional facets of a personality, open personalities seem to be much more intellectually oriented, representing the curious, open-minded person, who is constantly looking for intellectual stimulation. Consequently, open personalities have a strong tendency to gain extant knowledge about their objects of interest. Is there a second, cognitive route to consumer evangelism?

This article intends to extend previous research on the influence of personality traits on consumer passion and evangelism by introducing a second possible route to brand evangelism, namely the imaginative, intellectually curious expert brand advocate. Furthermore, we also offer a more complete portrayal of consumer devotion as a theoretical construct, based on Sternberg’s theory of love. A study among enthusiastic car owners has been conducted to test our hypotheses.

Data were collected from participants in the “Volkswagen GTI” meeting (23rd – 27th May 2006) in Austria using a standardized, self-administered questionnaire with closed-response questions using 5-point-rating scales. The GTI-meeting is one of the largest car brand community meetings with more than 200,000 car enthusiasts. Volkswagen GTI fans are characterized by their enthusiastic devotion to the car, as well as their sophisticated connoisseurship of all things related to it.

Studying devoted consumers such as the Volkswagen GTI car enthusiasts holds several important insights into contemporary consumer behavior. First, it should be noted that our second order construct for devotion represents a theoretically based and more comprehensive measure for consumer devotion. It enables us to show devotions’ strong link to consumer evangelism. Drawing on the extant literature on devotion, love, and religious zealotry has contributed to a tripartite view of devotion, comprising passion, as the affective component, intimacy, as a measure for how close a consumer feels toward his brand, and dedication as the activity-oriented compo-
nent of devotion. Our model supports empirical observations of devoted consumers, fervently promoting their object of love, particularly when they are extraverts. Second, introducing brand knowledge in the model showed that devotion significantly impacts devotees’ brand knowledge. However, the link between brand knowledge and evangelism is weak, which leads to the assumption that high emotionality is a much stronger trigger for fervent brand-supportive behavior than extant knowledge. These findings suggest that devotees with an open personality express their devotion differently and are probably the knowledgeable brand innovators rather than brand evangelists.

Car enthusiasts are a very specific group of devotees. Future research should address gender differences, which are very obvious in love relationships. Privately versus collectively consumed brands could be another possible reason for different outcomes of consumer devotion. Whereas Volkswagen GTIs are objects for conspicuous consumption and blatant show-offs, privately consumed love brands may be pampered and kept secret. In any case, consumer insight for theory and practice could be beyond anything that we have known so far. Devoted consumers might soon become better innovators and communicators than our well-paid brand managers.

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EXTENDING FESTGE AND SCHWAIGER’S MODEL OF CUSTOMER SATISFACTION WITH INDUSTRIAL GOODS TO ACCOUNT FOR UNOBSERVED HETEROGENEITY

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ABSTRACT

Structural equation model analyses in top marketing journals usually do not address the problem of heterogeneity. This is a critical issue in marketing since data typically does not stem from a homogenous population. Our analysis uncovers and treats unobserved heterogeneity and, thereby, extends the results of an existing marketing study.

INTRODUCTION

In a recent contribution, Festge and Schwaiger (2007) investigate the epistemic nature of customer satisfaction and its driver constructs in order to develop a formative measure of customer satisfaction with industrial goods. The analysis reveals that only very few performance dimensions offer a significant chance of increasing customer satisfaction in this market. Although Festge and Schwaiger (2007) rule out potential methodological issues (e.g., correlations between the constructs, nonlinear relationships) by carrying out supplementary analyses, we suspect that the lack of significant effects might be related to the limiting assumption that the data originate from a single homogeneous population. Marketing studies often acknowledge that truly homogeneous segments of consumers do not exist. For instance, Wu and DeSarbo (2005) report substantial consumer heterogeneity even within a given product or service class. If the population was homogeneous, but treated as homogeneous, the results of structural equation model analyses using the covariance-based structural equation analysis (CSA) approach or the partial least squares (PLS) path modeling method (e.g., Wold 1974; Henseler, Ringle, and Sinkovics 2009) would be seriously distorted. Jedidi, Jagpal, and DeSarbo (1997), for example, uncover several costumer segments that vary considerably in terms of the importance they attach to the various dimensions of satisfaction. Consequently, the identification of customer segments (Wedel and Kamakura 2000) on the basis of inner path model estimates represents a critical problem when applying the PLS path modeling methodology to form decisive interpretations. This research uses the finite mixture partial least squares (FIMIX-PLS; Hahn et al. 2002) approach to uncover and treat unobserved heterogeneity and, thereby, extends the results of Festge and Schwaiger’s (2007) customer satisfaction study for industrial goods. The analysis provides further differentiated results which allow to more precisely target specific customer segments and to form more effective marketing strategies. Our paper also substantiates that unobserved heterogeneity can seriously affect PLS estimates at the aggregate data level, which may result in misleading interpretations. Hence, we conclude that assessing the effect of heterogeneity via FIMIX-PLS must become a standard procedure when evaluating PLS path modeling results.

UNCOVERING AND TREATING UNOBSERVED HETEROGENEITY

Based on a wide-ranging literature review and interviews with experts, Festge and Schwaiger (2007) develop a set of 52 performance items, which allow forming 15 antecedent driver constructs for overall satisfaction. The analysis of these drivers uses empirical data and the PLS path modeling methodology reveals that only two factors offer a significant chance of increasing customer satisfaction. This result has not been expected, considering that customers and suppliers recognized the adopted performance features to be highly relevant for customer satisfaction. Furthermore, Homburg and Rudolph’s (2001) prior research revealed that various dimensions exert a significant influence on customer satisfaction.

We propose an extension of Festge and Schwaiger’s (2007) model and account for unobserved heterogeneity by fitting a finite mixture regression model using the novel response-based segmentation approach FIMIX-PLS which represents the primary technique for segmentation tasks in PLS path modeling thus far (Sarstedt 2008a). As a key methodological advantage, the approach is effectively applicable to all kinds of PLS models regardless whether the measurement models of latent variables are formative or reflective (e.g., Gudergan et al. 2008). This methodology allows us to classify data based on the heterogeneity of the estimates in the inner path model (Ringle, Wende, and Will 2005a). The software program SmartPLS offers FIMIXPLS capabilities (Ringle, Wende, and Will 2009; Ringle, Wende, and Will 2005b) for systematically uncovering unobserved heterogeneity (Ringle, Sarstedt, and Mooi 2009). Thereby, our results extend the original modeling framework by introducing a
categorical moderator variable, whose modalities represent different segments within the data, where the strength of the relationships between the latent variables varies across the segments (Bauer and Curran 2004).

**ANALYSIS AND RESULTS**

In the first step of the FIMIX-PLS analysis, the SmartPLS software provides PLS modeling estimates on the aggregate data level (Hahn et al. 2002). An evaluation of results reveals that the GoF value of .638 (Tenenhaus et al. 2005) and the R² value (.574) of the endogenous latent variable “customer satisfaction” are fully acceptable. The global model results clearly indicate that only two factors have a significant influence on customer satisfaction: “satisfaction with the machines and systems” as well as “satisfaction with the quotations.”

In the next analytic step the FIMIX-PLS algorithm is applied using a consecutive number of classes (e.g., 2...5) and ten replications. A detailed presentation of the PLS and FIMIX-PLS results are available from the authors upon request. Information criteria as well as the entropy criterion (Sarstedt 2008b) suggest a two-segment solution.

The FIMIX-PLS probabilities of membership are then used for a-priori clustering and segment specific PLS analyses. Therefore, each observation is assigned to one of the two segments according to its highest membership probability. The two sets of data are separately used as input matrices for the manifest variables in order to estimate PLS path models for each group of observations.

According to the FIMIX-PLS analysis, the endogenous construct exhibits an increased overall R² value (i.e., the sum of segment-specific R² values, weighted by segment size) of .761, thus ranging 33 percent higher than in the global model (i.e., the PLS path modeling results on the aggregate data level). With a value of .724, the overall GoF is at a highly satisfactory level when compared to common analysis results. It is important to note that almost all inner model relationships are significant at p < .01 in the first segment. Unlike the global model, the segment-specific results provide evidence of the various performance features’ substantial and varying influence on overall customer satisfaction. In the first segment for example, price policy significantly influences overall satisfaction, which is neither the case in the aggregate-level analysis, nor in the second segment. Generally speaking, customers in the first segment are mainly concerned with company-level performance features.

In contrast, the overall satisfaction of customers in the second segment is strongly affected by factors that relate to interpersonal communication. Compared to the

![FIGURE 1: Festge and Schwaiger’s (2007) Model of Customer Satisfaction](image-url)
first segment and the aggregate-level analysis, both satisfaction with employees and periodic customer visits have a significantly positive influence on the dependent variable. Moreover, satisfaction with the machines and systems is positively related to the endogenous construct, but to a lesser extent than in the first segment. Overall, the drivers of customer satisfaction differ substantially across the two segments. In addition, PLS multi-group analysis results (Keil et al. 2000; Henseler 2007) clearly indicate that most of these differences are significant at $p < .01$ and further substantiate the need of drawing on segment-specific PLS outcomes in this study. These results match the complex buyer-seller relationships in industrial markets (e.g., Homburg and Rudolph 2001) and provide a sound basis for segment-specific marketing activities.

**SUMMARY AND CONCLUSION**

The identification of different groups of consumers with distinct estimates in the inner path model highlights the importance of path modeling methodology for shaping effective marketing strategies. By applying FIMIX-PLS to allow for unobserved heterogeneity in inner model path estimates, we were able to extend the previous study by Festge and Schwaiger (2007) and, thus, provide a more complete picture of the effects of the drivers of customer satisfaction in the market for industrial goods. Through this, we make a strong case for further differentiated, segment-specific, customer satisfaction management analysis, since, in this example, our analysis arrives at a considerably higher model fit. Furthermore, our analysis demonstrates that an aggregate analysis can be seriously misleading, thus resulting in flawed management decisions on, for example, customer targeting, product positioning, or the determination of the optimal marketing mix. Considering the key role that customer satisfaction plays in establishing, developing, and maintaining successful customer relationships in industrial markets, these findings are highly relevant from a managerial point of view.

In addition, the results demonstrate the analytic potentials of FIMIX-PLS. Given that researchers cannot determine segments a-priori and are primarily interested in accurately identifying different segments regarding the model structure, the prudent strategy is therefore to use the finite mixture approach. Researchers can exploit the potentials of FIMIX-PLS when theory essentially supports the path model and data is heterogeneous and belongs to a finite number of groups. We expect that these conditions will hold true in many marketing related PLS path modeling applications (Wedel and Kamakura 2000).

Consequently, we conclude that the application of FIMIX-PLS represents a requirement for every PLS path modeling analysis which has been ignored by prior research. If necessary, researchers and practitioners can treat unobserved heterogeneity effectively and thus avoid potential misleading interpretation and findings. Segmenting consumer response along multiple dimensions may lead to a richer understanding of the impact of the marketing mix and allows for the formulation of effective marketing strategies. Therefore, we believe that FIMIX-PLS will assume an imperative role in enhancing PLS in the next wave of analytical PLS procedures.

Future research will require extensive use of FIMIX-PLS on marketing examples, with typically heterogeneous data, to illustrate the applicability and the problematic aspects of FIMIX-PLS from a practical point of view. Researchers will also need to test the FIMIX-PLS methodology based on simulated data, with a wide range of statistic distributions and a large variety of PLS path modeling applications, to gain additional implications. Finally, theoretical research should provide satisfactory improvements for problematic areas such as convergence to logical optimum solutions, computation of improper segment-specific results and identification of suitable explanatory variables which allow for a partition that adequately reflects the one revealed by FIMIX-PLS.

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CUSTOMER TARGETING IN DIRECT MARKETING: AN ACCURATE PREDICTION OF CUSTOMER RESPONSE

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SUMMARY

Direct marketing activity has grown rapidly during the last decade. Along with sales growth, a wider range of products are promoted and sold through direct marketing activity. A major advantage of direct marketing is that the firm is able to collect data about individual customer response behavior. The firm can use such rich information in targeting the best customers for its product offers. For efficient targeting effort, predicting future customer behavior is very important. However, the typical response rate to direct mailings is still low and many recipients consider it to be “junk mail.”

Direct marketing firms have traditionally used customer purchase patterns, collectively known as RFM variables, in targeting the best customers. Recency (R) is defined as the number of periods since the last purchase. Frequency (F) is defined as the total number of orders placed over a standard period of time. Monetary value (M) is defined as the dollar amount that the household has spent in all purchases from the firm to date. Conceptually, RFM variables are used for forecasting because past purchase behavior is often a reliable guide to future purchase behavior. RFM values can be used as independent variables in a probit or logit response model.

Although the use of RFM in response model appears straightforward on the surface, two potential problems arise in attempting to calibrate a predictive model on a database in which the firm has attempted to optimize mailing policy. The first problem is known as selection bias. Selection bias arises when the researcher uses a non-randomly selected sample to estimate behavioral relationships. If the firm selects customers for mailings based on a non-random selection rule (such as the RFM values), a study that only analyzes the selected customers generates biased results. This bias arises from the fact that the researcher does not observe the response of non-selected customers. Selection bias can only be controlled by formally analyzing the way that the firm selects customers for mailing and including this in model estimation. The second problem, known as endogeneity, occurs when RFM values not only represent the past response behavior of the customers, but also reflect the past targeting decision of the firm. For instance, if a customer is not selected to receive a mailing, the recency will be larger and the frequency and the monetary values will be smaller than the values of these same variables for a comparable customer who received the mailing. If the firm consistently ignores the customer for any reason, the RFM values of this customer will deteriorate regardless of the true tendency to respond.

To improve targeting effort, this paper provides a model that would enable the direct marketing firm to forecast the customer’s probability of response more accurately. A system of equations including the firm’s customer targeting and customer response, along with control variables, corrects for the potential statistical problems of selection bias and endogeneity. This model is then applied to a database of a non-profit organization. It is estimated that charitable giving in the U.S. amounted to $260 billion in 2006 which comprises about 2.2 percent of the gross domestic product. A majority of Americans, in fact 59 percent, say that they respond to charities based on the information that comes via direct mail. Yet, the overall response rate to direct mail is 2.73 percent meaning that almost 97 percent of direct mail is not responded to. Thus firms in this industry need greater understanding of the factors that influence a donor’s giving and what causes those behaviors to change.

The performance of the corrected model vs. traditional model measured by the MAD of predicted vs. actual response in the holdout data shows that the corrected model improves upon the traditional model by 16.4 percent. The traditional model is a probit response model without any statistical corrections. A major difference in estimation results of the two models is that the intercept of the corrected model is larger in absolute magnitude than that of the traditional model. It implies that the probability of response becomes lower after correcting for selection bias and endogeneity. The traditional model’s probability of response is inflated since only the targeted people in the database are analyzed. The targeted people are the ones selected in the past by the firm’s own selection criteria and hence the chance that they respond to the mailing in the current mailing occasion will be higher than a typical person in the database. If the firm uses the probability of response predicted by the traditional model, it will end up selecting more people than necessary and a large proportion of these people may not actually respond. On the other hand, the corrected model recognizes the firm’s past selection process and corrects for the inflated probability of response and hence it will produce a more accurate prediction of the true response probability. Hence, the firm using the probability of response predicted by the corrected model will be more efficient in the targeting of customers and reduce the amount of “junk mails.”
application also provides managerial insights about the firm’s targeting policy in light of the customer’s response behavior. A comparison of the results of the firm’s customer targeting model and the customer’s response model shows the firm’s current targeting policy is not consistent with the customer response behavior and the firm would benefit from modifying its current mailing practice. References are available upon request.

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ABSTRACT

The purpose of this paper is to determine the key attributes which determine consumers’ perception of the SUV product class of the DaimlerChrysler Jeep Cherokee. The definition of the problem is conceptualized utilizing the classification system outlined by Rossiter (2002). The outcome is a research instrument.

INTRODUCTION

This research is addressed from the perspective that in order to determine the key attributes which determine consumers’ perception of the DaimlerChrysler Jeep Cherokee (DCJC), the correct meaning of the construct must be clearly defined from the start. It is necessary to avoid vague, abstract conceptualizations because they leave too much room for interpretive error (Rossiter 2002). This paper describes the research problem, “the SUV product class of the DCJC as perceived by consumers” via the Construct definition, Object classification, Attribute classification, Rater identification, Scale formation, and Enumeration and reporting (C-OAR-SE) framework (Rossiter 2002). The repertory grid (Kelly 1955) method is described and applied to elicit the attributes by actual and prospective SUV consumers for rater-entity classification. The attributes are formulated using content analysis by the rater entity based on consumer responses. An analysis and interpretation of the items in the grid by the rater-entity, their resultant attributes and research instrument statements are presented. This is followed by a discussion of the advantages and disadvantages of the methodology and recommendations for further research.

RESEARCH OBJECTIVE:

The goal of this paper is to determine the key attributes which determine actual and prospective consumers’ perceptions of the SUV product class of the DaimlerChrysler Jeep Cherokee in particular.

STATEMENT OF THE PROBLEM:

The problem is the valid and reliable identification of key attributes which determine consumers’ perception of the SUV product class, in particular, the DaimlerChrysler Jeep Cherokee. Consumers’ perceptions of attributes of DCJC within the SUV product class have yet to be examined using the Object Classification, Attribute Classification, Rater Identification (O-A-R) methodology in the C-OAR-SE framework (Rossiter 2002). Most measures of consumers’ perceptions toward a consumer good such as the SUV product class do not utilize a reliable and valid methodology (e.g., in Barnes 1975; Estelami 1987). This results from these studies not providing inter-response agreement for the same variable and requires further refinement of the constructs to generate uniform answers. While measurement error exists in any study (Hair 2006), the research is improved by finding ways to reduce it (Rossiter 2002). In other words, the researcher needs to be sure that the items comprising the attribute are all oriented toward a single underlying dimension: in this case, the key attributes that determine the actual and prospective consumers’ perceptions toward the SUV product class of the DCJC in particular.

Furthermore, in these studies the researchers invalidly impose their view of what the perceived product attributes were rather than allowing it to evolve from consumer interviews. Contrary to standard methodology, researchers have developed research instruments based on intuitive judgments rather than applying consumer supplied attributes (e.g., in SERVQUAL, Parasuraman, Zeithaml, and Berry 1988 and in the Market Orientation scale, Narver and Slater 1990). The process of using the repertory grid technique, on the other hand, enables the consumer to articulate his or her own understanding of the world and reveals what consumers think about a product such as SUVs without superimposing the researcher’s prejudice (e.g., in Johansson and Thorelli 1985). This also improves the reliability of the research.

This study extends the repertory grid to actual and prospective consumers’ perceptions of SUVs because it offers a powerful way of quantifying people’s attitudes, feelings, and perceptions (Easterby-Smith 1996). This also contrasts with conventional empirical approaches, such as factor analysis which often classify people in the researcher’s schema of the world and may provide inconsistent inter-item descriptions of the attributes (e.g., in Taylor and Baker’s 1994 measure, and in more than one in 10 of the scales in Bearden, Netemeyer, and Mobley
The construct under study is defined as “the key attributes affecting actual and prospective consumers’ perceptions of the SUV product class of the DCJC.” This study utilizes the O-A-R classification method proposed by Rossiter (2002) to disaggregate the construct into its object, attributes and rater entity. This methodology is useful because it is comprised of a comprehensive disaggregation of all the relevant elements related to the construct under study. This O-A-R methodology also provides a standardized, comprehensive format that ensures the validity and reliability of this study as well as being readily applicable to other such studies.

The method used to identify the key attributes which influence consumers’ perceptions of the DCJC is the repertory grid technique. The repertory grid technique is a tool through which we can attempt to uncover and formally represent how individuals construct their world. In this respect, it can be used to inform the formation of attributes which are classified by the O-A-R classification system and to create a research instrument for the purpose of measuring the key attributes which determine consumers’ perceptions of the Jeep Cherokee. The repertory grid technique dovetails favorably with the O-A-R classification system because it generates the single or multiple concrete items utilized to define the attribute by the rater-entity. Although the repertory grid technique is derived from what was originally utilized as a psychological tool for counseling United State’s university students (Kelly 1955), this study makes an extension and modification of this technique, as has already been done in applications of business related areas such as training and marketing (Stewart 1981; Easterby-Smith 1996).

**Process of Conducting the Repertory Grid and the O-A-R Classification System**

The process of conducting the repertory grid technique and inputting its results into the O-A-R classification system is divided into four sequential stages. In Stage one, the focus of the repertory grid as defined by the object classification method is identified. In Stage two, the researcher employs the repertory grid technique to elicit the words and phrases which in Stage three, are divided into broader categories of attributes by research participants using content analysis (Weber 1985). Stage four is a disaggregation and ratification of attribute categories by inter-judge agreement by rater entities generated in Stage three. The resultant research instrument is derived from the single and multi-part meanings of abstract formed and second-order formed attributes.

In Stage one, the researcher selected appropriate objects from which to construct the SUV product class of the DCJC test list. Initially, a total of 36 SUV models were selected from Wards Automotive Report (2006), representing at least one model for each of the fourteen bestselling SUV manufacturers. The initial pool of 36 SUV models were evaluated by a pre-test sample, prior to administration of the principal test, to include other models that the pre-test participants recommended. In addition to object ratification, the pre-test sample provided a preliminary evaluation of the “SUV Market Research Questionnaire” (Appendix B) used in the repertory grid technique.

**Sample Selection**

Data for the pre-test and principal test was collected from a non-probabilistic, convenience sample through one-on-one, in person interviews’ at two service stations in Astoria, New York. In return, for their participation the respondents were offered a 2006 Rand McNally Road Atlas of New York State. A total of two adults in the pre-test and five adults in the principal test completed the “SUV Market Research Questionnaire” used in the repertory grid technique (Appendix A).

**The Pre-Test for Object Selection**

The pre-test sample provided an evaluation of models to include in the SUV product class of the DCJC test list. This approach is in line with Rossiter (2002) and Simpson and Wilson (1999) who recommend polling the sample to elicit objects to which all participants can relate. The pre-test sample consisted of two adults, both male. Each works in the automobile sector, one as an auto representative and the other as an insurance agent. While they both own an SUV, one described their level of knowledge of SUVs as “High,” and the other as “Medium.”

The pre-test sample further refined the initial pool of 36 SUV models to include other models that they recommended. For example, the pre-test sample suggested that the researcher include The Ford Explorer, Kia Sorento and Honda Pilot as examples of DCJC analogues. After the initial pool of SUVs was further examined by pre-test consumers, the final list of SUV models was constructed (Appendix A). The list was increased from 36 SUV models to 39 SUV models based on this pre-test survey of three representative actual and prospective SUV buyers recommendations.
In Stage two, the five respondents in the principal test were given an “SUV Market Research Questionnaire” (Appendix B) to elicit his/her responses and to collect background demographic information. The principal test sample consisted of five adults, four males and one female. Their ages ranged between 30 to 50 years of age. The ethnic profile of the principal test sample demographic includes two white, one Hispanic, one Asian, and one Egyptian. The occupations of the respondents include a carpenter, store manager, accounting clerk, professor, and building contractor.

In conducting the principal test of the repertory grid technique, the names of each of the 39 SUV models were written on a flashcard. Each model in the list of SUVs was identified with its brand name as the object’s brand name presented to them on the card and as an SUV in the product class of the DCJC, and as such, was classified as having a single-item concrete meaning in the O-A-R framework. As the collection of SUV models are separate brands and models, yet form a common set of item-parts at a higher categorical level (Rossiter 2002), the “SUV product class of the DCJC,” was classified as an abstract collective object.

The respondent was told that the researcher was conducting academic research for a class on marketing of SUVs, and asked to first complete Section I, “Demographic Information.” The participants answered questions which ask them to report their age, occupation, gender, ethnicity, and level of knowledge of SUVs. The last three questions of the SUV Market Research Questionnaire, ascertained the actual or prospective SUV ownership status of the respondent, and served as a filter question to ensure that participants were actual and prospective buyers of SUVs of the DCJC product class.

Then, the respondent was asked to scan a set of 39 SUVs, to select a subset which was most familiar to him and then to finally select a subgrouping of three SUVs from the set. The respondents were asked to write three names from the subset of SUVs. Then, they were asked to state “Which two are most similar and which one is most different from the other two?” Then, the respondents were asked to write what makes these two designated SUVs similar? and “What makes the third SUV different from the other two?” on the questionnaire.

After the respondent completed the first grouping of questions, the cards were put back into the pile and reshuffled. Another set of three names of SUVs were randomly selected from the pile, and the respondent wrote responses to the same set of questions. The respondents reiterated this process a total of five times. This procedure was repeated and questions on three SUVs were presented five times.

In Stage three, content analysis (Weber 1985) is provided to describe the outcome of the data generated in the repertory grid technique. The researcher, with the assistance of the respondents, selected categories into which words and phrases fell and labeled the categories as attributes. The respondents communicated with the researcher by email in regards to how the pool of words and phrases would develop into attributes after they reviewed the total list. In generating the attributes, it was important that the researcher did not impose her perspective on research participants’ responses, and allowed the attributes to emerge from the articulation of the consumers’ recommendation. In doing this, the researcher made sure that the target-rater’s words and short phrases only applied to the attributes they recommended. In addition, the words and phrases which were mentioned the most frequently in their attribute category, as well as had minimal overlap with other words and phrases, were the ones that were chosen to be included in the attribute.

The respondent developed the attribute of “appearance” by reference to the items “best looks,” “good shape,” “nice shape,” “look the same,” “boring,” “ugly,” “poor design,” “no appeal to it,” “not for show,” and “box shape.” The words and phrases which made-up the “appearance” attribute comprised a quarter of all responses. It was ascertained that consumers make significant distinctions in terms of appearance and that appearance is an important part of the consumer evaluation process. Ten responses out of fifty-five were generated related to the attribute of “performance.” The components used to describe performance include “horsepower,” “drives well,” “versatile,” “lasts forever,” “reliable,” “durable,” “nice ride,” “sport,” “performs all weather,” “4X4,” “all wheel power,” “an all out off-roader,” “for the road, not the trail,” “good for the winter,” and “lean and mean.”

“Comfortable interior” “rugged interior” and “spacious” are being used in the same way to describe what the consumer designated as the attribute “interior.” These items comprised 11 percent of all responses. Consumers from the sample group also used the title “power” to describe the attribute which consisted of the words “towing capacity,” “good powerplant,” “nice drivetrain,” and “decent power.” These phrases comprised 11 percent of all responses. The residual words and phrases were categorized by respondents to represent “size” (9%), “mechanical quality” (7%), “comfort” (4%), and “solidity” (2%).

As content analysis typically includes inter-judge agreement (Weber 1985) and judgment of the object-attribute by rater entity is an inseparable part of the construct under study (Rossiter 2002), in Stage four, the rater entity is used to judge the meaning of the attributes after the items are categorized in Stage 3. These multiple
judges are identified and classified, as required by the rater-entity classification method of O-A-R, as a sample of owners and prospective buyers of a SUV in the product class of the DCJC.

The individuals who served as a rater entity in the group of SUV owners and prospective buyers were suggested to the researcher by colleagues, friends, and relatives. The researcher explained to the rater entity that their judgment on these items and attributes were used for marketing purposes of the SUVs. After being briefed on the objectives of the study, the individuals agreed to attentively give two hours of their time to complete the process of ratifying the attributes.

The rater entity classified the attributes into formed abstract attributes and second-order abstract attributes. The formed attributes have components with a single-concrete meaning and are easier to work with in terms of quickly identifying a single concrete component meaning (Rossiter 2002). The second-order formed attributes, have components with multiple meanings and are classified as first-order formed attributes (Rossiter 2002). The process of evaluating the concrete component meanings of the first-order formed attributes added another phase of inter-judge agreement. For example, the second-order formed attribute “performance” has a multi-part component or first order-formed attribute “durable” which is broken-down into “long-life,” “resists deterioration,” and “consistently performs” and their corresponding concrete meanings. When at least two-thirds of the sample group approved the meanings of the first-order and second order formed attributes such attributes were accepted for inclusion in the final questionnaire as measures of consumers’ perceptions of SUVs.

The process entailed email delivery of a rating sheet asking the rater entities to disaggregate the attribute formed in the content analysis of Stage 3 into components. In order to achieve inter-rater agreement on the meaning of the selected attributes, the researcher asked the rater entities, three in this case, to write down the attribute’s component meanings of the various attributes. Where there was inter-rater agreement the attributes were viewed as fully defined and certified, but where there was disagreement in the meanings of the components the rater entities were asked to discuss their differing concepts, over email, of the component of a particular attribute until a consensus was met.

RESULTS

A total of 55 words and phrases were elicited from the interviewees in the repertory grid technique. The items generated by the repertory grid technique were summarized using content analysis (Table 1). The final set of nine attributes which emerged from content analysis include the attribute categories “performance,” “economy,” “power,” “interior,” “size,” “mechanical quality,” “comfort,” and “solidity.” The frequency count shows that respondents generated fourteen words and phrases for “appearance,” ten phrases for “performance,” seven phrases for “economy,” six phrases for “interior,” six phrases for “power,” five phrases for “size,” four phrases for “mechanical quality,” two phrases for “comfort” and one phrase for the “attribute” solidity. The words and phrases related to appearance, accounted for a quarter of all items reported.

The major formed attributes are “power,” “interior,” “size,” “mechanical quality,” and “comfort” (Table 2). There was very substantial inter-rater agreement among the three judges with respect to the formed attributes, providing confidence that the meaning of the attributes enjoys substantial agreement among target-raters as well. The major second-order formed attributes include the single and multi-item measures of consumers’ perceptions related to the following attributes of “the SUV product class of the DCJC”: “power,” “interior,” “size,” “mechanical quality,” “comfort,” “appearance,” “performance,” “economy,” and “solidity.”

Consumers from the rater entity sample group helped optimize and provided confirmational input in regards to formulating the statements which reflect their corresponding attributes and component meanings. When the rater entities did not have more than one-third shared agreement on the single-item meanings of the components, they were not included in the final pool of statements selected for the development of statements in the research instrument. By focusing on the research participants own expressions, the researcher was also able to minimize the researcher’s bias in interpreting descriptions.

The instructions on the research instrument direct the interviewees to rate each statement on a 0-to-5 Edwards Delight Scale (www.strategicvision.com). The five points of the Edwards Delight Scale include the following: “Delightful” equals 5, “Excellent” equals 4, “Satisfac-
<table>
<thead>
<tr>
<th>Attribute</th>
<th>Items Mentioned</th>
<th>Total Number of Items Mentioned</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPEARANCE</td>
<td>Best looks (1) Good shape (1) Nice shape (1) Look the same (3) Boring (1) Ugly (2) Poor design (1) No appeal to it (1) Not for show (1) Box shape (1)</td>
<td>14</td>
<td>25%</td>
</tr>
<tr>
<td>PERFORMANCE</td>
<td>Horsepower (1) Drives well (1) Versatile (2) Lasts forever (1) Reliable (1) Durable (1) Nice ride (1) Sporty (1) Performs all weather (1) 4X4 (1) All wheel power (1) An all out off-roader (1) For the road, not the trail (1) Good for the winter (1) Lean and mean (1)</td>
<td>10</td>
<td>18%</td>
</tr>
<tr>
<td>ECONOMY</td>
<td>Fuel economy (2) Is good on gas (1) Horrible on gas (2) Too expensive (1) Gas Guzzler (1)</td>
<td>7</td>
<td>13%</td>
</tr>
<tr>
<td>POWER</td>
<td>Towing capacity (2) Good Powerplant (1) Nice Drivetrain (1) Decent power 2</td>
<td>6</td>
<td>11%</td>
</tr>
<tr>
<td>INTERIOR</td>
<td>Comfortable Interior (2) Rugged Interior (1) Spacious (3)</td>
<td>6</td>
<td>11%</td>
</tr>
<tr>
<td>SIZE</td>
<td>Big (3) Can see over people (1) Small (1)</td>
<td>5</td>
<td>9%</td>
</tr>
<tr>
<td>Attribute</td>
<td>Items Mentioned</td>
<td>Total Number of Items Mentioned</td>
<td>% of Total</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-----------------------------------------</td>
<td>---------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>MECHANICAL QUALITY</td>
<td>High quality parts (1) Breaks down often 2 Responds well to upgrades (1)</td>
<td>4</td>
<td>7%</td>
</tr>
<tr>
<td>COMFORT</td>
<td>Riding comfort (2)</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td>SOLIDITY</td>
<td>Well put together (1)</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>TOTAL ITEMS</td>
<td></td>
<td>55</td>
<td>100%</td>
</tr>
</tbody>
</table>

**TABLE 2**

Formed Attributes of the SUV Product Class of the Jeep Cherokee

<table>
<thead>
<tr>
<th>Formed Attribute</th>
<th>Component</th>
<th>Single-Item Concrete Component</th>
<th>Reliability Estimate (i.e., Inter-Rater Agreement Amongst 3 Judges)</th>
</tr>
</thead>
<tbody>
<tr>
<td>POWER</td>
<td>Size of engine Towing capacity</td>
<td>Number of cylinders Trailer towing capacity</td>
<td>3-out-of-3, 100% 3-out-of-3, 100%</td>
</tr>
<tr>
<td>INTERIOR</td>
<td>Leg Interior Cargo Interior Passenger capacity</td>
<td>Roominess for legs Capacity for cargo The number of people who can sit comfortably inside</td>
<td>3-out-of-3, 100% 3-out-of-3, 100% 3-out-of-3, 100%</td>
</tr>
<tr>
<td>SIZE</td>
<td>Length Width Height</td>
<td>Front to back length (feet) Door-to-door (inches) Ground to top of roof (in inches)</td>
<td>3-out-of-3, 100% 1 out of 3, 33% 3-out-of-3, 100%</td>
</tr>
<tr>
<td>MECHANICAL QUALITY</td>
<td>Engine Brakes Battery</td>
<td>Number of cylinders Ability to stop Supply of electricity</td>
<td>3-out-of-3, 100% 3-out-of-3, 100% 3-out-of-3, 100%</td>
</tr>
<tr>
<td>COMFORT</td>
<td>Front seat comfort Rear seat comfort Staying warm in the winter Staying cool in the summer</td>
<td>Driver’s seat Passengers’ seat Heater Air conditioner</td>
<td>3-out-of-3, 100% 3-out-of-3, 100% 3-out-of-3, 100% 3-out-of-3, 100%</td>
</tr>
</tbody>
</table>

According to Webster’s Dictionary, “Delightful” means to take one beyond their expectations and satisfy him/her completely while “Excellent” refers to a highly satisfactory satisfaction but does not achieve total satisfaction, “Satisfactory” connotes an acceptable level but one which falls short of excellence, “Unsatisfactory” connotes a substantial dissatisfaction but short of being a failure, and “Failure” connotes the failure of a vehicle characteristic to perform as intended and a severe feature shortcoming. The scale also included a separate “don’t know” category.
<table>
<thead>
<tr>
<th>Formed Attribute (second-order)</th>
<th>Formed Attribute (first-order)</th>
<th>First-Order Component</th>
<th>One Item Measure of the First-Order Component</th>
<th>Reliability Estimates (Inter-Rater Agreement Amongst 3 Judges)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APPEARANCE</strong></td>
<td>Body</td>
<td>Traditional</td>
<td>Box-like contours</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Modern</td>
<td>Round contours</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td>Front of the car</td>
<td>Headlights</td>
<td></td>
<td>Front lights</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td></td>
<td>The opening at the front of the vehicle to allow air to flow in to cool the engine</td>
<td>Grille</td>
<td></td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td>Back of the car</td>
<td>Rear design</td>
<td></td>
<td>Backlights</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td><strong>PERFORMANCE</strong></td>
<td>Durability</td>
<td>Long life</td>
<td>Lasts a long time</td>
<td>1-out-of-3, 33%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Resists deterioration</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The need to replace parts</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td></td>
<td>Reliability</td>
<td>Consistently performs</td>
<td>The ability for the engine to start-up</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td></td>
<td>Performance in all weather conditions</td>
<td></td>
<td>The ability to run in the winter</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td></td>
<td>Speed</td>
<td>Has good pick up</td>
<td>The ability to accelerate promptly for passing other vehicles</td>
<td>2-out-of-3, 66%</td>
</tr>
<tr>
<td></td>
<td>Highway speed</td>
<td></td>
<td>The ability to drive fast consistently on long highway distances</td>
<td>1 out of 3 agreement, 33%</td>
</tr>
<tr>
<td><strong>ECONOMY</strong></td>
<td>Cost</td>
<td>Affordable to buy</td>
<td>Expense to buy</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Affordable to maintain</td>
<td>Expense to maintain</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td></td>
<td>Fuel Efficiency</td>
<td></td>
<td>Mileage per gallon</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td><strong>SOLIDITY</strong></td>
<td>Resistant to minor collisions</td>
<td>The front bumpers protect the vehicle from minor impacts</td>
<td>The ability to withstand collision without severe damage to the vehicle’s frame in the front</td>
<td>3-out-of-3, 100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The back bumpers protect the vehicle from minor impacts</td>
<td>The ability to withstand severe damage to the vehicle’s frame in the back</td>
<td>3-out-of-3, 100%</td>
</tr>
</tbody>
</table>
The structure of the questionnaire is such that it can easily be adapted to measure the perceptions of actual and prospective SUV consumers to not only DCJC, but other SUVs of the product class of the DCJC. That is, other brands could be substituted for DCJC as the focal object.

**DISCUSSION**

This study demonstrates the usefulness of utilizing the O-A-R classification and repertory grid technique in terms of problem definition, data generation and research instrument development. While there are many positive aspects to this methodology, it has limitations as well which are acknowledged.

The method of disaggregating the construct into its O-A-R classification is a highly useful one because it provides a clarity derived from its clear presentation, which has the potential for cross-study utilization that ensures reliability and validity. While the repertory grid technique assists in generating the attributes’ components and constituent parts that are used in the research instrument, the O-A-R classification system makes it possible to provide valid and reliable measures of the attributes through inter-rater entity agreement. The repertory grid technique is also innovative in that it looks at objects from the standpoint of the consumer rather than the researcher. Both the O-A-R and the repertory grid technique methods are beyond the traditional limited methodologies discussed above and they represent a paradigm shift in that these methods do not rely on traditional exploratory factor analysis.

In using the repertory grid technique in this study, the participant is asked to identify and label some way in which three SUVs are similar yet different from the designated third in the SUV product class of the DCJC. Another approach would be to evaluate pre-constructed groupings of three SUVs. The grouping of three SUVs would be comprised of the Jeep Cherokee and its direct competitors. This approach more directly sheds light on Jeep Cherokee’s strengths and weaknesses, and the attributes affecting consumers’ perception of Jeep’s position relative to its competitors. The repertory grid method in this study could also be expanded to include as elements non-SUVs in order to obtain some diversity regarding vehicles in all the aspects of owning, driving and fuel economy.

An improvement to the methodology in the demographic section of the questionnaire used in the repertory grid technique would be to define exactly what do “Excellent,” “Fair,” “Poor,” or “Non-Existent” level of knowledge of SUVs mean since what one person believes to be an excellent level of knowledge may be a low level of knowledge for another. However, for the purpose of this study, this information is used to provide a rough approximation of the participants as active rather than passive users of the knowledge related to SUVs. Although the initial sample was carefully chosen for knowledge of SUVs, it turned out by the end of the study that some raters were much more knowledgeable than others. To compensate for the disparate knowledge levels of the rater entities, the data could be weighted with the highest weight assigned to the most knowledgeable and the lowest weight assigned to the least knowledgeable. The validity of the survey could be increased by skewing the results in the direction of the most knowledgeable.

One drawback of the study is that a sample size of only five individuals was not adequate to represent the large universe of prospective and actual SUV buyers. Some of the useful sample dimensions would include urban versus rural residency, income level, married versus single, driving for commuting for business versus leisure driving, and first-time buyer versus repeat buyer of a SUV. In order to increase the applicability of the study it would be necessary to increase the size of the sample group while assuming that it included the aforementioned characteristics. In line with standard research methods, it would also be more effective to use a random sample rather than the herein utilized convenience sample. Specifically, a random group is far more insightful than a convenience group since one can extrapolate a scientifically chosen random sample to represent the entire class of individuals covered by the study.

The inter-rater agreement classification process is useful because as a multiple-input process, it is more useful than relying on the intuitive judgments that would be used in finding uni-dimensionality in factor analysis of an attribute. One disadvantage of this process is that it is difficult to identify the owners and prospective buyers of SUVs without having access to an SUV dealer or manufacturer. Secondly, there is the important challenge of finding some way to motivate the inter-raters to complete the inter-rater judgment process because it involves many hours of attentive work which requires some incentive, presumably monetary. Financially compensating the rater entities would entail high expense. Funds would presumably come from the universities and the manufacturers’ market research divisions.

One of the great challenges of developing the research instrument is that in the writing of the statements many of the components used to represent the attribute had vague meanings. That is, many research participants were not likely to interpret the questions consistently, reducing the reliability and validity of the instrument. Developing statements for the research instrument by breaking the attribute into abstract formed and second order attributes with single concrete meanings helped clarify otherwise vague and confusing words. While the process of comparing similarities and differences amongst
a group of three SUVs produced the contrasting pole of both negative and positive reactions, rendering the use of a semantic differential bipolar scale, the researcher exercised her discretion to use a uni-polar scale instead. This is because a bipolar scale would treat a single dimension as having two rather than one attribute. A uni-polar scale, on the other hand, would detect the presence of an attribute, as opposed to its absence.

While the 0-to-5 Edwards Delight Scale is a uni-polar survey that is widely used in the automobile/SUV market, it presumes a level of satisfaction that can only be answered from ownership of an SUV. For prospective buyers’ responses on the characteristics of the SUV are inevitably more superficial than actual SUV owners because their judgments are based on a more intuitive rather than actual experience. However, the scale still uncovers their underlying perceptions as the attributes are relevant to their understanding of SUVs.

There are an infinite number of attributes related to the product’s characteristic and the emotional responses consumers have to SUVs. This is especially true in regards to SUVs because they are large, complex vehicles and a relatively new product class. While the attributes in this study are not comprehensive, they touch on many of the larger areas of marketing SUVs given the small number of rater-entities. The list of potential formed and second order attributes is extremely large and beyond the scope of this study. While the attributes are disaggregated into their underlying perceptions as the attributes are relevant to their understanding of SUVs.

RECOMMENDATIONS FOR FURTHER RESEARCH

It is the hope of the researcher that other researchers would look at the components and constituents which comprise the object-attributes-rater entity of this study related to attributes affecting actual and consumers’ perception of the SUV product class of the DCJC and in doing a similar study related to the attribute of the object by the target rater, use this study as a guide. Further studies should expand the sample beyond five to at least twenty-five to see if the conclusions are applicable beyond the sample of target raters and rater entities that originally judged the attributes, components and constituents. The next step would be to study how mathematically intensive factor analysis, and other approaches could be used to complement rather than impede the methodology presented in this paper to generate even more significant findings.

REFERENCES


APPENDIX A
The Repertory Grid Test List

Acura MDX  Hummer H2  Mercury Mariner
Audi Q7  Hummer H3  Mitsubishi Endeavor
BMW X3  Hyundai Santa Fe  Nissan Pathfinder
Buick Rainier  Infiniti FX35  Porsche Cayenne
Cadillac Escalade  Isuzu Ascender  Saab 9-7x
Chevrolet Suburban  Jeep Cherokee  Saturn VUE
Chevrolet Tahoe  Jeep Wrangler  Subaru Tribeca
Dodge Durango  Kia Sorento  Suzuki VUE
Ford Explorer  Land Rover Range  Toyota 4Runner
GMC Yukon  Lexus GX470  Toyota Highlander
Honda CR-V  Lincoln Navigator  Volkswagen Touareg
Honda Pilot  Mazda Tribute  Volvo XC90
Hummer H1  Mercedes-Benz M-Class

APPENDIX B
SUV Market Research Questionnaire

I am conducting academic research for a class on marketing of SUVs (Sports Utility Vehicles). I would be greatly appreciative if you could take a few minutes to share your thoughts.

Section I: Demographic Information

Directions: Please complete the following demographic information before completing Section II, “The Five SUV Triads.”

1. Age (years): __________
2. Current Occupation: __________
3. Your Gender: ________Male ________Female
4. What is your ethnicity? ________White
   __________Black
   __________Latin
   __________Asian
   __________Other

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APPENDIX B (CONTINUED)

5. How would you describe your level of SUV knowledge? (Check one)
   ______ Excellent
   ______ Fair
   ______ Poor
   ______ Non-Existent

6. Do you own/lease an SUV?
   ______ Yes
   ______ No
   ______ Maybe (If “No,” then proceed to Question 7)

6a. If you own/lease an SUV, would you purchase/lease another SUV?
   ______ Yes
   ______ No
   ______ Maybe

7. If you don’t own a SUV, are you planning to purchase/lease one?
   ______ Yes
   ______ No

Section II: SUV Grouping

Directions: Select any three SUVs from the cards that you are familiar with. Please provide answers to the questions below for each grouping of 3 SUVs you select from the list of cards. After completing the first set of questions, select another group of three SUVs that you are familiar with and repeat the same questions provided below.

Grouping 1
Names of SUVs selected:

Which two are more similar and which one is most different?

What makes these two similar?

What makes this one different from the other two?

Grouping 2
Names of SUVs selected:

Which two are more similar and which one is most different?

What makes these two similar?

What makes this one different from the other two?

Grouping 3
Names of SUVs selected:

Which two are more similar and which one is most different?

What makes these two similar?

What makes this one different from the other two?
APPENDIX B (CONTINUED)

Grouping 4
Names of SUVs selected:

Which two are more similar and which one is most different?

What makes these two similar?

What makes this one different from the other two?

Grouping 5
Names of SUVs selected:

Which two are more similar and which one is most different?

What makes these two similar?

What makes this one different from the other two?

Thank you for your participation.

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CONSUMER BEHAVIOR RESEARCH IN THE AFTERMATH OF A NATURAL DISASTER: LESSONS LEARNED

Russell Lacey, University of New Orleans
Pamela Kennett-Hensel, University of New Orleans
Julie Sneath, University of South Alabama, Mobile

SUMMARY

On August 29, 2005, Hurricane Katrina made landfall along the U.S. Gulf Coast, resulting in the largest natural disaster in U.S. history. Not only were individuals displaced from their homes by the storm, but the region’s infrastructure was devastated as well. Mail and telephone service was disrupted, roads were made impassable, and affected individuals were frequently in transition, moving from one temporary dwelling to another. The research objective of this study was to explore the role of emotions and loss on consumer behavior in the months following this natural disaster.

The first phase of the research focused on qualitative research. Twenty-one personal interviews were conducted by a team of interviewers with ties to a large metropolitan university in the region. Using a convenience sample and an unstructured interview format, storm victims accessible to the interviewers were approached and asked to describe their Katrina experience, level of stress and feelings of depression, and how they were coping in the aftermath of the storm. Interviewees were also asked to discuss storm-related losses (e.g., home, possessions, jobs) and how they were spending their time and money, and if and/or how their consumption behavior had changed as a result of the hurricane.

While detailed and insightful information was uncovered in the depth interviews, it was soon recognized there were unique challenges using this form of data collection in the post-Katrina environment. With U.S. Gulf Coast residents dispersed across the country, sample representativeness of the population of interest remained a primary concern. Also, because the variables of interest in the study (stress, depression, and behavior) were dependent upon the timeliness of information, it is crucial that life-changing event information be gathered within a limited period of time.

Given the constraints of limited time, scarce resources, unreliable communications, and a dispersed population, along with reports that the Internet was the one reliable method of communication for many victims during and after Hurricane Katrina, the researchers turned to online surveying for the second phase of the study. It was determined that an online survey instrument would be created incorporating the questions that were asked and information that was obtained during the personal interviews. Although some of the constructs (e.g., stress and depression) were measured using scales drawn from extant research, other measures were developed based on researchers’ understanding of the issues. Since the researchers were immersed in the situation as both participants and observers, they were able to construct closed-ended questions that were comprehensive and reflective of the greater population.

The online instrument was pretested with fifteen individuals in the affected region. Based on the pretest results and feedback, minor modifications to the survey were made. Then, using a snowball sampling approach, the researchers compiled an initial list of 173 non-student email addresses of U.S. Gulf Coast residents. A cover email explaining the purpose of the study and requesting participation was created, encouraging recipients to forward the email to other residents of the region. The online survey was left active for a thirty-day period. At the close of the survey, 451 responses were received. After omitting unusable responses due to significant non-response, the adjusted sample size was 427.

The use of online surveying provided the researchers the opportunity to study a larger and more representative sample of the region’s residents. Given that the population was, in essence, hidden (i.e., scattered and residences unknown or constantly changing), snowball sampling allowed researchers the opportunity to locate the members of this population. It also enhanced opportunities for follow up research. Further, the researchers found the online responses to be as candid, and perhaps, even more so, than the personal interviews.

Given the nomadic lifestyle and/or permanent change of residence that was forced upon many Gulf Coast residents, researchers were concerned about being able to follow-up with participants in the future. A research question of great interest was how this event would impact people’s consumption behavior over time and how it would change their view of possessions. By employing these research techniques, researchers have been able to not only study the participants in the immediate aftermath of the storm, but initiate the process of contacting this initial sample during their follow up study.
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AN EMPIRICAL INVESTIGATION OF THE MARKET ORIENTATION-
PERFORMANCE RELATIONSHIP IN EMERGING MARKETS

Ahmet H. Kirca, Michigan State University, East Lansing

SUMMARY

The extant research in marketing provides little information on whether market orientation can be a source of competitive advantage for the subsidiaries of global companies. This issue is important for researchers and managers since what determines the international success and failure of firms has always been a key issue in the business literature (Peng 2004). Although the idea that firms can boost their performance by fostering market orientation that helps them respond to customer requirements with solutions that are superior to rivals seems to be generic, recent empirical findings suggest that market orientation may be a better approach in economically developed markets. Specifically, it is argued that market orientation “works better” in developed country market environments characterized by good local business conditions, greater resource availability, and demanding customers (Zhou et al. 2007).

In efforts to examine the effects of market orientation on firm performance in the context of global companies in developing country markets, our study was conducted using data obtained from the subsidiaries of global companies located in Turkey. We focus on foreign subsidiaries in Turkey, one of the emerging country markets in an exclusive location at the crossroads of Europe and Asia, because Turkey is the largest economy in Eastern Europe, the Balkans, and the Middle East. As such, Turkey has attracted substantial amounts of foreign direct investment in the last few years (Demirbag, Tatoglu, and Glaister 2007). Moreover, the Turkish context provides an interesting and rich research setting for our purposes because Turkish business environment represents a diverse and complex institutional environment for global companies as a unique country with its Western market style economy and Muslim cultural heritage (Demirbag, Glaister, and Tatoglu 2007; Kabasakal and Bodur 2002). Finally, the institutional characteristics of the Turkish market environment provide a good case to investigate the market orientation of global company subsidiaries because Turkey is an emerging market characterized by high economic growth, rapidly growing population, relatively low resource availability, rapidly changing technology, and customer demandingness.

Based on data collected from 73 subsidiaries, the results demonstrate that market orientation, overall, has a positive impact on the financial performance of subsidiaries in Turkey. Thus, our findings indicate that market orientation may be a source of competitive advantage for the subsidiaries of global companies in developing economies (cf., Nakata and Sivakumar 2001; Peng 2004). In this respect, the present study echoes the three recent meta-analyses that conclude that further research is warranted for a better understanding of the market orientation-performance relationship in those geographic regions that have been under-represented in past studies (Cano, Carrillat, and Jaramillo 2004; Ellis 2006; Kirca, Jayachandran, and Bearden 2005). In this regard, subsidiaries of multinationals in Turkey offer unique advantages as a research context with its exclusive location, as well as a diverse and complex institutional environment (Demirbag et al. 2007; Kabasakal and Bodur 2002). Our findings expand our stock of knowledge on business and management practices in this important region. Our findings also suggest that a market orientation is a useful strategic marketing tool to deal with the complex competitive dynamics in developing economies. References are available upon request.

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HOW FOREIGN FIRMS ACHIEVE COMPETITIVE ADVANTAGE IN EMERGING ECONOMIES: MANAGERIAL TIES AND MARKET ORIENTATION

Julie Juan Li, City University of Hong Kong, Hong Kong
Kevin Zheng Zhou, University of North Carolina, Charlotte

SUMMARY

In recent years, foreign investment has poured into emerging economies such as China, in the form of either joint ventures or wholly owned subsidiaries, with an attempt to grab the huge potential of the world’s fastest-growing markets. However, despite the attractiveness of emerging economies, the unprecedented changes that occur in their social, legal, and economic institutions raise serious strategic challenges for foreign enterprises. Intrigued by these challenges, researchers have demonstrated great interest in strategic issues facing firms operating in emerging economies. After nearly a decade of inquiry, two primary types of strategic choices seem to have emerged. The first relates to managerial ties and focuses on network-based strategies that use extensive social ties, based on personal trust and relations, to achieve business success. The second deals with market-based strategies such as market orientation, which promote the importance of delivering superior customer value through quality products to achieve competitive advantage.

Despite the growing interest in this strategic issue, researchers continue to debate which strategy is more appropriate for emerging economies. Some believe that managerial ties are more fitting because emerging economies generally lack formal, market-supporting institutions. That is, the constraints of their old economic systems have been greatly weakened by the massive and complex changes in institutions – including government, economic systems, and enterprise ownership structures – but new, market-based mechanisms have yet to be established. Because of this institutional void, managers often must rely more on their ties with the business community and/or government officials to conduct business and coordinate exchanges. In contrast, other researchers have posited that as the construction of formal market institutions progresses, the role of managerial ties necessarily declines and that a market orientation leads to better performance, as evidenced by the many state-owned enterprises that are losing ground to private, mainly market-driven sectors. According to this perspective, the ultimate success of any business lies with its ability to serve its customers, which means that as emerging economies transition to market economies, firms should adopt more market-based strategies, such as market orientation, to improve performance.

Although this debate is highly significant, no study has examined the effects of managerial ties and market orientation simultaneously, leaving this question of strategic choice largely unexplored. Moreover, though both theoretical work and empirical evidence suggest that managerial ties matter in emerging economies, extant research has examined only the direct effects of managerial ties on outcome variables. This limited approach leaves the harder and more interesting issues of how ties and networks matter largely unanswered.

To address these research gaps, we develop a model from the resource-based view (RBV) that examines how managerial ties and market orientation affect competitive advantage and then firm performance. We suggest that in emerging economies, an important dimension of competitive advantage lies in a firm’s superiority in securing scarce resources and institutional support, which we refer to as “institutional advantage.” We argue that both managerial ties and market orientation can lead to firm success but they accomplish this goal in different ways: Managerial ties foster performance through an institutional advantage, whereas market orientation enhances performance by achieving differentiation and cost advantages. The empirical results based on 179 foreign firms in China provide strong support to our propositions.

ENDNOTE

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MEASURING THE EFFECT OF COUNTRY OF ORIGIN ON U.S.
CONSUMER’S BRAND PERCEPTION OF CHINESE
AND BRAZILIAN BEER

Daniel Galvez, Rollins College, Winter Park
Marc Fetscherin, Rollins College, Winter Park

ABSTRACT

China and Brazil have emerged as two of the main 
beer producing countries and no study so far has been 
conducted by comparing their brand perception of U.S. 
consumers. We explore this issue using an experimental 
design by means of a survey. Our results show that beer 
from these two countries is perceived more similar than 
differently. Both beers are mostly associating with beers 
from Japan and Mexico, respectively.

INTRODUCTION

China has become the largest beer producing country 
in the world, producing about 310 million hectoliters of 
beer in 2006 (Euromonitor International 2006). Given 
China’s large population, there is still a huge potential for 
internal growth, leading breweries to view China as a key 
growth market while markets in Europe and America 
remain stable or are in decline (Standard & Poor’s 2007).
However, more than half of China’s 500 breweries remain 
unprofitable due to inefficiency in production, lack of 
management skills, poor supply chain management, ineffi-
cient distribution channel and relative high transporta-
tion costs (Standard & Poor’s 2007). As a result, only 
three brands, Tsingtao, Yanjing, and Snow, are available 
nationally and internationally and Harbin, Zhujiang, and 
Guangdong Brewery are currently in international expan-
sion mode.

In 2006, Brazil was the fourth largest beer producing 
country in the world, after China, United States, and 
Germany, producing about 105 million hectoliters of 
beer. Brazilian breweries accounts for 40 percent of all 
beers consumed in South America. Large players in the 
beer industry already have a significant domestic pres-
ence as InBev, which controls over 70 percent of the 
Brazilian market. Through Greenfield investments, joint-
ventures or foreign direct investments (FDI), Heineken, 
Carlsberg, and Mexico’s Femsa Group have each contrib-
uted to the country’s modernization of its breweries 
(Standard & Poor’s 2007; Euromonitor International 2006).

Domestic brands from China and Brazil have already 
begun to enter international markets. In the case of China, 
most notably that of Tsingtao, which has successfully 
introduced its brand in both emerging and developed 
countries. Like Tsingtao, other Chinese breweries are 
backed up with significant capital reserves, are supported 
by government financial aid or favorable financial terms, 
which both facilitated the international expansion. Tsingtao 
recently announced it would open a new brewing facility 
in Thailand to catch up among other with its domestic 
competitor Snow already has a presence in Thailand 
(Stratfor 2007). This is just one of the many examples of 
international markets which will increasingly experience 
the penetration of Chinese beer brands. The trend of 
global expansion of Chinese brands is fueled by a mix of 
national and corporate strategies and the accompanying 
combination of economical and political incentives 
(Stratfor 2007). Brazil has emerged to be a particularly 
interesting case too. In 2005, InBev, the world’s largest 
brewer by volume, globally launched its Brazilian beer 
Brahma into more than 15 international markets, includ-
ing the U.S. According to Brahma, it was the first global 
beer launch on this scale in the industry. Overall, the 
players in the international beer market are experiencing 
some significant shift of power from major beer brands 
from developed markets to brands from emerging mar-
kets. As mentioned above, China and Brazil are next to the 
United States and Germany, the main beer producing 
countries who are entering developed markets. As this is 
relatively new that beer brands from emerging markets are 
entering developed markets, one of the key question is 
how consumers of those markets perceive those beer 
brands. This paper therefore provides an important contrib-
ution to the understanding of how the country of origin 
of a beer brand from China and Brazil affects the brand 
perception of developed country consumers, in this case 
the United States which is currently one of the biggest beer 
markets in the world.

COUNTRY OF ORIGIN EFFECT

Literature Review

For many years a great deal of research has been 
aimed at informational cues that provide consumers a 
means of evaluating products (Bilkey and Nes 1982; 
Baker et al. 1982; Johansson et al. 1985; Roth and Romero 
1992; Martin et al. 1993; Okechuku 1994; Lim et al. 2001; 
Pappu et al. 2007). The country of origin (COO) of a 
product is one such cue that has grown increasingly
important as the movement toward globalization furthers the diversity of goods sourced from various countries. Extensive research has been directed toward whether or not country of origin affects product evaluations, and the results vary among countries, consumers, and across products categories. Bilkey and Nes (1982) found that overall product evaluation is influenced by country stereotyping and this will impact consumer evaluation of products from that country. Yassin et al. (2007) found further that consumers will assess a product based upon its “made in . . .” label and conclude whether the product is “superior” or “inferior” in accordance with their perception of that country. A hierarchy of biases has been seen within evaluations of products from developing countries based upon a positive relationship between product evaluations and the country’s economic development (Bilkey and Nes 1982; Han and Terpstra 1988; Wang 1978). Other factors that contribute to the hierarchy are the source of the country’s culture and political climate (Wang 1978). This concept is important to countries such as China and Brazil, as U.S. consumers perception’s of the political and economic system may be perceived differently in that respect. This leads to the idea of country equity, which is developed by the images and associations of brands to a certain country (Shimp, Samiee, and Madden 1993). Brands from countries with a favorable image typically find that their brands are more readily accepted than countries with a less favorable image (Yassin et al. 2007), and it has been suggested that a favorable country image can lead to brand popularity and subsequently to consumer brand loyalty (Kim 1995). The implications of a favorable country image therefore become extremely important to brands that have yet to be established in a given market as this is the case for Chinese and Brazilian beer brands in the United States.

Most research encompassing the country-of-origin effect concentrates on products originating in developed countries and has implied that consumers prefer domestic over imported products (Wang and Chen 2004). Some studies looked at the consumer perception of developed country brands in developing countries and only a few (Toncar and Fetscherin 2007) about developed country consumers brand perception of products originating from emerging markets such as products from China and Brazil. Although products sourced from China are now common in the United States, most of the goods that display a “Made in China” label is not portrayed as a Chinese brand (Powers and Fetscherin 2008). As a consequence, Chinese brands are so far not really recognized by U.S. consumers leaving little understanding of how consumers perceive brands from China. This is also true, to a further extent, for Brazilian brands. Brazil’s exports a smaller portfolio of goods to the United States, limiting consumer familiarity, and hence Brazilian brands are virtually unheard of in the United States. This presents a great obstacle to brands originating from these two countries. Also, it should be mentioned that the perceptions of countries and their brands have been shown to change over time as this was the case for a few Japanese and South Korea brands (Jaffé and Nebenzahl 2001). A very limited number of studies were looking at alcoholic beverages despite the fact that they are well-consumed products and are strongly associated with the country they come from. Crawford and Lamb (1981) analyzed the extent to which industrial purchasers are willing to buy imported beverages and the identification of the preferred sources for foreign products. Their findings suggest that U.S. industrial buyers showed their country stereotype in being most willing to buy from developed nations when it comes to beverages. Another study which was looking at an alcoholic beverage among others was the one from Wall et al. (1989). They studied the perception of men and woman toward product quality in relation to COO. Their findings suggest that men and woman used different criteria when making product evaluation based on COO. Peris et al. (1993) was looking at wine and found that the majority of respondents preferred home-made over foreign products. Keown and Casey (1995) found that in the case of wine, the COO was the most important factor influencing consumer behavior when purchasing wine. These studies confirm previous research that consumers prefer domestic over imported products but they fail to show how developed country consumers perceive products from emerging markets and how two foreign products perform against each other and which is preferred over the other.

Table 1 summarized the few studies from the country of origin literature conducted in relation to alcoholic beverages and specifically beer and identifies the gap in the literature.

As can be seen from that table above, no study has been conducted by comparing beer brands from the two main emerging beer producing countries, China and Brazil, and the resulting brand perception by U.S. consumers. Therefore, it is necessary to continue to update that research field in order to keep pace with globalization and the emergence of international brands from emerging markets.

**RESEARCH FRAMEWORK**

The previous literature has shown that a product’s country of origin influences a consumer’s perception of that product or brand. Creating global brand recognition is an ambition for both Chinese and Brazilian beer brands. Branding is not only the symbolic representation of a company, but a means of distinguishing one product from a series of others (Keller 1993). The concept of brand personality lies in the idea that consumers often view brands not as inanimate (objects), but as having a set of human characteristics (Aaker 1997) absorbed from the user imagery, or people associated with using the brand.
Aaker’s (1997) extensive research on the construct of brand personality has produced a reliable measurement scale that enable to measure consumer’s brand perception on several dimensions. The five dimensions of the brand personality include 15 different facets of a brand based on 42 measurement item scale. We chose this framework for two main reasons: First, the conceptualizing of consumer perceptions through the brand personality dimensions and its underlying 42 measurement items allows us to capture a variety of different aspects of consumer perceptions. Secondly, this framework is widely accepted as an appropriate method and tool of measurement in the field of consumer marketing research. Figure 1 illustrates the five dimensions and underlying measurement items used in this study.

TABLE 1
Literature Review

<table>
<thead>
<tr>
<th>Year</th>
<th>Author</th>
<th>Product*</th>
<th>Country</th>
<th>Consumer</th>
<th>Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>Crawford and Lamb</td>
<td>Beverages</td>
<td>44 countries</td>
<td>U.S.A</td>
<td>Adults</td>
<td>376</td>
</tr>
<tr>
<td>1989</td>
<td>Wall et al.</td>
<td>Wine</td>
<td>19 countries</td>
<td>Canada</td>
<td>Adults</td>
<td>635</td>
</tr>
<tr>
<td>1992</td>
<td>Roth and Romero</td>
<td>Beer</td>
<td>U.K., S. Korea, Germany, Hungary, Ireland, Mexico Japan, Spain, U.S.A</td>
<td>Ireland, Mexico, U.S.A</td>
<td>Students</td>
<td>368</td>
</tr>
<tr>
<td>1993</td>
<td>Peris et al.</td>
<td>Wine</td>
<td>Germany, U.K., France, Spain, Italy</td>
<td>U.K., Spain</td>
<td>Students</td>
<td>270</td>
</tr>
<tr>
<td>1995</td>
<td>Keown and Casey</td>
<td>Wine</td>
<td>14 countries</td>
<td>Ireland</td>
<td>Adults</td>
<td>210</td>
</tr>
</tbody>
</table>

Some of those studies also took other product groups into account. For illustrative purposes, we only mention the alcohol beverage related ones.

The dimensions of the brand personality framework will be used in this explorative research to understand the similarities and differences of U.S. consumers brand perceptions between Chinese and Brazilian beer brands.

**RESEARCH METHOD**

The experimental design used to examine U.S. consumer’s brand perceptions of Chinese and Brazilian beer was survey-based. The data was collected from a sample (n = 80) of consumers from major shopping areas in a suburb of a major city in the United States: a large mall, and an outdoor central business and shopping district. Shopping mall samples have been shown to represent a satisfactory sampling universe (Tull and Hawkins 1990), and previous researchers (Liefeld, Heslop, Papadopoulos, and Wall 1996) examining country of origin effects have used shopping malls as their sampling frame. The pretest was undertaken prior to full scale survey using a sample of 12 consumers. The data was collected in November 2007 by instructed researchers who approached consumers and presented the survey and background information in the same fashion. Participating in this experiment were U.S. adults over the age of 21 randomly assigned to one of two groups. Both groups were believed that a new beer was going to be introduced into the United States. All members from each group were asked a series of background questions from the surveyor and then proceeded to read and carefully complete the rest of the survey. One group received a description of a Chinese beer while the other was led to believe it was a Brazilian beer. The survey included one photo and a description of the beer. Both groups received identical information with the exception of the information of the country of origin of the beer. The first part of the questionnaire included questions about their current consumption patterns of beer and demographic questions solely for classification purposes. The second part of the survey incorporated the brand personality scale from Aaker (1997).
RESULTS

Eighty subjects participated in this explorative study. Forty subjects completed the survey on the Chinese beer and an additional forty the Brazilian one. Subjects were U.S. adults between 21 and 76 years of age, in an effort to respect existing U.S. alcohol consumption laws with a threshold of 21 years. 50 of the 80 surveyed people were between the ages of 21 and 40. Roughly two-thirds of the respondents were males which provided the study with a historically accurate representation of male to female ratio of beer drinkers in the United States. Over half of the sample reported annual incomes between $25,000 and $75,000. Table 2 provides a detailed breakdown of the basic descriptive statistics of our sample population.

Respondents were first asked a series of background questions related to beer to get them focused on the topic and get some additional relevant information. Some of the most relevant outcomes from such questions were: 90 percent of the respondents stated that they consume an average at least one beer per week, with 75 percent also stating that they had tried a new imported beer within the last year. In effect, the majority of the participants did consume beer regularly and had some familiarity with foreign beer brands. Participates also were asked to identify any Brazilian or Chinese beer brands from a list of the most popular imported brands in the United States (recall technique). Interestingly a few respondents incorrectly identified Brazilian beer brands by naming Mexican brands. A few also incorrectly associated Chinese brands

<table>
<thead>
<tr>
<th>Demographic Characteristics</th>
<th>Groups</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender (n = 80)</td>
<td>Male</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>33</td>
</tr>
<tr>
<td>Age (n = 80)</td>
<td>21 – 30</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>31 – 40</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>41 – 50</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>51 – 60</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>61+</td>
<td>10</td>
</tr>
<tr>
<td>Income in $ (n = 69)</td>
<td>0 – 24,999</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>25,000 – 49,999</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>50,000 – 74,999</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>75,000+</td>
<td>30</td>
</tr>
</tbody>
</table>
with Japanese brands. This suggests that both, Chinese and Brazilian beer brands were associated with another country from that same region. Even though consumer behavior and brand awareness are not the focus of this study future research might focus on that issue.

Consumer Brand Perception

Prior to analyzing the data between groups for the brand perception by means of the brand personality measurement scale, the reliability and validity of the data was assessed by calculating Cronbach Alpha. We got an overall value of 0.96 which is higher than the acceptable threshold of 0.6 indicating that the data is reliable and valid.

Only one of the five brand personality dimensions, brand ruggedness, showed a significant difference between Chinese and Brazilian beer. Overall, the Brazilian beer was perceived as more rugged, as Brazil scored higher on the three out of the four measurement items which make up the brand ruggedness dimension. Under the brand ruggedness dimension, Brazil was perceived as more masculine, tough, and rugged. Table 3 summarizes the results of the five brand personality dimensions for both Chinese and Brazilian beer.

Our results further suggest that Chinese beer is perceived as more down-to-earth and unique. Brazilian beer is perceived as more cool and friendly contributing to a slightly more favorable excitement perception. However, overall our research indicates that Chinese and Brazilian beers are perceived more similarly than differently. As a result, beer brands from each of these two countries still have opportunities to create brand awareness, brand loyalty and ultimately resulting in brand equity. Our results also suggest that despite different political and economical systems (macro-level), brand perception of beer brands from those countries seem not to be significantly influenced by that (micro-level).

<table>
<thead>
<tr>
<th>Brand Personality Dimension</th>
<th>Chinese Beer Mean</th>
<th>Brazilian Beer Mean</th>
<th>F-value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sincerity</td>
<td>3.24</td>
<td>3.22</td>
<td>0.023</td>
<td>0.87</td>
</tr>
<tr>
<td>Excitement</td>
<td>3.21</td>
<td>3.11</td>
<td>0.215</td>
<td>0.64</td>
</tr>
<tr>
<td>Competence</td>
<td>3.15</td>
<td>3.10</td>
<td>0.059</td>
<td>0.80</td>
</tr>
<tr>
<td>Sophistication</td>
<td>2.91</td>
<td>2.78</td>
<td>0.439</td>
<td>0.51</td>
</tr>
<tr>
<td>Ruggedness</td>
<td>2.46</td>
<td>2.96</td>
<td>6.494</td>
<td>0.01*</td>
</tr>
</tbody>
</table>

CONCLUSION

This paper provides a relevant contribution to the existing literature as it assesses the developed country consumers brand perception of products originating from emerging countries. Further, due to globalization, China and Brazil have emerged as two of the main beer producing countries and no study so far has been conducted by comparing beer brands from the two countries. Therefore, this paper contributes to the current literature and research field in order to keep pace with globalization and the emergence of international brands from developing markets. It also explores some of the potential issues brewers from emerging markets such as China and Brazil might encounter when entering developed markets such as United States. We explore this issue using an experimental design by means of surveying U.S. consumers about their brand perception of Chinese and Brazilian beer brands. Our results give some insights that can be used by brewers from these countries in marketing their products to U.S. consumers. We suggest that Chinese and Brazilian beers are perceived more similar than differently despite their different political and economical systems.

Nevertheless, beer from Brazil is perceived as more cool and friendly than beer from China. Brazilian beer brewers might also look at how, where and who consumes Mexican beer, as some of the respondents incorrectly associated Mexican beer as Brazilian ones. But they need to further assess and understand how they want to compete, position and differentiate themselves against Mexican beer brands.

In respect to Chinese beer, they are perceived as more down-to-earth and unique. Therefore, Chinese brewers might potentially enter the market under a more premium brand strategy. However, these firms will have to emphasize that their product is indeed unique or having a distinct flavor and provide an addition value added which consumers are willing to pay for. Tsingtao, the most estab-
lished Chinese beer in the United States, has already done this with some limited success. They emphasize the fact that they use rice as an ingredient and water from natural springs in China to brew their beer. Perhaps other Chinese brewers might look to follow a similar path but need to differentiate from the one of Tsingtao. Next to product differentiation, they also need to look at the marketing mix such as distribution channels in order to overcome their perception of being a specialty product accessible only in restaurants and Asian grocery stores. In order to increase their market share Tsingtao beer for example is also widely available in small and large retail chains such as 7/11 or Publix as well as U.S. wholesale membership clubs such as Costco.

While this paper offers a glimpse into the potential challenges and opportunities Chinese and Brazilian beer brands are facing when entering developed countries such as the United States, there are some limitations with this particular study. With 80 total respondents, the sample size is small and constrained to a specific geographic location in the United States. As a result, this survey is not conclusive but rather suggestive and further research should be undertaken in that respect. Although survey respondents were U.S. adults 21 years of age and older, perhaps it would be interesting to further segment that market. It would also be interesting to do further research which includes beer from other emerging markets such as Russia and India as well as survey other consumers from other developed countries such as Germany, France or the U.K. for example. Another possible avenue of further research is the potential link consumers make in their evaluation of Chinese and Brazilian beers, most notably associating them with beers originating from Japan and Mexico, respectively.

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ORGANIZATIONAL PRICE PROCESSING TYPOLOGY

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SUMMARY

Despite a growing focus on organizational pricing from various research fields, there is little research on the processes of how organizations analyze price information and make price decisions – the information they use, the rules and processes they follow, and the cognitive structures that influence decision making. This is a critical gap in the marketing literature because organizational price decisions can significantly impact performance.

Price Processing Styles

A dominant view among managerial pricing researchers and practitioners is that pricing goals, objectives, and strategies should be formulated before the fact and should drive pricing implementation. This rational view of organizational price processing makes key normative assumptions: Managers (1) are rational and well-informed information processors, (2) who believe that market environments are concrete, measurable, and discoverable, (3) consciously set out to attain specific and well-defined goals and objectives, (4) perform careful analysis of anticipated consequences prior to choosing a price-related course of action, and (5) approach price decision-making with reasonable consensus among other managers guided by administrative action.

In some contexts, however, adherence to this rational model is likely to yield diminishing returns and the field data from our research suggest that departures from the rational model occur often. For example, in situations characterized by high competitive intensity or high market dynamism, a more flexible and adaptive model of organizational pricing may be more effective. In this research we propose that some organizations follow forms of sensemaking price processing by using more adaptive, interpretive, improvisational, and ad hoc price analysis and price decision-making and that these forms of pricing often deviate from the rational pricing approach. This sensemaking view of pricing is grounded in a literature that argues organizational decision making is driven by more fluid social processes within and among organizations as managers make sense of their environment. In this view, environments are ambiguous, enacted, and evolving – constantly being shaped by the individual actions of organizational and environmental decision makers. Organizations act in a way that makes sense with previous actions, and interpret retrospectively the rationale for their actions, such as the impact of a retaliatory price cut.

Price Processing Dimensions

Building on organizational and pricing-relevant literatures and integrating the results of field research with managers from a variety of organizations and contexts, we study price processing as a descriptive dichotomy of how organizations go about price analysis and price decision-making. Price analysis is the set of organizational activities, procedures, and processes related to intelligence and formation of potential solutions or alternatives. Price decision-making is the set of organizational activities, procedures, and processes related to how the organization selects, negotiates, trades off, agrees, and authorizes implementation of a pricing alternative or solution. Making these pricing choices requires the organization to link knowledge about pricing alternatives to likely organizational outcomes and consequences.

Organizational Pricing Typology

We combine the two price processing dimensions (analysis and decision-making) and the two processing styles (rational and sensemaking) to create a descriptive typology of organizational price processing. Through this combination, we derive four organizational price processing archetypes: deliberate, formula, adaptive, and contextual.

Deliberate pricers are characterized by rational price analysis and rational price decision-making. Price analysis is formalized, structured, systematic, regular, pre-specified, even routinized and possibly mechanized. Price decision making is goal-driven, driven by accepted and well-established pricing decision rules, criteria, measures, and norms. Adaptive pricers are characterized by rational price analysis and sensemaking price decision-making. Price analysis again is formalized, structured, systematic, regular, pre-specified, and routinized. However, price decision making is driven by sensing the effects of past and present pricing moves on organizational performance. Formula pricers are characterized by sensemaking price analysis and rational price decision-making. Price analysis is stochastic, irregular, attention-driven to detect relevant price signals with noticing and sensing of their salience and impact on organizational performance.

However, price decision making remains goal-driven, using accepted and well-established pricing decision rules, criteria, measures, and norms. Contextual pricers are characterized by sensemaking price analysis and
sensemaking price decision-making. Price analysis is marked by information scanning and sharing, and interpretation that is stochastic, irregular, and attention-driven to detect relevant, even weak price signals, with noticing and sensing their salience and impact on organizational performance. Price decision-making also favors a social sensemaking style marked by fluid, open, disorderly, and interpersonal processes with acting, adapting, bargaining, justifying, rationalizing, adjusting, improvising, and implementing negotiated price solutions by coalescing, persuading, coercing, and agreeing on a price.

This research is unique in its focus on the intra-organizational dynamics of price decision making – specifically, how organizations combine processing dimensions and styles to make pricing decisions. This work provides a conceptual basis for scale development to measure price sensemaking and study how it operates in the broader organizational environment. We need to be able to measure the sensemaking constructs identified in this research and their component dimensions. These include salient dimensions such as information gathering and dissemination, decision processing, and organizational behaviors relating to pricing. We then can empirically investigate the impact of each style of organizational price processing on organizational performance along various dimensions, such as customer satisfaction, financial performance, or employee attitudes; and, we can determine how those relationships are moderated by factors such as organizational resources, skills, and market conditions. Given the strategic importance and the often controversial nature of price decisions, we hope this research will contribute toward the science of organizational price decision making.

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REGULAR PRICE REDUCTIONS AND SHAREHOLDER VALUE

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Tobias Stein, Merrill Lynch, London

SUMMARY

Price changes are managerial decisions which can be implemented relatively quickly and immediately affect customers’ behavior and firm performance. Due to this evident importance for academics and executives, the topic of price changes, especially of price reductions, has been extensively studied over the years. Most of these studies analyze performance outcomes of temporary price discounts, called price promotions. Overall, these studies find a positive short-term effect on sales and profits whereas long-term effects have been shown to be negative on these performance measures. Studies analyzing the total performance effect, using shareholder value metrics, find no or even small negative outcome effects.

However, evidence concerning performance outcomes of regular (or permanent) price reductions is scarce. This is of particular interest since, in contrast to promotions, regular price decreases differ due to the fact that there is no return to the previous level and should therefore evolve different economic effects. Investigating regular price decreases seems especially relevant as they explain most variation in prices and are not only relevant for some special industries like retailing. Since the total performance outcomes of regular price reductions have not been examined in previous research, the question if permanent price reductions are beneficial for the firm is not answered yet. An adequate measure for estimating the total performance outcome is the firm’s shareholder value as it reflects not only a firm’s current, but also a firm’s future financial performance.

Against this background, we investigate the shareholder value effect of regular price reductions. Using the event study methodology, we focus on a change in the market value of the firm, measured as abnormal stock returns, after a regular price reduction has been announced. Furthermore, we analyze potential determinants of the size of abnormal stock returns. Drawing on previous literature of price promotions and of price management, we additionally investigate the influence of the extent of the price decrease, firms’ short- and long-run liquidity, and its competitive strategy.

Our hypothesis on the shareholder value effect is based on the efficient market hypothesis. According to this hypothesis, investor reactions fully and accurately incorporate any new information that has value relevance. We hypothesize a decrease in the market value of the firm as a reaction to a regular price reduction. Furthermore, grounding on the price promotion literature, the pecking order theory in finance and the configuration theory of competitive strategy, we expect a negative influence of the extent of the price reduction, of a lower short-term liquidity and of a differentiation strategy approach on the size of abnormal stock returns.

A cross-industry study investigating more than 170 regular price reduction announcements over almost 20 years shows a strong negative capital market reaction. Finally, our additional analyses reveal a strong influence of the extent of the price reduction on abnormal stock returns, indicating that capital market participants take the value effect of the price announcement into account. Moreover, our results indicate that a lower degree of firm’s short-run liquidity and the extent to which a firm follows a differentiation strategy approach influence the firm’s abnormal stock returns negatively.

The basic implications of our study are that regular price decreases are value destroying in most cases and that the capital market takes the extent of the price reduction into account. Therefore, before choosing a price reduction to stimulate sales performance, managers should carefully evaluate whether there are alternative instruments. Furthermore, the results of the present study advice managers to pay attention to the firm’s short-run liquidity and stress the importance of a fit between the firm’s competitive strategy and price reductions.
ANTECEDENTS OF THE STRATEGIC PRICE METRIC DECISION: AN EXPLORATORY STUDY

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SUMMARY

When General Electric entered the jet engine market, its price metric decision (PMD) to charge “power by the hour” instead of selling the jet engine to the customer represented a major strategic shift in the industry. Similarly, the DVD rental company Netflix changed the rules of the movie rental game by charging a monthly subscription and eliminating late fees. Despite such evidence of the criticality of the PMD as an important strategic choice for companies, extant literature does not provide a comprehensive framework to support the decision.

For our exploratory study, we conduct open interviews with freelancers, whom we define as independent workers who offer their services to companies without being employed by these companies. We choose this context for two reasons: First, surveying firms with multiple decision makers either requires multiple interviews in each firm or suffers a potential bias due to the key informant approach. Second, freelancers, as a part of the self-employed workforce, constitute a significant share of the economy. In Canada, for example, self-employed workers represent 15.6 percent of the workforce as of the first quarter in 2006, or 2.5 million workers. In certain industries, the rate is even higher, 30 percent of the 71,000 announcers for public events in the United States are freelancers, as are 25 percent of graphic designer and 70 percent of artists. Despite their impact on the economy though, freelancers remain largely neglected by academic marketing literature.

Although the degrees of freedom for PMD vary, in most cases, firms use either firm-based or customer-based price metrics. Firm-based metrics remain independent of customers’ usage, whereas customer-based metrics get defined through the customer’s value cocreation. For example, a consulting firm can bill by the hour or by project accomplished (firm-based), or it can price according to the cost savings the client generates (customer-based). In the GE jet engine example, the manufacturer switched from a firm-based price metric (jet engine) to a customer-based price metric (power by the hour).

Based on our interviews and a review of the literature, we present a preliminary model that describes the nature and a set of potential antecedents of PMD.

Proposition 1: The PMD consists of at least two alternative price metrics: firm-based versus customer-based.

Proposition 2: The preferred PMD is context specific.

Proposition 3: If a market exchange leads to a change of ownership, the objective of the ownership is likely to be the price metric.

Proposition 4: The more closely costs can be associated with a metric, the more likely this metric will be used as a price metric.

Proposition 5: Customers operating under budget constraints prefer a customer-based metric to a firm-based metric.

Proposition 6: The easier it is to quantify a metric for both the firm and the customer, the more likely it will be used as a price metric.

Proposition 7: Firms (agents) prefer price metrics that align their objectives with the objectives of the customer (principal).

Proposition 8: Customers (principals) prefer price metrics that align their objectives with the objectives of the firm (agent).

Proposition 9: Firms iterate between firm-based pricing and customer-based pricing to balance conflicting goals.

Further research on the PMD should move across several domains. First, the literature review we present needs to be deepened and broadened. Specifically, research in economics and accounting should be integrated into the discussion. Second, the preliminary model we propose should be extended and refined, especially with regard to making the PMD the central construct and operationalizing it more clearly. Research should also detail and categorize potential antecedents of the PMD. Third, due to space limitations, we do not discuss the consequences of the PMD. Further empirical research could fill these gaps and generalize our findings beyond the freelance service market. References are available upon request.
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ANTECEDENTS OF OVERALL STORE PRICE IMAGE IN RETAILING

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SUMMARY

The price level of a store is an important driver of consumers’ store choice (Alba et al. 1994; Cox and Cox 1990; Levy et al. 2004). However, consumers are neither able, nor willing to determine the objective store price level due to their limited ability to acquire and process price related information (Estelami and De Maeyer 2004; Vanhuele and Drèze 2002; Zielke 2006). As a result, consumers tend to rely on their individual perception of store price level (Zeithaml 1984, 1988). This individual perception of the overall store price level (i.e., overall store price image) is likely to differ from the objective store price level as consumers build their overall store price image (OSPI) on imperfect information. Hence, the OSPI is rather based on subjective impressions of consumers than on objective price levels (Büyükkurt 1986).

This phenomenon provides an opportunity for retailers: By actively managing the OSPI-related perceptions of consumers, a retailer may be able to establish a low OSPI among them (Sprott, Manning, and Miyazaki 2003). The retailer may do so without necessarily having to reduce prices of all products (which may endanger margins and profitability). Operating on razor-thin margins, retailers need to understand how customers perceive retailers’ pricing activities and how these perceptions are formed to an overall store price image (OSPI). This empirical study addresses this research gap by examining the effect of several antecedents on the formation of customers’ OSPI. This study integrates relevant antecedents of OSPI into a single model and assesses direct as well as interacting effects in order to provide managers with a comprehensive understanding of how to establish a desired store price image among consumers.

Empirical Results

We conducted 192 face-to-face interviews with consumers in four hypermarkets of two major food retailers. The results show that price-related antecedents undoubtedly play a major role in shaping consumers’ OSPI. Specifically, perceived amount of favorable inter-store price comparisons \( \beta = -0.28 \), perceived amount of special offers \( \beta = -0.32 \), and awareness of price-beating guarantees \( \beta = -0.18 \) were found to strongly influence consumers’ OSPI formation. Of further interest is the finding that a high amount of special offers (indicating a HiLo pricing strategy) has a somewhat stronger effect on OSPI than consumers’ awareness of price-beating guarantees (indicating an EDLP strategy).

With regard to non price-related antecedents of OSPI, empirical results show that the perception of store size \( \beta = -0.20 \) and store exclusivity \( \beta = 0.13 \) are important antecedents of OSPI. With regard to non-linear effects, empirical results show two significant and one non-significant combined effect of interacting antecedents on OSPI formation. The key contribution of this study is the identification of an integrated model of price-related and non price-related antecedents as well as of non-linear effects of interacting antecedents on the formation of consumers’ OSPI. In our paper we provide an intense discussion of the empirical findings and their implications for research and management practice. In this discussion special emphasis is given to the question to what extent a retailer might be able to lever customers’ OSPI without sacrificing profitability.

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PAYMENT MODE CHOICE, USAGE, AND SATISFACTION: WHO USES WHICH AND WHY – EVIDENCE FROM AUSTRIA

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SUMMARY

Brief Literature Review

Multiple payment modes have emerged but there has been relatively little attention paid to the effects of payment modes on customer behavior and by extension, customer satisfaction and loyalty. Hirschman (1979) pointed out that research efforts have failed to explore how consumers conduct their transactions and by what systems of payment they consummate economic exchanges. She suggested that this dearth of research may be caused by two assumptions: (1) that there are no substantively significant differences among payment systems, and (2) that even if differences in payment systems existed, these differences did not affect consumer purchasing behavior. Additionally, she indicated that studying this area “appear(s) to present unique and important challenges.” Feinberg (1986) demonstrated that credit cards in particular, can serve as a facilitating stimuli that encourages spending – which should interest managers. However, twenty seven years later, Schreft (2006) repeated Hirschman’s lament that not much attention had been spent on studying consumer payment behavior – until quite recently. According to Schreft, the impetus for the rising interest in this matter has been the recent innovations and potential future innovations in payment methods.

The Study

This exploratory study sought to explore the link between the choices of payment mode to customer satisfaction. It examined the Austrian market in relation to its choice and usage of debit cards versus credit cards and its impact on customer satisfaction and loyalty. Furthermore, the study aimed to identify the key drivers of customer satisfaction for these two modes of electronic payment.

Proposed Hypotheses

Five hypotheses were proposed:

H₁: Differences in personal attributes will lead to a difference in the acceptance rate of credit cards and debit cards;

H₂: The card product that has the more desirable and relevant features to the individual will likely be more accepted and preferred;

H₃: The more beneficial a person’s expectations of a credit (debit) card’s benefits, the more likely the person’s attitude will be favorable toward the credit (debit) card;

H₄: Positive evaluations of expectations, performance, and desires lead to customer satisfaction;

H₅: Higher customer satisfaction with a particular payment mode results in increased intention to use and intention to recommend that payment mode.

Research Methodology

To test these hypotheses empirically, face-to-face interviews were conducted with 360 Austrian bank customers using a structured questionnaire. These customers were selected using quota sampling based on Austrian census data for a particular Austrian province. However, while the quota sampling was used to determine the categories, selection of the actual respondents was done through systematic sampling. This ensured that the sample was representative of the population of that Austrian province who had credit and debit cards. One group, women who were 65 and older, were not considered as there were relatively few women in this age range who had debit and credit cards.

The questionnaire used for the study consisted of a mix of open-ended and structured questions and was organized in three sections. The first section included a filter question to qualify respondents. It also asked about attitudes toward payment methods and the reasons for possessing a particular payment mode. In the second section, people were asked about their satisfaction about each payment mode. The final section contained questions about a respondent’s demographics and psychographics including travel behavior.

The Results

Five hypotheses were proposed. Four of the five hypotheses were supported while one, hypothesis 4, had
partial support. Essentially, the results indicate that a person’s preference for a particular payment method is dependent on his/her personal characteristics. Additionally, the payment method’s features and characteristics influenced its desirability and acceptance. Furthermore, a person’s expectations had an impact on his/her attitude toward the payment method. The study also found that positive expectations, performance, and desires led to customer satisfaction. Customer satisfaction, in turn, leads to a higher degree of intent to use the payment method and higher degree of intent to recommend the payment method. These results are consistent with the literature on customer satisfaction that identifies expectations, performance and desires as the drivers of customer satisfaction. References are available upon request.
Pricing of Experience Product with Individual Heterogeneity: A Hierarchical Bayes Model

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Summary

Innovative experiences have been created by designers, architects and artists. In the hospitality industry, innovations in food and service are brought in to deliver unique experiences. Research says that consumers have distinct preferences and perceptions about intangible and experiential product attributes. Separating experience from service and considering it as an independent product along with proper pricing may generate considerable surplus to the marketers. There is however a lack of a structured approach for pricing such experience products.

This research proposes a bundling approach to price experience product with consumer level heterogeneity under individual budget constraint. The research is done in the context of restaurants where experience products are offered in different levels. For example, when a restaurant offers different types of foods, in a timely manner on a nicely decorated table by soft-spoken service personnel, it actually offers restaurant service. However, when the same restaurant offers food inside a theme ambiance (e.g., forest or sunset) with matching interior of the restaurant, it stages experience for the consumer. Such experiences engage consumers’ emotion and create some kind of sensory memorabilia. This study decouples such experience component from service and finds consumers’ reservation price for the same. Choice based (Huber and Zwerina 1996) conjoint methodology is proposed to estimate the consumers’ utilities of experience component of a restaurant product. Researchers (McFadden 1984; Moore 2004) opined that choice alternatives are more similar to an actual buying situation for a respondent than a rating-based profiles. According to them, CBC methodology is more appropriate when the pricing research is related to bundle of product attributes that have distinct utility to the consumers. Consumers would believe that every additional sensory feeling will cost some premium over the basic price that restaurant charges from the consumers for basic service.

Purchase decisions of experience products largely depend on the price sensitivity of an individual consumer and the individual’s preference for several experiences attributes. Different sensitivities are proposed to give access to the marketer in designing differentiated experience attributes. This research studies the purchase of experience products and the pricing of the same, with consumer level heterogeneity. Hierarchical Bayes method is used to capture consumer heterogeneity in parameter estimation. Unlike conventional HB model, segment wise prior hyper-parameter is proposed in this research (Khatri and Rao 1992). Since the intra-segment variability (nuisance parameter) decreases in formation of homogeneous groups within the heterogeneous population, the two stage prior distribution is proposed to give better parameter estimates than considering common prior distribution with same hyper-parameter. Bundle that provides maximum utility to the consumer is derived and the premium is calculated.

The result shows evidence that consumers prefer experience attribute and ready to pay price premium for those attributes that deliver experience. It is also found that consumers are ready to pay as much as 80 percent price premium over the base price to buy an experience product. Consumers’ price sensitivity for the experience products is also tested and reference price effect is also measured in the research.

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BEHAVIORAL DIFFERENCES OF CUSTOMERS ACQUIRED BY WORD-OF-MOUTH OR MARKETING: AN EMPIRICAL ASSESSMENT

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SUMMARY

The present article analyzes differences in the effectiveness of word-of-mouth vs. marketing-induced customer acquisition using two samples from a total of 240,000 customers of a peer-to-peer trading internet platform. As a result, customers acquired by word-of-mouth are found to have a higher conversion rate from registered user to actual customer and invite significantly more new customers than customers acquired by affiliate marketing.

Introduction

Arndt (1967) defines word-of-mouth as “oral, person-to-person communication between a perceived non-commercial communicator and a receiver concerning a brand, a product or a service offered for sale.” Word-of-mouth is seen as more credible, reliable, and trustworthy than marketer-initiated communication and shows its strongest impact when it originates from social contacts passing “through the unbiased filter of ‘people like me’,” (Allsop et al. 2007). While extensive research exists on the antecedents of word-of-mouth behavior, little research has been devoted to the consequences of word-of-mouth. Moreover, the majority of researchers have merely focused on psychographic impact of word-of-mouth. Some studies explore behavioral intentions resulting from word-of-mouth (Charlett and Garland 1995; Herr et al. 1991), but few of them concentrate on actual behavior like purchase decision (Mangold 1987; Bansal and Voyer 2000), switching behavior (Wangenheim and Bayón 2004), acquisition of new customers (Wangenheim and Bayón 2007), and improvement in sales and customer value (Chevalier and Mayzlin 2006; Liu 2006; Villanueva, Yoo, and Hanssens 2008). Using behavioral data from a web hosting company, Villanueva, Yoo, and Hanssens (2008) find that marketing-induced customers add more short term value to the firm, but customers that are generated from word-of-mouth add more value in the long run. While their analysis focuses on consequences for customer equity growth, the present article analyzes differences in terms of activity, and profitability.

Theoretical Background and Hypotheses Development

Balance theory (Heider 1946, 1958) can be used as a theoretical framework to explain the advantage of word-of-mouth relative to marketing-induced new customer acquisition. The inviter’s relationship to the service provider is evaluated positively from the prospective customer’s viewpoint, if the relationship to the inviting person is evaluated positively. The likelihood that the prospective customer will actually use the service offer will increase as a consequence. In contrast, customers that are acquired by marketing instruments are doubtful about credibility and trustworthiness of the service provider’s offer, which results in a lower likelihood of product trial than acquisition by word-of-mouth (H1). Moreover, customers acquired by word-of-mouth can interact with their friends and colleagues about the service provider’s offer. This interaction could lead to a consolidation of interest and activity of the freshly acquired customers in the service offer. We propose that customers acquired by invitations will be more active customers in terms of the number of transactions relative to customers acquired by affiliate marketing (H2). Customers acquired by word-of-mouth are already aware of the function and benefits of the recommendation system. Consequently, they will invite more new customers than customers that were acquired by a marketing instrument (H3a). Once customers perform word-of-mouth, we expect no differences in the amount of new customers acquired between the two groups (H3b).

Methodology

We study a sample of a total population of 240,000 customers of an internet trading platform that has been online for roughly two years. The information available comprises user information such as date of registry, the total number of transactions, age, gender, and source of acquisition. Data for successful invitations is also available. All sources of acquisitions are taken from internet log files, avoiding possible biases in self-reported measures. Moreover, individual transaction data is available on a single-transaction level. We specify that in order to become a customer, registered members have to perform at least one successful transaction.

Results

The conversion rate of customers acquired by invitations (word-of-mouth) is about twice as high as the conversion rate of marketing-induced customers, confirming H1. Once registered users have successfully been
converted into customers, the influence of source of acquisition vanishes. Contrary to H2, the average number of transactions of active customers is at the same level for customers acquired by word-of-mouth and customers acquired by affiliate marketing. As proposed in H3a, customers that have been invited by other customers will, on average, invite more new customers than customers acquired by affiliate marketing. The difference in the share of invitations that become registered members does not differ between invitations from affiliate marketing users and word-of-mouth users (H3b).

**Managerial Implications**

Word-of-mouth is more efficient than affiliate marketing in terms of the conversion rate from user registrations to customers. Therefore, marketing management of internet platforms should provide a recommendation system with ready-made invitation-letters to make it easy and feasible for customers to invite their friends to become a member. Moreover, recommendation systems have to be clearly communicated especially to users that were not acquired by an invitation. References are available upon request.

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HOW DO INNOVATORS ADOPT RADICAL INNOVATIONS FROM NEW TECHNOLOGY VENTURES?

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ABSTRACT

Although the technology adoption/diffusion model is widely used as a framework for explaining and predicting the adoption of innovations attention for the specific circumstances under which innovators adopt radical new products from new technology ventures is scant and represents a gap in the literature. At the earliest stage of development of an innovation, product categorization may still be open for discussion, technical and social norms still absent, and the survival of the new technology venture may be uncertain. As a result, innovator-customers face the difficult and rather lonely task of evaluating a venture may be uncertain. As a result, innovator-customers face the difficult and rather lonely task of evaluating a new technology, among others. The uncertainty surrounding the technology, and unfamiliarity with customers’ needs from different markets will limit the scope of the NTV’s marketing activities. Generally, based on heuristics and its network the NTV will gravitate towards the most obvious and interested party or parties available. The first customer organization typically will be an “innovator” who sees potential and opportunities of using this particular technology to enhance its competitive positioning through cost reduction or additional differentiation (Popovic and Fahrni 2004). Often the NTV collaborates with its first customer co-developing the new product and starting up the manufacturing process. The second step and challenge is to ensure broader commercialization of the new product. Having gained experience with the first customer the NTV is often better able to point out the advantages of its new product to other innovators. Using their first customers as a reference NTVs try to enhance the sense of legitimacy of the new technology and product with these prospects. To our knowledge little research has been done on the B2B buyer decision processes taking place in the early stages of the market adoption and how after the very first customer the innovator–customer group adopts the innovation. This represents a gap in the literature. At the earliest stage of development of an innovation, product categorization may still be open for discussion, technical and social norms still absent, and the survival of

INTRODUCTION

Successful new technology ventures1 (NTVs) are essential for any vital economy. Today NTVs outperform large firms where it concerns the production of innovations. However, the chance of NVTs’ survival remains limited (Christensen and Bower 1996; Falk 2007; Timmons and Spinally 2004). NTVs that operate in a fast moving and risky market, face the challenge of attracting and persuading customers to buy their innovation (Beard and Easingwood 1996). It requires a good understanding of how innovative customers adopt new technologies and their derived products. Several theories have been developed to explain the process of market acceptance of new technologies, the most widely used one being the Diffusion of Innovation Theory by Rogers (2003). In Roger’s model a potential customer’s adoption decision is based on the evaluation of a set of perceived innovation characteristics. It includes the relative advantage of the new technology/product over existing alternatives, its level of compatibility with precious solutions, its complexity, trialability and observability, and also the level of uncertainty surrounding the technology, among others. The theory predicts that innovative customers will adopt a new technology and its derived products when the overall evaluation is positive. It will cause a slow or more speedily diffusion among other customers in the marketplace. This depends on how the level of relative improvement (balance between economic and social benefits versus costs) compared to current alternatives and the level of homogeneity of customers in the market (Dekimpe, Parker, and Sarvary 1998).

The NTV literature suggests that the commercialization stage generally involves two distinct steps: (1) NTV’s identifying and cooperating with their first customer, and (2) the adoption by subsequent customers, the innovator-customers group2 (Park 2005; Ruakolainen and Ingel 2003). Finding the first customer is a major problem and may involve important path dependencies as the NTV will focus on finding subsequent customers from the same market or market segment not actively considering and pursuing alternatives directions anymore. Faced with a seemingly never ending lack of resources, the NTV management’s span of attention, their own beliefs of the new technology, and unfamiliarity with customers’ needs from different markets will limit the scope of the NTV’s marketing activities. Generally, based on heuristics and its network the NTV will gravitate towards the most obvious and interested party or parties available. The first customer organization typically will be an “innovator” who sees potential and opportunities of using this particular technology to enhance its competitive positioning through cost reduction or additional differentiation (Popovic and Fahrni 2004). Often the NTV collaborates with its first customer co-developing the new product and starting up the manufacturing process. The second step and challenge is to ensure broader commercialization of the new product. Having gained experience with the first customer the NTV is often better able to point out the advantages of its new product to other innovators. Using their first customers as a reference NTVs try to enhance the sense of legitimacy of the new technology and product with these prospects. To our knowledge little research has been done on the B2B buyer decision processes taking place in the early stages of the market adoption and how after the very first customer the innovator–customer group adopts the innovation. This represents a gap in the literature. At the earliest stage of development of an innovation, product categorization may still be open for discussion, technical and social norms still absent, and the survival of
the NTV uncertain. As a result, the innovator group faces the difficult and rather lonely task of evaluating the fuzzy innovation and innovation context.

Several papers suggest that attracting innovators by NTV’s may be difficult, (e.g., Alpert 1994; Kamakura et al. 2004). The seminal work of Golder and Tellis (1993) focuses on the early stages of diffusion, using an econometric approach. They find a high failure rate of pioneers in general and argue that first mover advantage does not always apply for radically new products and technology. It suggests a chasm before the chasm (Moore 2002); a difficulty of NTVs to attract subsequent customers at the early stage of introduction of the innovation. Guiltinan (1999), in a conceptual paper, also identifies the different decision making processes of innovators compared to the majority of customers. Whereas the majority will factor in peer influence in their adoption decision social norms have little or no affect on innovators, who are in fact trying to break with existing patterns and developing new norms in the marketplace. Consequently, they rely more on their individual assessment of the benefits and costs of the innovation than on fellow customers. While interesting, Guiltinan does not root his observations in theory and thus does not explain the underlying mechanisms at work. Other authors (Cestre and Darmon 1997; Taylor and Todd 1994) have added social norm influence to Roger’s model to better incorporate the effect of social norms of peers in early and late majority’s adoption behavior. However, the stage of how these norms develop based on innovator behavior is not discussed.

In this paper we conjecture that in the very beginning of the new technology’s adoption and diffusion (i) the lack of norms regarding the new technology and its uses, as well as (ii) the uncertainty about the NTV’s survival complicate the process of adoption by the innovator customer group. This requires special attention and should be used to extend the innovation adoption framework, better detailing the first stage of the innovation’s market introduction. The contribution of our study is threefold. First, our aim is to focus on technology acceptance by the marketplace by focusing on the adoption of the innovator group. Our approach departs from previous work in that it focuses specifically on the role of reference customers and opinion leaders regarding the adoption of new technology in a phase when norms are still absent in the market place and customers depend completely on their own personal judgment. Although other information sources may be present these two are very important and prominent. Second, we conjoin adoption theory and organizational ecology theory. Organizational ecology has several useful concepts regarding the first stage of development of a market/industry. Specifically, we draw on its notion of a new organization and technology’s need for legitimation. In accord with this we, for instance, complement the evaluation of the innovation with a simultaneous evaluation of the NTV’s liability of newness. Third, we adopt an information seeking perspective. To make their adoption decision innovators will search for information to reduce uncertainty involved and get a better understanding of the new technology and product involved. Reference customers and opinion leaders are prime sources of information when the market is still shaping up and in flux.

The paper is divided in four sections. We first explain the NTV context distinguishing between the NTV’s challenges of finding its first customer and growing its business by looking for subsequent prospects. Second, we draw on organizational ecology to discuss innovators’ need for legitimation of the NTV and the new technology and its product. We explain why evaluation of the innovation and the continuity of the NTV go hand in hand. Third, we present our framework of innovator adoption. We conceptualize the role of reference customers and opinion leaders based on the innovators’ information seeking behavior. Fourth and finally, we close with a discussion of the model and identify avenues for future research.

THE INNOVATOR-CUSTOMER PERSPECTIVE: TECHNOLOGY UNCERTAINTY AND LIABILITY OF NEWNESS

We draw on organizational ecology (Hannan and Freeman 1984; Henderson 1999) for the conceptualization and theorization of the legitimation processes at work. Organizational ecology studies the death of firms (mortality) and the founding and growth of new firms, as well as population’s development over time. Two of the central mechanisms in organizational ecology are legitimation and competition. The problems NTVs face when introducing new products based on radical new technology in B2B markets can be effectively linked to these two central mechanisms.

Demonstrating The New Technology’s Competitive Edge

NTV’s with products based on new technology often have problems in deciding which application and which market to choose for their new technology (Kowalski et al. 2005). As a consequence, the market choice is often poorly grounded (Bhave 1994). Because the technology is still under development and a proven link with customer needs has not been established yet, existing market information can not be used to make projections of potential market penetration (Christensen 1997). As a result market choice is initially based on relatively incomplete information (Ruokolainen and Igel 2004). For the first, potential, buyers this suggests that the ultimate specifications of the new technology remain unclear and its applicability in the customer’s situation uncertain.

Struggling to define the market for the new technology will reflect negatively on the technology’s function-
Legitimizing The NTV’s Organization

A second issue is the NTV’s “liability of newness.” Appearing a credible organization is a major issue for new ventures, first to convince investors to part with their money and provide expert advice, and second to ensure partners and customers that the firm will be able to deliver or pay upon promise in the future. Thus, credibility is required for attracting seed money, staff and suppliers, but also for building marketing/sales capabilities and entering and developing the market (Birley and Noburn 1985; Ruokolainen 2005). Many new ventures do not survive. The failure rates are especially high in the case of NTV’s. This creates uncertainty for customers particularly when continuity in supply and warranty or service are required. If the customer is uncertain whether the NTV and its new technology will be available in the future they will be reluctant to adopt (Zacharakis et al. 1999). The problem is increased by the fact that NTVs are unknown and have no track records. The NTV’s social network and ability to have attracted investors are some of the few indicators innovators have and will use to form an opinion about the perceived liability of purchasing from this new firm and risk involved in adopting the new technology continuity-wise (Birley and Noburn 1985; Ostgaard and Birley 1996; Ruokolainen and Igel 2004). Also expert opinions may count. Often experts are used by NTVs to enhance the credibility of their invention and potential as a new solution to a problem.

Although many NTV may experience technological problems the lack of business knowledge for managing customer accounts is most prominent (Ruokolainen and Igel 2003). Cooperation with a first customer may help, not only to iron out technological problems, but also to develop a product that is attractive for a larger market, i.e., other customers (Popovic and Fahrni 2004). For the NTV to progress in the commercialization of its technology it will have to define its market(s) and begin thinking of linking and marketing its new product to subsequent innovator-like customers. Adoption theory suggest that the NTV’s marketing effort will be more successful when the organization understands the adoption process of its customers and the antecedents of adoption, i.e., takes a customer point of view. It can the more effectively use positive references in interest prospects but also to help reduce very specific concerns they may have regarding certain perceived innovation characteristics.

Concluding, for innovator-customers it is difficult to evaluate a NTV and its technology/product. The process involves high uncertainty both with regard to the competitiveness of the new technology but also concerning the degree of liability of newness. Involvement of investors and a reference customer will help to suggest that the NTV has a change to survive and that there is value to its technology and radically new product. Belief in survival will increase with higher levels of commitment from the new venture capitalists and first customer. We will next explore the role of reference customers and opinion leaders for innovator decision making.
THE ROLE OF REFERENCE CUSTOMERS AND OPINION LEADERS AS SOURCES OF INFORMATION

We draw from information seeking theory to theorize the influence of reference customers and opinion leaders on innovators’ adoption process. This theory argues that to solve problems actors will collect information from different sources. In the absence of market norms innovators will depend on their own judgment and the few information sources available to evaluate the economic and social benefits and costs of the innovation for their company. Often innovators will have to rely on proximal information because existing market data will not apply to the innovation (Christensen 1997). Given the key role of reference customers and opinion leaders as information sources and for educating the market, understanding their role in the adoption process of innovator-customers is important (Rosa et al. 1999). Reference customers typically play an important role in B2B marketing. A frequently expressed goal is reduction of the perceived risk of a potential buyer facing the choice of a new supplier or product by communicating the credibility of the supplier (Salminen and Möller 2006). A reference customer can demonstrate the relative advantage of a product (Salminen and Möller 2006). The successful implementation with a reference customer is a showcase for other potential buyers (Gomez-Arias and Montermoso 2007). This “real world test” provides essential evidence for the potential buyer by demonstrating that the technology and product are operational. It may also prove their superiority if cost or differentiation advantages have been accomplished compared to the industry’s existing technology (Frambach 1993). It will help to reduce the perceived risk and uncertainty of the buyer and help calibrate the relative advantages involved (Ruokolainen and Igel 2004).

Salminen and Möller (2006) pose that “... firms operating in fields characterized by high technological uncertainty and investments, or trying to enter markets where they do not have established reputation, need to create references. ...” The new technology has to get recognized as a relevant option by assuming a place within the existing knowledge structures in the market (Beard and Easingwood 1996). The reference customer itself also operates in the market and has its own social network. The impact of the reference customer depends on its image and status (Salminen and Möller 2006), the size of his social network and his commitment to affect its credibility as an advocate of the new technology and NTV (Ruokolainen and Igel 2004). Another important source of relevant information in the context of radical new technology is opinion leaders. Opinion leaders are individuals or institutions that exert, either directly or indirectly, a significant amount of social influence. Their influence may be informational of normative or both (Nataraajan and Angur 1997). In the case of radical new technology the influence is often exerted in the scientific community (Popovic and Fahrni 2004). Thus, opinion leaders also influence managers’ beliefs about the marketplace and thus influence their theory in use (Tripsas and Gavetti 2000). They help conceptualize a technology and can help create and increase awareness for the technology. Opinion leaders do not only have a normative influence but also an informational effect. At the early stage of development the latter may be stronger than the former. At the early stage of development all parties in the market including providers, innovative-customers and opinion leaders are still in the process of calibrating information, exchanging knowledge and learning. Later in the process opinion leaders’ role for educating the market will increase and become more important.

CONCEPTUAL FRAMEWORK

Based on the above, we extend Roger’s (2003) adoption model for application in the NTV-context focusing on the adoption process of innovator-customers. These customers evaluate the new technology under conditions which involve uncertainty about technology and product performance, product categorization and the reputation and chance of survival of the NVT. Figure 1 shows our framework.

Two major modifications to the Roger’s model can be noted. First, we complement the evaluation of the innovation’s characteristics with an evaluation of key characteristics of the NTV’s organization i.e., risk of early death of the NTV and an evaluation of its general level of competence (see lower part of framework). A negative evaluation of these factors may prevent the innovator from purchasing the new product of the NTV, even when the customer judges positively about the innovation. Second, we add the expert opinion and reference customer as antecedents (see left hand side of framework). Although these two may be considered to resemble innovative (adoption independent of prior adopters) and an imitative (adoption dependent of prior adopters) of the Bass diffusion forecasting model (Bass 1969) for new durables respectively, we like to point out that innovators generally do not aim to imitate. They will rather use the reference as the best proxy of whether the new technology and product will work and thus as proof of whether the innovation will be able to enhance their business processes. The level of imitation will depend on the level of fit between the reference customer’s use-context and the innovator’s situation. Opinion leaders help build awareness for a new technology through e.g., publications and seminars and thus will stimulate innovator interest. Their opinion may positively or negatively affect the evaluation of innovation characteristics. We will next develop the propositions regarding the framework.
RESEARCH PROPOSITIONS

Based on our framework we develop several propositions. They concern direct effects of opinion leaders and reference customers and moderating influences of the fit between the reference customer-innovator’s use-situations. The level of reliability of the source providing the information on the reference customer’s experience is also introduced as moderator. We will first discuss the role of opinion leaders and then that of the reference customer. We will not formulate hypotheses regarding the central part of the framework i.e., Roger’s adoption model. This has received extensive attention and empirical support in the literature.

Opinion Leaders. Opinion leaders are influential persons or institutions within or for groups of customers. They represent a major source of word-of-mouth communication and can be either positive or negative in their communications. Opinion leaders are selected on the basis of their technological and product-specific expertise. In the high-tech environment of our context they often are dominant members of the scientific community (Popovich and Fahrni 2004). They also contribute to the establishment and development of norms. Deutsch and Gerrard (1955) describe interpersonal influence and distinguish two dimensions, informational and normative interpersonal influence. Because innovator-customers actively try to distinguish themselves from others by departing from regular social norms they may be just as much influenced more by opinion leaders’ informational than normative influence. Aware that not all opinion leaders have to share the same opinion and interpretation by the innovator it will be highly subjective. Thus, we focus on his/her assessment of opinion leaders’ disposition and sentiment towards the new technology in general. A positive sentiment will enhance the confidence in the usefulness of the new technology and its products and positively affect the innovator’s judgment. It will also reduce negative aspects, e.g., uncertainty. Hence, we pose:

Proposition #1: Opinion leaders’ sentiment towards the new technology will have a positive influence on the evaluation of the innovation’s adoption characteristics enhancing positive characteristics (e.g., relative advantage) and reducing negative ones (e.g., uncertainty).

Reference Customers. Reference customers and groups can be influential forces in organizational and
consumer behavior by establishing and enforcing social norms (Fisher and Ackerman 1998). Reference customers set the direction for a new norm. However, rather than be guided by this emerging norm innovators will be influenced by their search for information from referent others as being indicative of reality. They will have a tendency to actively seek information or passively observe others for this purpose. Innovator-customers will adopt on the basis of their own evaluations, whereas early adopters will rely more on WOM resulting from the increased installed base and the emergence of new cognitive schemes (Guilittan 1999; Rosa et al. 1999). The successful use of the new product by a first reference customer demonstrates and thus confirms the new benefits and users’ ability to overcome cost issues (Gomez-Arias and Montermoso 2007; Salminen and Möller 2006). However, not all references are the same. A potential customer requires a certain degree of trust in a reference customer to accept the demonstration of outcomes (Ruokolainen 2005). The general image of the reference customer in the market place will be an important indicator for the customer because it can be easily accessed. The reference customer’s commitment to the new technology can be assessed based on its purchases from the NTV. A high share of business for the new technology compared to the reference customer’s overall need for this (and related) technology/products is a good proxy of commitment and preference for the new technology. Therefore we argue:

**Proposition #2:** Reference customer’s (a) image and (b) share of business/purchasing volume jointly and positively influence the evaluation of positive innovation adoption characteristics (i.e., relative advantage, compatibility, and observability), and negatively affect negative ones (i.e., complexity, uncertainty and switching cost).

**Reference Customer’s Application Fit.** Fit between the specific application of the new technology by the reference customer and the intended application by the potential customer are anticipated to affect the impact that the referent information will have on the innovator’s evaluation. The better fit, the higher the applicability of the information, and thus the higher its influence. In the case of excellent fit conclusions are extremely relevant and can be translated one-on-one onto the customer’s own situation. So, “level of fit” signals usefulness of the customer as a referent-case and facilitates knowledge transfer (Simonin and Ruth 1998). Therefore, we pose that:

**Proposition #3:** Fit between the reference customer-innovator usage-situation positively moderates the relationship between (a) reference image and perceived innovation characteristics and (b) share of business/purchasing volume and perceived innovation characteristics.

**Reference Customer Image and Share of Business.** A professional reference customer who decides to cooperate with a NTV and buys its product will help to increase the chance of survival of the new firm significantly (Popovic and Fahrni 2004; Ruakolainen and Igel 2003). If the customer is highly involved and helps co-create the new product, the survival rate will go up significantly, particularly when complemented with a stream of new orders helping the new firm to develop its manufacturing capabilities. We propose that like venture capitalists, innovators will have heuristics about the positive effect of serious first customers to help new firms surpass the newness liability stage (Carroll 1983; Ruakolainen 2004). Hence,

**Proposition #4:** Reference customer image and share of business jointly and positively influence perceived capabilities of the new firm and reduce perceived organization risk.

**Reliability and Credibility of the Information Source.** Morrison and Vancouver’s (2000) research suggests that the credibility and reliability of a source of communication also have a serious effect on how customers value the information from that source. Information that is considered reliable will be weighed more heavily than less or unreliable information. Reliability increases when a source of first reference information is more objective and information is detailed and specific. The reliability of the information source can vary from low, e.g., a simple mention of a reference by the new venture, to high, e.g., a site visit and personal explanation by the reference customer. Clearly the latter, first hand information is more valid and specific than the former lip service-like general information. The effect of reliability and credibility of information will be that beliefs about the new technology are held with more confidence. Confidence positively influences firm level relationships and transactions (Fazio and Zanna 1978). Hence, we propose:

**Proposition #5:** Reliability of first reference information positively moderates the relationship between (a) reference customer’s image and perceived innovation characteristics, and (b) share of business/purchase volume and perceived innovation characteristics.

**Proposition #6:** Reliability of first reference information positively moderates the relationship between (a) reference customer’s image and liability of newness of the NTV, and (b) share of business/purchase volume and liability of newness of the NTV.

**CONCLUSION AND DISCUSSION**

Adoption and diffusion research has mushroomed into a rich literature. Several studies have extended the
Researchers have studied multilevel adoption issues simultaneously modeling the adoption decisions of retailers and consumers. The sequential adoption of products or product generations has also been addressed. Other researchers have studied international adoption and network effects. However, no or limited attention has been given to the specific context and nature of the very first stage of adoption by innovator customers. With the exception of Golder and Tellis (1993), who use a diffusion and provider perspective, no study to our knowledge has addressed the setting under which innovators operate and adopt radical innovations. Although current models of adoption may be very effective in explaining general adoption of innovations they appear less suited for researching adoption of radical new technologies when such technologies are uncertain as far as their (product) performance and future success is concerned i.e., are still under development. Although one might argue that under these circumstances uncertainty of the innovation is simply high, this is a too simple representation of the situation. It not only involves new technology uncertainty, but the issue of the innovation having to acquire a place in potential customers’ mental models of the market place. Innovator customers play an important role in this socio-cognitive process “category imprinting” (compare Rindova and Petkova 2007; Rosa et al. 1999). It involves a process of “enactment” and sense making in which information is exchanged and market education takes place. Reference customers, opinion leaders and innovators, together with the provider play a fundamental role in this process.

With small NTVs’ share in innovation output going up and more large firms considering new venture units as the more promising way of stimulating their level of innovation in the marketplace, it is important to take their role into account and adjust the Roger’s model to this trend. It let us to conjoining of the adoption, organizational ecology, and socio-cognitive perspective on markets literatures. Organizational ecology work has paid specific attention to the problems of entrepreneurial firms. Focusing on the commercial issue at stake we identified the need for obtaining customer legitimation and demonstrating that the new technology and its product(s) outperform or will outperform soon the competitive offerings in the market place. Also the issue of liability of newness which may eschew customers from doing business with the NTV because of lack of continuity (e.g., rooted in a need for service contracts and warranty) was recognized. The socio-cognitive perspective of the market was used to explain that at the early stage of market introduction of an innovation perceptions are uncertain, partly because it may not have been categorized (correctly) yet. Customers may wonder how the innovation should be viewed and compared. Clearly all these early factors affect the adoption by innovators and thus should be critically reviewed to extend current adoption theory.

After identifying the theoretical issues at stake during the early stage of market introduction of an innovation we drew from information seeking theory to develop our framework and introduce the innovative-customers perspective, bridging the divide with regular adoption theory models. Innovators will actively seek information to solve their problem of evaluating a prospect technology and new product. Information theory considers reference customers rather than materializations of information cues than as missionaries. It poses opinion leaders as informational agents rather than norm setting peers. Although a simplification of reality these assumptions apply to the early stage of market introduction of the new technology because innovators make an individual evaluation of the innovation and depend very little on normative influence and traditions in the marketplace.

We hope that our theorizing and new innovator adoption-framework will open up new avenues of research focusing on developing our understanding of the early stages of adoption. Future work may not only test the propositions developed but should also further develop the ideas and strengthen underpinnings. First, researchers may identify additional sources of information innovators rely on and prioritize them with those presented in this paper. More insight in the importance and perceived reliability of these sources can help to better understand how innovators go about making their decisions. This avenue or research is challenged by the difficulty regarding the identification of NTV’s in the early stages of their existence and getting their first customers to cooperate in such a research project. Several options can be explored ranging from a small scale qualitative approach to a full survey. Annual innovation awards for entrepreneurs and their first customer can proof a valuable source of information and initial list of participants. Second, Popovic and Fahrni (2004) report a case where the second customer is more representative of the market than the first customer. The effect of continued search by the NTV thus is important. It can help the final and correct categorization of the technology and product. The effect of fuzzy and more readily and clear categorization on the adoption and diffusion process may be another important area. Third, the concept of “switching costs” deserves special attention. In our framework we added “switching costs” as a separate factor in the perceived innovation characteristics box. Switching costs appear to have financial, social and psychological elements and may be a major issue in the adoption decision. A fourth avenue of research should focus on the norm formation process. The more customers adopt the new technology and product, the more a norm structure will develop. As the NTV and its technology become more institutionalized and accepted peer influence will become important and will begin to influence prospects’ decision making. Probably, it corresponds with determining the transition from the innovator to the early majority group of customers in the market place.
Imitation forces are more important for the latter group and subsequent groups, e.g., majority and late majority (DiMaggio and Powell 1983; Westphal, Gulati, and Shortell 1997). This is especially interesting in a B2B context where different DMU-roles affect the adoption process. Also the role of customer communities in this process may be considered. Clearly many challenges are present that can give a whole new impulse to adoption research.

ENDNOTES

1 New technology ventures (NTV’s) in this context refers to all entrepreneurial firms that develop and introduce radical new technology into markets. It includes both high tech start ups and new ventures from established firms.

2 From here on we will use the single term “innovators” for this group.

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MANAGING CUSTOMERS’ ADOPTION BARRIERS

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SUMMARY

The sustained development and successful introduction of new products continue to be imperative for companies’ long-term success (Prins and Verhoef 2007). However, empirical research points to high failure rates of new products, indicating that innovations remain a critical challenge for managers (Sivadas and Dwyer 2000). In this regard, individuals’ adoption behavior turns out to be a serious problem, as customers’ resistance to innovations is stated as a major cause of new product failure (Ram 1989). Resistance as the negative outcome of attitude formation is evoked by several adoption barriers (Ram and Sheth 1989), which inhibit the intention to adopt the innovation. Hence, it turns out that a successful new product launch requires a broad understanding of customers’ evaluation of new products (Moreau, Lehmann, and Markman 2001).

One idiosyncrasy of customers’ new product evaluation, which has been neglected in previous research, is that customers evaluate innovations while comparing them with existing products (Gourville 2005). Referring to findings of the prospect theory (Kahneman and Tversky 1979) one can argue that the reference point in the adoption decision is the old product and the losses customers will incur in switching to the new product will weigh more than the gains expected from the innovation. Customers who evaluate an innovation’s attributes and benefits and do not perceive a higher performance to price ratio, compared to existing alternatives, will experience value barriers that lead to resistance toward the innovation (Ram and Sheth 1989). In adoption literature this is conceptualized as relative advantage (Hoeffler 2003; Rogers 2003). Furthermore, customers evaluate the usage of a new product while estimating the required behavioral change as compared to the usage of existing products as a reference point. It has been argued that customers face usage barriers when the innovation is conflicting with established usage patterns (Hoeffler 2003; Ram and Sheth 1989). In this regard, usage barriers are conceptualized as incompatibility, which refers to the extent to which an innovation is perceived as inconsistent with past experiences of its users (Rogers 2003). We target this problem while identifying instruments adequate in reducing value and usage related adoption barriers, thus, decreasing resistance toward innovations and enhancing adoption intention.

Based on learning theory and findings of new product evaluation studies we develop hypotheses on the effectiveness of different communication instruments that help customers to overcome adoption barriers and prevent innovation resistance. In an experimental setting we also account for innovation-specific and customer-specific factors that may moderate the effects of these instruments on adoption barriers. In order to enable customers to assess features and identify benefits of the innovation, prior studies have used analogies between a familiar base domain (e.g., existing product) and an unfamiliar domain (e.g., new product) that are supposed to activate knowledge structures (Gregan-Paxton et al. 2002). However, we propose that it is not sufficient to assist customers in understanding the absolute benefits of new products’ features. Indeed, to reduce value barriers, innovative companies have to communicate the relative benefits and ensure that the new product is superior to existing alternatives (Ram and Sheth 1989). Therefore, we suggest a comparison of new and existing products on a benefit level (Ziamou and Ratneshwar 2003) to be an adequate instrument to overcome customers’ value barriers. On the other hand, instruments that aim at reducing usage barriers need to assist customers in integrating the innovation into existing consumption patterns (Dahl and Hoeffler 2004; Hoeffler 2003). Therefore, we suggest process-focused mental simulation of a favorable usage scenario, which draws attention to the fact that the usage is compatible with familiar practices. This will enable customers to align the innovation with existing consumption patterns. As a consequence, customers’ usage barriers as well as resistance will decrease and adoption intention will increase. Additionally, it is expected that innovation-specific and customer-specific factors moderate the effects of these instruments on perceived adoption barriers. Prior research shows that the degree of newness perceived by customers is a crucial factor in the evaluation of new products. Hence, we propose that barrier instruments will be more effective the more radical the innovation. Since the objective of this study is to analyze the emergence of adoption barriers within a new product evaluation process, we regard customers’ need for cognition as a relevant moderating variable. We hypothesize that individuals’ willingness to make a cognitive effort is a prerequisite for the effectiveness of benefit comparison and mental simulation. Furthermore, we assume that experts are more competent than novices in evaluating attributes and benefits of a new product, since experts possess more knowledge about the particular product category. Hence, we propose that benefit comparison will be more helpful for novices in reducing perceived value barriers than for experts.
In our experiment members of an online panel evaluated three product innovations that differed in their degree of radicalness. Overall, results support our hypotheses. Results show that benefit comparison lowers value barriers and mental simulation reduces usage barriers. Media tion analyses demonstrate that lowering adoption barriers decreases innovation resistance and enhances adoption intention. Our results contribute to existing research by accounting for moderating effects, too. In particular, we found that the barrier instruments are more effective the more radical the new product. In addition, we observed that the effectiveness of benefit comparison is larger for customers that show a high need for cognition or customers with limited knowledge in the respective product category.

Hence, our study provides important implications for innovation management in such a way that companies introducing new products need to be aware of established products and usage patterns as a reference point in new product evaluation. Once adoption barriers are identified correctly, managers have to target these barriers with adequate instruments to prevent innovation resistance and thus, new product failure. Furthermore, managers have to give consideration to the fact that the effectiveness of these instruments depends on innovation-specific and customer-related factors. This points to the need for customer-specific launch tactics such as a new product communication campaign that targets either experts or novices.

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PERCEIVED RISK UPON CONSUMER DISCOVERY OF A RADICAL INNOVATION: THE ROLE OF AROUSAL AND EMOTION

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SUMMARY

The present study investigates the role of consumers’ emotional responses upon exposure to the description of a radical innovation. The role of emotion has been widely accepted in consumer information processing of persuasive messages such as advertising. However, consumers’ emotional processing of innovations has not been well examined in the diffusion of innovations literature as a cause of successful diffusion. Consumers often learn about new products from reports in the news media. How do consumers react on their initial response to a new product that is incongruous with the existing technology that it replaces? We know that radical innovations, where the level of perceived incongruity with the existing technology is high, have some disadvantages resulting from their high levels of market and technological uncertainty (Hoeffler 2003; Min, Kalwani, and Robinson 2006; Rogers 2003). Further, we are aware that incongruity leads to perceived risk, which has been regarded as an important consideration in new products (Meuter et al. 2005; Moreau, Lehmann, and Markman 2001). However, what is the process by which perceived incongruity for a new product leads to perceptions of risk? Is the relationship indirectly linked via negative emotions? Moreover, can perceived incongruity lead to a lowering of risk if it is routed through positive emotions? If emotions are intervening variables in the process then, perhaps, managerial actions directed towards the emotion producing aspects of the innovation can alter the perception of risk and lead to diffusion that is more successful.

First, we consider whether perceptions of the incongruence of a radical innovation with its preceding technology stimulate arousal, which in turn triggers optimism and/or anxiety. Second, we consider the effect of these relationships on the level of perceived risk of the innovation. Thus, we develop a cross-sectional model of consumer responses on initial exposure to an innovation. Finally, we investigate if the type of product moderates the effect of consumer emotions on perceived risk. We find that changes in self-reported arousal prior to and after exposure to a description of an innovation are positively related to the perceived incongruity of the innovation, optimism and anxiety. Further, our research shows that optimism is related to a decrease in perceived risk, while anxiety is related to an increase in perceived risk. With regard to the moderating role of product type, we find that the effects of optimism and anxiety are higher for utilitarian products than for hedonic products. We frame our findings and resultant discussion within the contexts of Mandler’s (1982) work on emotion and value and Wood and Moreau’s (2006) findings that negative emotions are not related to new product evaluations in the pre-trial stage. References are available upon request.

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SALESPERSON GOAL ORIENTATIONS AS DETERMINANTS OF ADAPTATION TO ORGANIZATIONAL CHANGE

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SUMMARY

While scholars have built a tremendous body of literature on salesperson performance during times of stability (e.g., Brown and Peterson 1993; Hunter and Perreault 2007; Reinartz, Krafft, and Hoyer 2004), little has been said about performance during, and across, times of change. Furthermore, previous research has stressed the importance of adaptive selling during face to face sales calls (e.g., Franke and Park 2006; McFarland, Challagalla, and Shervani 2006; Weitz, Sujan, and Sujan 1986), yet adaptability to broader environmental changes that are frequent in boundary spanning positions remain rare. Beyond marketing, however, interest in the interaction between time and performance predictors during times of change has been expressed in both the management and applied psychology literature (e.g., Armenakis and Bedeian 1999; Pettigrew 1990; Pettigrew, Woodman, and Cameron 2001; Van de Ven and Huber 1990). This study addresses these research gaps by examining the performance trajectories of salespeople before, during, and after a planned workplace intervention.

Since personal selling is, by nature, an achievement-oriented profession and individual adaptation to change represents a learning process, we utilize salespeople’s goal orientations as important individual-level predictors of their adaptation to change and, subsequently, their performance across time (Chan 2000). Goal orientations refer to how individuals interpret achievement situations and are related to intrinsic and extrinsic motivations to learn, unlearn, perform, and avoid (Kohli, Shervani, and Challagalla 1998; VandeWalle 1997), elements that are crucial in resolving tensions between change facilitation and impediment. In addition to their intuitive and theoretical appeal in the context of this study, our application of goal orientations also serves as a response to the call for additional consideration of individual-level factors during organization-wide changes (Bray 1994; Chan 2000; Judge et al. 1999; Walker, Armenakis, and Bernerth 2007).

As a theoretical basis for the change processes, we draw from Lewin’s (1947) and Schein’s (1964) conceptualization of the phases of planned organizational change: unfreezing, moving, and refreezing. For our empirical approach we apply hierarchical polynomial growth models on a unique data set that combines objective sales performance data and surveys to investigate the performance trajectories of 400 pharmaceutical sales representatives over twelve months before, during, and after the switch to a new CRM system. As anticipated, polynomial growth models show that the average salesperson performance trajectory displays an initial decline in the unfreezing phase of change, gradual recovery during the moving phase, and eventual restabilization in the refreezing phase. Learning orientation related positively to trajectories that exhibited larger initial declines, steeper recovery slopes, and higher restabilization levels. In contrast, performance orientation related positively to smaller initial declines, yet shallower recovery slopes and lower restabilization levels. Individuals’ avoidance orientation failed to relate significantly to any aspects of the performance trajectories. Results suggest that (1) time matters in studying the relationship between goal orientations and performance, (2) learning orientation represents a change driving force, while performance orientation a change resistance force. References are available upon request.

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A SEQUENCE OF SALESPERSONS RESPONSES TO SALESPERSON-EMPLOYER ISSUES?

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ABSTRACT

Because comparatively little is known of salespersons’ responses to issues in employer-employee relationships, this paper investigates the Hirschman linkages among responses to relationship issues (loyalty, voice, neglect, and exiting) in salespersons. Research elsewhere suggests that these responses are sequential: loyalty is likely to precede voice, voice is likely to come before neglecting the relationship, and neglect is likely to precede exit-propensity. This study proposes additional antecedents of the responses, and its results support the linkages among salespersons. However, there was evidence that exit-propensity was likely to precede neglect among salespersons, and the voice-exiting relationship was likely to be moderated by attractive alternatives.

INTRODUCTION

What do salespersons do when they have issues with their employer, such as territory reduction, commission caps, or being passed over for a promotion? It is easy to guess: they may complain, or they might think about working somewhere else (exiting).

Relationship exiting or turnover has been heavily studied in many literatures including personal selling (e.g., Bansal, Taylor, and James 2005; see Brown and Peterson 1993 for a summary). In the employee adaptation-to-work literature, employee exiting is argued to consist of several stages: thoughts of quitting, cost-benefit analysis of quitting, identification and evaluation of alternatives, intention to quit, and quitting (Mobley 1977). However, this framework seems incomplete. It does not include alternatives to exiting for subjects who cannot exit the relationship (e.g., because there is no attractive alternative), or for those who will not exit the relationship (e.g., because the cost is unacceptable).

In the economics literature, Hirschman (1970) suggested that there are several alternatives to exiting: loyalty (remaining silent, confident things will get better) and voice (constructive attempts by the subject to change objectionable relationship conditions). Rusnult, Zembrod, and Gunn (1982) proposed that neglecting the relationship is another alternative to exiting (neglect is allowing the relationship to deteriorate). Alternatives to exiting an employment relationship have been proposed. They include attempts to change undesired aspects of work, aggressive/retaliatory responses, psychological withdrawal, and avoidance (e.g., lateness and absenteeism), and cognitive readjustment (Rosse and Miller 1984).

Hirschman also (1970, p. 86) proposed that loyalty, voice, and exit form a sequence. Loyalty should be followed by voice then exiting, with exiting also a possibility after loyalty. Rosse (1988) argued employee exiting should be preceded by relationship neglectful activities that include lateness and absenteeism. These proposals suggest that exiting may have predictors that include loyalty, voice, and neglect (see Ping 1999). This sequence has been tested in a marketing channel context (Ping 1999), and evidence of the Hirschman’s and others’ sequence of loyalty-voice-neglect-exiting was observed. Authors have proposed antecedents of loyalty, voice, neglect, and exiting. These include relationship satisfaction, the attractiveness of the alternative relationship, relationship investments, the cost to switch to the alternative relationship, goal congruency, and organizational commitment (e.g., Hirschman 1970; Rusnult, Zembrod, and Gunn 1982; Ping 2007).

THIS RESEARCH

The present research investigates Hirschman’s and others’ sequence of loyalty-voice-neglect-exiting in salesperson-employer relationships. Specifically, it tests the linkages among loyalty, voice, neglect, and exiting (operationalized as exit-propensity, the disinclination to continue the current relationship), in a model that includes their proposed antecedents (see Figure 1).

To conserve space, the paper omits a detailed introduction to the responses to relationship issues, loyalty, voice, neglect and exiting (see Ping 2007 for discussions of these responses). The results of a test of the Figure 1 model involving survey data in a salesperson context and structural equation analysis is presented next.

THE MODEL

We will propose that exit-propensity has the other responses to relationship issues as antecedents, along with satisfaction, the attractiveness of the alternative relationship, relationship investments, the cost to switch to the alternative relationship, goal congruency, and several other antecedents and consequences (see Figure 1).
LOYALTY AND VOICE

Hirschman (1970:88) proposed subjects respond to relationship issues first with loyalty, then voice, and finally exit; with exit also a possibility after a (possibly brief) period of loyalty. However, while some subjects might exit when relationship issues first occur, in committed relationships it is likely that when relationship issues first arise, subjects remain loyal or use voice. Specifically, the activity cost (i.e., effort), and the economic, psychic, and opportunity costs of exiting a committed and previously satisfactory relationship should initially appear higher than the cost of a loyalty or voice response. For example, being in a committed and satisfactory employment relationship should reduce the attractiveness of alternative relationships (see Johnson and Rusbult 1989). The subject also may have made relationship-specific investments (i.e., economic, activity, and opportunity costs that helped ensure and maintain employment – e.g., Macneil 1980) that would be lost by exiting. Further, switching costs (i.e., economic, opportunity, activity and psychic costs to terminate the current relationship, and startup a new one) also may be perceived as high (see Ping 1993).

Loyalty involves optimistically doing nothing about a relationship issue; voice involves activity and opportunity cost to remedy a relationship issue. Both involve risk from the performance others (i.e., risk that loyalty or voice will not result in remedy). However neither involves the costs of dissolving the current relationship and forming another in its place (i.e., exiting). Nor do they involve the performance risk of an alternative relationship (i.e., the risk the alternative relationship would be the same or worse than the incumbent relationship). Thus, when issues first occur in these relationships, they should produce a loyalty or a voice response, because they are perceived as less costly than exiting.

However when issues first occur in these relationships, loyalty should be perceived as less costly than voice. Loyalty requires less effort than voice because it is passive and involves doing nothing about a relationship issue. Voice, on the other hand, requires taking action to
remedy a relationship issue (Rusbult, Zembrodt, and Gunn 1982). It involves activity and opportunity cost, and possibly economic cost. In addition, when issues first occur, there may be little to suggest that the actions of others, including the employer’s own unprompted actions, would not remedy a relationship issue. Voice may also appear costly if the subject is concerned that it might be ignored or resisted by the employer (see Yasai-Ardekani 1986), or employer might retaliate instead of resolving the issue.

If loyalty is not an effective response to issues (i.e., the issues remain unremedied), and the subject grows suspicious that more relationship issues will occur and loyalty will continue to be ineffective (i.e., it will have no payoff), the next more costly response, voice, should become more likely. Kahneman and Tversky (1979) proposed that the certain outcome (i.e., the efficacy of loyalty) should be undervalued when compared to a probabilistic outcome (i.e., the efficacy of voice). Although the cost of voice is higher, its probabilistic outcome or payoff (i.e., remedy of the issue) should appear more attractive than the increasingly certain outcome of loyalty (i.e., issues remain unremedied). Thus, a loyalty response should become less likely, and a voice response should be more likely, and

**H1**: Loyalty is negatively associated with voice.

**VOICE AND EXIT-PROPENSITY**

Hirschman (1970, p. 87) predicted that if voice were unsuccessful, the subject would become unhappy about continuing the relationship, and the subject would have thoughts of exiting. It is possible that voice, unhappiness about continuing the relationship, and thoughts of exiting could briefly coexist. However, it is more likely that constructive attempts to change objectionable relationship conditions, so the subject can remain in the relationship (i.e., voice), and unhappiness about continuing the relationship and thoughts of exiting it, are dissonant (Festinger 1954). Thus, either thoughts of exiting should extinguish constructive attempts to change objectionable relationship conditions (i.e., voice), or thoughts of exiting should cease and the subject should continue to constructively attempt to change objectionable relationship conditions (i.e., be vocal).

As a result, if the subject’s attempts to change relationship conditions (i.e., voice) are not effective (i.e., issues remain unresolved), and the subject grows suspicious that voice will continue to be ineffective (i.e., it will have no payoff), exit-propensity should become more likely. Although exit-propensity would be more costly, its payoff (i.e., issue remedy) should now appear more attractive than the certain outcome of voice (i.e., issues remain unremedied) (Kahneman and Tversky 1979). A voice response should now become less likely, and exit-propensity should be more likely. Consequently,

**H2**: Voice is negatively associated with exit-propensity.

**NEGLECT**

Staw’s (1980) and others arguments regarding withdrawal behaviors suggest that neglect also precedes exiting. Rosse and Miller (1984), for example, argued that dissatisfied employees attempt to cope with chronic issues by using the least costly form of relationship withdrawal. If this proves unsatisfactory, progressively more costly forms of withdrawal are attempted until one is found that provides sufficient coping (also see Rosse and Hulin 1985). Subsequently, Rosse (1988) found that employee exiting was preceded by relationship withdrawal (i.e., coping) activities that included lateness and absenteeism (also see Farrell 1983).

However, by operationalizing exit as exit-propensity, it might be argued that exit-propensity should precede neglect, because neglect is the result of inability or unwillingness to exit a relationship. Nevertheless, it is more likely in committed relationships that neglect precedes exit-propensity because it is less costly than exit-propensity. Neglect involves not maintaining the relationship, and letting it deteriorate (i.e., inaction). However, exit-propensity involves actions that precede leaving the relationship. This includes searching for and evaluating alternatives (Mobley 1977), which involve activity, opportunity, and possibly economic costs.

Thus, in a committed relationship the subject should attempt to cope with chronic relationship issues by neglecting the relationship before exiting it. If neglect fails to produce sufficient coping, the subject also should have thoughts of exiting, and the other activities associated with exit-propensity should follow. However, relationship neglect should not cease when exiting activities begin. It is likely that not caring about the relationship, not maintaining it, and allowing it to deteriorate (i.e., neglect) are not consonant with activities that precede physically leaving the relationship (i.e., exit-propensity).

Therefore, neglect should precede exit-propensity in these relationships because it is less costly. However, neglect should continue during activities that precede physically exiting the relationship (i.e., exit-propensity) because neglect and exit-propensity are consonant. As a result,

**H3**: Neglect is positively associated with exit-propensity.

In committed relationships, neglect should intervene between voice and exit-propensity as stronger than voice for coping with chronic relationship issues, which also is
less costly than exit-propensity. Neglect is a stronger form of coping with chronic relationship issues than voice because it involves no longer caring about the relationship, and thus it is a form of (emotional) exiting. But, it is less costly than exit-propensity because it involves inaction.

Farrell (1983) characterized voice as constructive and positive in its potential effects on the relationship, and neglect as destructive and negative. For example, voice involves constructively attempting to change objectionable relationship conditions, while neglect involves doing nothing to improve objectionable relationship conditions. Further, Rusbult, Zembrodt, and Gunn (1982) characterized voice as active, because it involves attempts to change objectionable relationship conditions. They also characterized neglect as passive because it involves doing nothing to improve objectionable relationship conditions. Thus, voice is likely to be dissonant with neglect. Attempts to change relationship conditions should extinguish not caring about the relationship. Or, attempts to change relationship conditions should cease. The subject should stop caring about the relationship, expend no more effort to maintain it, and allow it to deteriorate.

Therefore, if the subject’s attempts to change relationship conditions (i.e., voice) are not effective in committed relationships (i.e., issues remain unremedied), and the subject becomes suspicious that relationship issues will continue to occur and voice will continue to be ineffective (i.e., it will have no payoff), the next more costly response, neglect, should become more likely. Thus, as voice becomes less likely, neglect should become more likely, and,

H4: Voice is negatively associated with neglect.

SATISFACTION

Hirschman (1970) proposed that satisfaction was related to the responses to relationship issues (also see Rusobult, Zembrodt, and Gunn 1982; Ping 1993). Increased satisfaction with the relationship should make economic exchanges with the relationship partner more valuable (Thibaut and Kelley 1959). As their satisfaction increases, subjects should be likely to respond positively to relationship issues, help maintain the relationship, and safeguard future satisfaction. Thus, they should also likely to avoid negative responses that might jeopardize the relationship. Because they are unlikely to damage the relationship, positive responses include voice and loyalty (Rusobult, Zembrodt, and Gunn 1982). Because they jeopardize the relationship, negative responses include neglect and exit-propensity. Therefore, as relationship satisfaction increases, loyalty and voice should become more likely, and neglect and exit-propensity should become less likely. Thus,

H5: Overall relationship satisfaction is positively associated with loyalty and voice, and negatively associated with neglect and exit-propensity.

EXITING COSTS

Authors have argued the facets or dimensions of “structural commitment,” or the cost to exit a relationship, include available alternatives, irretrievable investments, termination procedures, and social pressures (see Johnson 1982; Levinger 1979). Ping (1999) proposed that exiting costs include (a) the attractiveness of alternative exchange relationships (alternative attractiveness); (b) economic, activity, and opportunity costs that might be lost or obsoleted by exiting the current relationship (i.e., relationship investments); and (c) economic, opportunity, activity and psychic termination costs, and startup costs for the new relationship (e.g., switching cost) (also see Ping 1993; and see Figure 1).

These exiting costs should affect responses to relationship issues. As their cost-of-exit increases, subjects should become more dependent on their partner (Emerson 1962). The perceived risk accompanying their responses that are relationship negative (i.e., jeopardize the relationship) also should increase because there may be much to lose (Kahneman and Tversky 1979). Thus, as their exiting costs increase they should be more likely to respond positively to relationship issues (i.e., with loyalty or voice), and less likely to respond negatively (i.e., with neglect or exit-propensity). Therefore,

H6: Alternative unattractiveness, relationship investments and switching cost are positively associated with loyalty and voice, and negatively associated with neglect and exit-propensity.

ADDITIONAL ANTECEDENTS

Ping (2007) proposed that attributes of a satisfactory relationship, including goal congruency (the subject’s perception that what is beneficial to one party is beneficial to the other) and organizational commitment, also should be associated with responses to relationship issues. The present research proposes that distributive justice (being fairly rewarded), and voice mechanisms (encouraging voice) are also associated with responses to relationship issues. Specifically, because attributes of a satisfactory relationship also make a relationship perceptually more valuable, they should be positively associated with responses to relationship issues that do no harm to the relationship, loyalty, and voice. Similarly, as these attributes perceptually increase and the relationship becomes more valuable, responses to relationship issues that allow or cause harm to the relationship should be less likely. Thus, they should be negatively associated with relationship neglect and exiting (also see the citations in
Brown and Peterson 1993), and H7: Goal congruency, distributive justice and voice mechanisms are positively associated with loyalty and voice, and negatively associated with neglect and exit-propensity. These relationships are summarized in Figure 1.

**METHOD**

**Measurement**

Satisfaction, alternative attractiveness, investment, switching cost, loyalty, voice, neglect, and exit-propensity were measured based on scales developed by Ping (1993). Goal congruency was measured using a scale developed by Anderson (1988), and distributive justice and voice mechanisms were measured by scales developed for the present research. Alternative attractiveness was measured with balanced five-point rating scaled items, and the other study concepts were measured with balanced five-point Likert-scaled items. The study concepts, a description of their conceptual domains, their operationalizations, and a sample item are summarized in Table 1.

**TABLE 1**

<table>
<thead>
<tr>
<th>Measures Summary (Omitted)</th>
</tr>
</thead>
</table>

| Sampling |

The measures were placed on a questionnaire and mailed to a sample of U.S. salespersons. The sampling frame was the subscribers of a personal selling publication.

| Reliability and Validity |

Two hundred and ninety usable responses resulted from the final test mailing (a 41% usable response rate). The latent variable reliabilities for the study variables were above 0.85 (see Table 2). Each latent variable was plausibly correlated with one or more other latent variables (see Table 2), which suggests construct validity, convergent validities (Average Extracted Variances – see Fornell and Larker 1981) were above 0.53, and the measures were judged to be face or content valid.

Most of the correlations in Table 2 were |.6| or less, which suggests discriminant validity for the latent variables involved. For the few variables with correlations above |.6|, single degree of freedom tests were performed (see Bagozzi and Phillips 1982). The results (not reported) suggested adequate discriminant validity for these latent variables.

| Measurement and Structural Models |

The full measurement and structural models corresponding to Figure 1 were estimated using covariances, LISREL, and maximum likelihood estimation. The results are shown in Tables 2 and 3. The full measurement and structural models were judged to fit the data (see Tables 2 and 3 and their footnotes).

| RESULTS |

**Hypotheses**

The proposed linkages among the responses were generally supported. In particular, the proposed sequence of Loyalty-Voice-Neglect-Exiting was supported. However, the proposed Voice-Exiting path was nonsignificant. To investigate this further, an interaction between alternative attractiveness and voice in the voice-exiting association was estimated using the Ping (1995) approach. This interaction is plausible because Hirschman (1970) argued that few alternatives and the desire to exit is accompanied by voice. The results are shown in Table 4 and they suggest that alternative attractiveness moderated the voice-exiting association. With low alternative attractiveness the voice-exiting association was positive (see Table 4). However, as alternative attractiveness increased to the study average, this association became weaker and was not significant. At high alternative attractiveness voice was negatively associated with exiting as hypothesized. This result is discussed later.

| Alternative Models |

To probe the “direction” of the paths between loyalty, voice, neglect, and exit-propensity in Figure 1, several nonrecursive or bi-directional models were estimated. The Figure 1 model with bi-directional paths between (to and from) loyalty and voice, between voice and neglect, and between neglect and exit-propensity all specified jointly in one model was not identified. However, models that estimated one set of bi-directional paths at a time (not shown) suggested the Figure 1 model path directions were as shown, except for the neglect-exiting path which may have been from exiting to neglect. A simplex model of the responses to relationship issues (not reported) exhibited the necessary declining values for successive correlations as they moved down from the diagonal and to the right (see Jöreskog 1970a).

**ANTCEDEDENTS (Omitted – see http://home.att.net/~rpingjr)**

**DISCUSSION**

**Reduced Exiting**

The alternatives’ effect on the voice-exiting association is consistent with Hirschman’s (1970) predictions regarding voice and exiting. The contingent voice-exiting
### TABLE 3
Figure 1 Structural Model Estimation Results (Abbreviated)

(Unstandardized) BETA<sup>a</sup>

<table>
<thead>
<tr>
<th></th>
<th>SAT</th>
<th>ALT</th>
<th>INV</th>
<th>SCT</th>
<th>LOY</th>
<th>VOI</th>
<th>EXI</th>
<th>NEGL</th>
<th>EX_P</th>
</tr>
</thead>
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<tr>
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<td>3.14862</td>
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<td>0.69680</td>
<td>1.82461</td>
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<td>NEGL</td>
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<td>--</td>
<td>0.24011</td>
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<td>-2.16449</td>
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</tr>
</tbody>
</table>

**Fit Statistics:<sup>b</sup>**

- Chi-Squared Statistic Value: 2564
- Chi-Square Degrees of Freedom: 8116
- p-Value of Chi-Squared Value: .000
- Bentler (1990) Comparative Fit Index (FTN): .780
- Steiger (1990) RMS Error of Approximation (RMSEA)<sup>c</sup>: .078
- GFI<sup>d</sup>: .610
- AGFI<sup>d</sup>: .578

Squared Multiple Correlation:

<table>
<thead>
<tr>
<th></th>
<th>LOY</th>
<th>VOI</th>
<th>NEGL</th>
<th>EX_P</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.183</td>
<td>.425</td>
<td>.457</td>
<td>.704</td>
</tr>
</tbody>
</table>

<sup>a</sup> Maximum likelihood estimates. SAT is Satisfaction, ALT is Alternative Attractiveness, INV is Relationship Investments, SCT is Switching Costs, LOY is Loyalty, VOI is Voice, EX_P is Exit Propensity, NEGL is Neglect, GCON is Goal Congruency, DJUST is Distributive Justice, and VMECH is Voice Mechanisms.

<sup>b</sup> Lack of fit would be suggested by no index that suggests model-to-data fit.

<sup>c</sup> .05 suggests close fit, .051-.08 suggests acceptable fit (Brown and Cudeck 1993, Jöreskog 1993).

<sup>d</sup> Shown for completeness only – GFI and AGFI may be inadequate for fit assessment in larger models (see Anderson and Gerbing 1984).

* t-value > 2.
association (see Table 3) suggested that as exit-propensity increased (from subject to subject), it was associated with increased voice when subjects’ alternative attractiveness was low in the study. In this case, Hirschman proposed that “vocals” alert firms to their “performance lapses.” However, when alternative attractiveness was high in the study, increased exit-propensity across subjects was associated with their reduced voice. In this case, Hirschman proposed that exiting alerts firms to their performance lapses.

**Associations Among the Responses**

These results are also consistent with Hirschman’s (1970) predictions concerning the linkages between the responses to relationship issues. The negative signs suggest that as loyalty declined, voice was likely to increase, and as voice declined neglect was likely to increase. However, the “direction” of the hypothesized neglect-exiting linkage may have been from exiting to neglect, instead of from neglect to exiting as hypothesized. Nevertheless, the resulting “sequence” is plausible because some non-exiting “vocals” may have “moved” to relationship neglected while others may have moved to exiting while neglecting the relationship.

The non-significant loyalty-neglect and the loyalty-exiting paths (and the non-significant loyalty-exiting indirect path – not shown) suggest that salespersons in the study were likely to utilize voice on their way to exiting. Stated differently, it may not have been the case that salespersons were likely to exit after a brief period of loyalty, as Hirschman conjectured for some relationship subjects. For emphasis, this might be expected in committed relationships in the Dwyer, Schurr, and Oh (1987) sense.

**IMPLICATIONS**

The management “implications” prompted by negative voice-exiting associations usually include increasing employee voice (e.g., Spencer 1986; Fornell and Wernerfelt 1987). However, in the present study that would have been effective only with reduced alternative attractiveness. Thus, in the present study managers also should have worked to reduce alternative attractiveness, by for example maintaining satisfaction (satisfaction was negatively correlated with alternative attractiveness).

However, maintaining loyalty also might have been considered. Because little of loyalty’s variance was explained in the present study, it may be informative to examine its indicators. Loyalty’s highest loading item in the study was “I will not say anything about problems I have with this organization because I am confident that things will soon get better.” Thus, loyalty might have been maintained by aggressively “managing” salespersons’

---

**TABLE 4**

Statistical Significance of the Alternative Attractiveness (Alt) Moderation of the Voice (VOI)-Exiting (EX_P) Association

<table>
<thead>
<tr>
<th>VOI-EX_P Association</th>
<th>ALT Value</th>
<th>Centered ALT Value</th>
<th>VOI Coefficient</th>
<th>SE of VOI Coefficient</th>
<th>t-Value of VOI Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ALT Value</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>-1.91</td>
<td>0.458</td>
<td>0.186</td>
<td>2.46</td>
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<tr>
<td>2</td>
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<td>2.91</td>
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<td>0.052</td>
<td>0.085</td>
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<tr>
<td>3</td>
<td>3</td>
<td>0.09</td>
<td>0.033</td>
<td>0.085</td>
<td>0.38</td>
</tr>
<tr>
<td>4</td>
<td>4</td>
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<td>-0.080</td>
<td>0.118</td>
<td>-1.52</td>
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<tr>
<td>5</td>
<td>5</td>
<td>2.09</td>
<td>-0.393</td>
<td>0.186</td>
<td>-2.12</td>
</tr>
</tbody>
</table>

*The value of ALT is determined by its “metric indicator,” the indicator with the loading of 1 on ALT (i.e., the indicator that provides the metric for A). This indicator of ALT ranged from 1 (= low ALT) to 5 in the study.

b The moderated coefficient of VOI is given by (.051-.212ALT)VOI with ALT mean centered.

c The Standard Error (SE) of the VOI coefficient is given by

\[
\text{Var}(b_{\text{VOI}} + b_{\text{ALT} \times \text{VOI}}) = \sqrt{\text{Var}(b_{\text{VOI}}) + \text{ALT}^2 \text{Var}(b_{\text{ALT} \times \text{VOI}}) + 2 \text{SAT Cov}(b_{\text{VOI}}, b_{\text{ALT} \times \text{VOI}})}.
\]
“dissatisfiers,” and their “confidence that things will soon get better.” In this case, “managing” might have included planning to proactively identify salesperson dissatisfiers, organizing to attenuate them, etc. (see Yasai-Ardekani 1986 for more).

**FUTURE RESEARCH**

The study results suggested that the responses to relationship issues formed a sequence or process in the study as Hirschman (1970) proposed. However, while bi-directional specifications and Simplex models are a necessary condition in a sequence (e.g., Baggozzi 1980; Jöreskog 1970a), they are not a sufficient demonstration. Additional studies with more predictors of the responses to provide an identified jointly bi-directional or nonrecursive model of these responses, longitudinal studies, experiments, and case studies are needed to investigate further the plausibility of relationship exiting beginning with loyalty, and progress through voice to neglect and exiting.

The alternatives-voice interaction was found by chance. Additional studies where it is hypothesized also are needed to investigate the alternatives-voice interaction further.

Little is known about salesperson loyalty, as it was defined in the study (remaining silent, confident things will get better), and its predictors are empirically unknown (82% of its variance was unexplained in the present study). Hirschman (1970) proposed that there are differences in sensitivity to relationship issues. As a result, loyalty also may have predictors that include “personality” variables; the magnitude, frequency, and relevance of relationship issues; and the firm’s history of solving issues without the subject’s involvement.

Allen and Mayer (1990) argued that relationship commitment is composed of three facets: affective commitment or attachment to the employment relationship (i.e., liking the relationship and wanting to remain in it), normative commitment (i.e., remaining in it because one ought to), and structural commitment (e.g., remaining in the relationship because there is no alternative, etc.). This suggests that loyalty also may have normative antecedents.

It is also plausible that loyalty is the beginning “phase” of a committed relationship. Ping (1993) proposed the existence of two types of satisfaction, event satisfaction and overall satisfaction. He maintained that, while dissatisfaction with a relationship event triggers a response (e.g., loyalty, voice, neglect, or exit-propensity), the level of overall relationship satisfaction, along with alternative attractiveness, investment, and switching cost, helps determine which response will be triggered. Thus, over time as relationship investment grows and the inevitable unsatisfactory events accumulate, the subject may move to the voice “phase” nonlinearly (e.g., in a catastrophic or “straw-that-breaks-the-camel’s-back” manner; or quadratically, etc. – see Oliva, Oliver, and Macmillan 1992; Howard 1989).

**SUMMARY AND CONCLUSION**

**ENDNOTES**

1 We will distinguish between exit-propensity, the disinclination to continue the relationship, and exit, leaving the relationship. Exit-propensity involves planning to leave. It is composed of activities that precede physically leaving such as thinking of exiting, intending to search for alternatives, evaluation of alternatives, and intention to exit (see Mobley 1977). Exit involves physically leaving. It includes activities such as breaking any contracts with the present employer, contracting with an alternative employer, disposing of any current relationship-specific assets, acquiring assets specific to the alternative employer, etc.

Exit-propensity and exit have been positively linked (see the literature summary in Bluedorn 1982). In this paper exit was operationalized as exit-propensity because exit is a dichotomous variable. Such variables typically present survey measurement and estimation difficulties.

2 Relationship issues are viewed from the salesperson’s perspective. They are actions or inactions by their employer that violate relational norms – see Kaufmann and Stern (1988).

3 Organizational commitment was excluded because it has been observed to be empirically indistinct from goal congruency (Ping 2007).

4 Voice Mechanisms was empirically very similar to (nearly indistinct from) Goal Congruity.

5 Interactions can “mask” an association (see Table 4 at the mean of VOI). The popular approaches for specifying latent variable interactions in the substantive literature appear to be Jaccard and Wan (1995), and Mathieu, Tannenbaum, and Salas (1992), and Ping (1995). The Jaccard and Wan (1995) specification omits most of the interaction indicators to avoid model-to-data fit problems that occur when all of an
interaction’s Kenny and Judd (1984) indicators are specified. However, the reliability of an interaction that excludes most of its indicators is unknown. In addition, the face validity of an interaction that is missing most of its indicators is questionable. Specifically, when few of the indicators of X are present in the itemization XZ, XZ is no longer the interaction of X, as it was itemized, and Z. It also is easy to show in real-world data that XZ’s structural coefficient varies with the indicators that are deleted (and, the “best” indicators to retain for XZ are unknown). Mathieu, Tannenbaum, and Salas’ (1992) proposal has not been evaluated for possible bias and inefficiency (see Cortina, Chen, and Dunlap 2001 for other difficulties).

6 Directionality can sometimes be suggested by specifying the association in question with paths in both directions – a non-recursive or bi-directional model (see Bagozzi 1980).

REFERENCES


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EXAMINING CURVILINEAR RELATIONSHIPS OF SALESPERSON SELF-EFFICACY AND ORGANIZATIONAL CITIZENSHIP BEHAVIORS WITH CALL ACTIVITY AND PERCENTAGE-OF-QUOTA

Adam A. Rapp, Kent State University  
Raj Agnihotri, Kent State University  
Kevin Trainor, Kent State University  
Michael Ahearne, University of Houston

SUMMARY

Recent literature on self-efficacy and organization citizenship behaviors (OCBs) presents arguments that the previous impressions of the linear performance-enhancing capability of each may have been premature. Therefore, attention should be paid to the opportunities offered by tensions, oppositions, and contradictions among explanations of the same phenomenon. To address this issue, we leverage and build upon contemporary research that suggests a paradoxical phenomenon may be associated with two heavily researched constructs, self-efficacy (Judge et al. 2007) and organizational citizenship behaviors (Bergeron 2007), and performance.

It has been argued that self-efficacy exhibits strong relationships with different aspects of performance, including sales (Bandura and Locke 2003). Vancouver et al. (2002) reported that belief in one’s capabilities and personal goals is self-damaging. Basing their argument on perceptual control theory, Vancouver and colleagues maintain that as individuals are achieving their goals, they are less likely to allocate resources (i.e., time and effort) toward achieving those same goals. As a result of such heightened levels of self-efficacy, a salesperson may devote less time and effort in preparing, which ultimately hinders their performance. Moving beyond these simple linear relationships, we argue that salesperson self-efficacy has an inverted U-shape relationship with the level of sales call activity and with the level of salesperson percentage-of-quota.

Organizational citizenship behaviors can influence call activity and percentage-of-quota in several different ways. Helping behaviors have been shown to help less experienced employees gain greater experience, create a positive work climate, and reduce work load (Podsakoff et al. 1997) while providing quick response times to customer requests. Civic virtue behaviors may help develop team spirit and enable salespeople to engage in more effective adaptive selling techniques (Yoon and Suh 2003). Finally, sportsmanship will also help create a positive work environment that can increase satisfaction and commitment to the organization. However, most of the prior research on OCBs does not take into consideration that salespeople are constrained by resources, one of which is time (Bergeron 2007). With time constraints in place, salespeople must determine how to allocate their time to specific tasks. It is important to consider this pattern of resource allocation in determining its effects on call activity and percentage-of-quota. Thus we argue that salesperson OCBs will have an inverted U-shape relationship with the level of sales call activity and the level of salesperson percentage-of-quota.

For this research, we collected data from a medium-sized pharmaceutical company. Data were collected from three separate sources: (a) written salesperson surveys, (b) written manager surveys, and (c) archival job-performance data from company records. After conducting initial analyses, we ran a series of hierarchical regression analyses to assess the form and magnitude of the aforementioned relationships. Importantly, we are proposing a specific form for all of the curvilinear relationships (i.e., inverted U-Shape). Because the linear relationships presented above are more parsimonious and more readily accepted than the latter argued relationships, we give priority to the linear relationship in empirical testing by entering the linear term prior to the quadratic term and cubic terms and check for incremental contributions.

Results demonstrated a moderate support for the effect of self-efficacy on the level of call activity. Also, our findings support the argument that performance tradeoffs are present when engaging in excessive amounts of extra-role behaviors. It appears that the optimal point for OCBs hovers slightly above the mean rating when assessed by managers. If it becomes apparent that salespeople are engaging in higher levels of OCBs than this perceived average, it is quite possible that the number of sales calls they are conducting is falling, as is their percentage-of-quota. Additional research investigating our findings would be valuable.

Conclusively, this study looked beyond previous frameworks that only considered linear effects of each
construct and failed to reflect on the possibility that excessive amounts of self-efficacy or OCBs may actually hinder performance. The findings of this study supported that high levels of OCBs and self-efficacy may encumber performance outcomes, including call activity and percentage-of-quota. These findings necessitate additional research that examines potential curvilinear relationships to deepen our research knowledge. References are available upon request.

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INVESTIGATING CONSUMER VANIITY: FRAMEWORK DEVELOPMENT AND IDENTIFICATION OF VANITY-RELATED CONSUMER SEGMENTS

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SUMMARY

To explore the multidimensional consumer-based vanity construct, the present study extended the vanity traits scale of Netemeyer et al. (1995), a psychological sound survey instrument and valuable tool for both future researchers and marketers. Originally developed and tested on consumers in the U.S. (Netemeyer et al. 1995) and later in the U.S. and China (Wang and Waller 2006), we adapted and extended the vanity traits scale for Germany to examine consumer-related group differences referring to appearance concern, appearance perception, achievement concern, achievement perception, materialism, and fear of negative evaluation.

Conceptual Framework

A conceptual model is proposed to investigate the strongly correlated but not identical factors and origins of vanity-related consumer behavior. Although these factors operate independently, they interact with each other and have different influences on the vanity-rooted consumer attitude and behavior. It may serve as the basis for further identification and segmentation of different types of vanity consumers across different cultures and national boundaries.

Methodology

To measure the underlying dimensions of vanity-related consumer attitudes, we did both, using already existing and tested measures and generating further items resulting from exploratory interviews. As a result, the questionnaire included the items of appearance concern, appearance perception, achievement concern, and achievement perception of a vanity traits scale developed by Netemeyer et al. (1995), which have been validated by Wang and Waller (2006) for U.S. and Chinese customers. A German version of the 21-item vanity traits scale was created using back translation in order to achieve an equivalence of meaning. Items were rated on five-point Likert scales (1 = strongly disagree to 5 = strongly agree) because they are more commonly used in Germany than the seven-point scales used by Wang and Waller (2006). With regard to materialism, we relied on a German version of Richins and Dawson’s (1992) materialism scale, which consists of 18 items. To measure fear of negative evaluation, we used a German version (Vormbrock and Neuser 1983) of the Watson and Friend’s (1969) FNE scale. The FNE scale has been widely used and was shown to be highly reliable (Friend and Gilbert 1973; Smith and Sarason 1975; Watson and Friend 1969). All these items were rated on a five-point Likert scale, too. The questionnaire was face validated twice using exploratory interviews and pre-tested with 50 respondents. A total of 750 usable questionnaires were obtained in summer 2007.

Main Result

Data were analyzed in three stages: As the vanity traits scale has only been tested in a survey in the United States and China (Wang and Waller 2006), our first research step focuses on the replication of the vanity traits scale in Germany. As a result, the consumer vanity measures were rated favorably by all respondents in our German sample. The exploratory factor analysis (EFA) and the reliability analysis results indicate that the 21-item vanity traits scale yield four factors and that the four vanity subscales were highly reliable. To examine whether the vanity traits scale is psychometrically sound within Germany, after EFA and reliability analysis, a confirmatory factor analysis (CFA) using the LISREL 8 software was conducted. The results suggest that the hypothesized four-factor measurement model of the vanity traits had a reasonable fit with the German data. In the next step, the various dimensions underlying vanity-related consumer attitudes were uncovered by a factor analysis using the principal component method with varimax rotation. The eight factor structure was consequently used in stage two for clustering the respondents into market segments. The results strongly suggested the presence of three clusters: The vain materialists, the reasonable accomplished, and the conceited achiever.

Referring to vanity traits, materialistic values, and fear of negative evaluation dimensions, marketers might be able to base marketing strategies and advertising campaigns on our conceptualization and empirically verified model to improve purchase value for different segments. From a managerial perspective, our results synthesize
cognitive and emotional components and already might lead to the opportunity of a better understanding of the conditions and drivers of vanity-related consumer attitudes. This is both useful from a market segmentation point of view and from a market positioning point of view and will of course enlarge the efficiency of marketing communication efforts for products and services, which should consider and address simultaneously or separately the individual needs of vanity based purchase behavior. References are available upon request.
PERSONALITY AND PERFORMANCE ON THE STOCK MARKET: THE MEDIATING ROLE OF CONSUMERS’ FINANCIAL RISK TAKING

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Brian Knutson, Stanford University, Palo Alto
Richard Peterson, MarketPsych LLC

SUMMARY

Economic development and legislative changes suggest that consumers should financially provide for their own retirement and choose among financial products with different risk levels. Yet, for consumers it is often difficult to make the “right” decisions leading to financial well-being. This is largely due to a neglect of important individual differences driving financial risk taking and, ultimately, financial performance. In a study involving over 1,000 investors, we found that several personality dimensions drive financial risk taking. We also find that the link between personality traits and financial performance is mediated by risk aversion and risk seeking, respectively. Besides informing consumers and public policy makers, our findings have also potential implications for marketing financial services to individual differences in personality traits and age.

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ABSTRACT

This study investigated the hypothesized positive relationships between scales measuring Desire for Unique Consumer Products and three dimensions of Consumer Need for Uniqueness. While the hypotheses were supported, Creative Choice Counterconformity emerged as the dominant motivation for seeking unique products suggesting that consumers prefer expressing uniqueness in socially accepted ways.

INTRODUCTION

The desires to create and to express a unique personal identity are powerful emotions driving many aspects of human behavior, including consumption (Dittmar 1992). The general theory of personality that describes “need for uniqueness” proposes that people seek an optimal level or balance between conformity and individualism (Snyder and Fromkin 1980). In the field of consumer behavior, researchers have devoted considerable attention to describing, explaining, and measuring the extent to which consumers find this balance in the marketplace. One way consumers become unique is by buying products/brands that identify them with social groups (Burnkrant and Cousineau 1975). An alternative way is by seeking new and different products and brands that differentiate consumers from each other (Goldsmith et al. 2007).

Lynn and Harris (1997a, 1997b) developed the Desire for Unique Consumer Products (DUCP) scale to measure a specific way consumers find uniqueness. Tian et al. (2001) developed the Consumer Need for Uniqueness (CNFU) scale to measure a more general construct. Although Tian et al. (2001) show that the two scales are positively related \( r = .65; 95\% CI = .53 – .74 \), the CNFU contains three subscales: Creative Choice Counterconformity (CCC), Unpopular Choice Counterconformity (UCC), and Avoidance of Similarity (AS).

An understanding of consumer uniqueness tendencies is critical to a comprehensive description of consumption behavior. Moreover, managers of many products and brands can benefit from knowledge of the antecedents and consequences of unique product buying behavior by refining many aspects of their strategies to encourage consumers to select the brands that satisfy their uniqueness needs in specific ways. Thus, it is important for both consumer theorists and marketing managers to understand the relationship between DUCP and the CNFU subscales. The purpose of the present study is to assess these relationships empirically.

LITERATURE REVIEW

Desire for Unique Consumer Products

According to uniqueness theory, most individuals want to be perceived as somewhat different from others largely because it is more desirable than being seen as entirely similar or drastically different (Snyder and Fromkin 1980). Indeed, being perceived by others as unique can have a positive impact on an individual’s identity, helping to avoid the undesirable label of “common” (d’Astous and Deschênes 2005; Tian et al. 2001). Consequently, uniqueness motives drive people to acquire and to possess new, unconventional, rare, or unusual things (Lynn and Snyder 2002). One behavioral manifestation of this underlying drive is in the acquisition of unique consumer products, services, and experiences. Lynn and Harris (1997) define this tendency as the desire for unique consumer products (DUCP): a goal-oriented individual difference variable in which the consumer wants to acquire and to possess goods, services, and experiences that few others possess. In the process of defining the construct, Lynn and Harris (1997a, 1997b) clarify the nomological network as consisting of need for uniqueness, status aspiration, and materialism as key antecedents. Lynn and Harris (1997a, 1997b) identify possession of scarce products, consumer innovativeness, and customization of products as likely outcomes. Moreover, Lynn and Harris (1997a, 1997b) propose several personality correlates of DUCP including social status, conformity, competitiveness, and possessiveness. Subsequent research on DUCP discloses a positive correlation with preference for products with appealing visual aesthetics (Bloch et al. 2003), preference for products that are perceived as unusual (Ames and Iyengar 2005), and perceived risk in a purchase situation (Conchar et al. 2004). Goldsmith et al. (2007) show that DUCP is related positively to consumer innovativeness and related negatively to conformity.

Consumer Need for Uniqueness

Tian et al. (2001) argue that consumers have a general tendency to pursue dissimilarity from others in the marketplace through product and brand acquisition and usage in order to enhance their self and social image. Tian et al. (2001) refer to this tendency as consumer need for uniqueness (CNFU; Tian et al. 2001). Conceptually, CNFU...
is similar to DUCP, but is a more general concept, where DUCP focuses on the specific acts of shopping, buying, and owning products in the pursuit of uniqueness. Thus, to enhance the theoretical and empirical distinctions between these concepts and scales, researchers should study both constructs simultaneously to understand how they are related. This concern is particularly important because Consumer Need for Uniqueness is a multidimensional construct consisting of three factors: (1) Creative Choice Counterconformity (consumers seek social differentness from others but makes selections that are likely to be thought of as good choices by others), (2) Unpopular Choice Counterconformity (selecting products/brands that deviate from group norms and risk social disapproval), and (3) Avoidance of Similarity (loss of interest in or discontinued uses of commonplace possessions). Although Tian et al. (2007) showed that the two scales measure similar concepts, researchers have not examined the differential relationships between the dimensions of DUCP and CNFU.

Hypotheses

Based on their similar conceptual definitions and on previous empirical findings, we propose three hypotheses: scores on the DUCP are positively correlated with scores on H1, CCC; H2, UCC; and H3, AS. Our main concern, however, is with the differential relationships between DUCP and the three CNFU subscales.

METHOD

Sample

We collected data using 746 paper and pencil questionnaires distributed at a large state university in the southeastern United States. As part of an undergraduate extra credit exercise in marketing research, we asked students to complete one survey themselves and then we trained them to obtain non-student quota samples following restrictions. Specifically, each student was instructed to acquire two completed surveys from non-students aged 25 to 34, two completed surveys from non-student consumers aged 35 to 45, and two surveys from non-student consumers 45 and older. Other restrictions placed on the quota sample were: (1) students were instructed to strive for approximately equal numbers of men and women; (2) respondents could not be students or employees of the university; and (3) each questionnaire had to have a valid phone number and first name for the respondent for validation purposes. From the original set of questionnaires, 4 were deemed unusable, leaving a base sample of 742. Validation calls randomly made to 10 percent of the respondents to verify that they had indeed completed the questionnaire did not reveal any cheating on the part of the data gatherers. The final sample consisted of 360 men (49%) and 380 women (51%), with 2 missing values for gender. Their ages ranged from 18 to 90, with a mean age of 34.51 years (SD = 13.91). Fifty percent of the participants were 30 years or older. The mean ages of the men and women were not significantly (p < .05) different. Seventy percent of the participants were white, 10.9 percent were African American, 11.5 percent were Hispanic American, 3.2 percent were Asian American, and 4.6 percent were others or missing. Levels of self-reported education ranged from “Less than a High School Graduate” (9%) to “A Graduate Degree” (11.6%). Annual household income ranged from $19,000 or less (16%), to $100,000 or more (25%). Thus, although participants represented many socioeconomic levels, the majority came from the upper end of the SES scale.

Measures

The scales measuring the constructs were combined with other measures not related to this study and with demographic items into a paper and pencil questionnaire. The DUCP scale consists of eight items (Lynne and Harris 1997). The 33-item Tian et al. (2001) scale measured Consumer Need for Uniqueness. Both scales used a seven-point, agree-disagree response format. Items and scales were scored so that higher scores reflected higher levels of each construct. After appropriate scale item reversals, the items were summed and internal consistency was evaluated using Cronbach’s alpha. The results in Table 1 show that the scales had adequate reliability for the purposes of the study: DUCP = .73, CCC = .94, UCC = .91, and AS = .95.

RESULTS

Preliminary Analyses

We first evaluated relationships between the psychological constructs and the demographic variables. These analyses showed that only age was related (see Table 1), and thus the other demographic variables were no longer considered. Similar to Tian et al. (2001), DUCP and CNFU were correlated .58 (95% Cl = .53 – .63). DUCP scores were positively correlated with all three components of CNFU (rs = .63, .40, and .39), supporting the hypotheses and recommending multivariate analysis. Scatterplots of the bivariate relationships did not reveal non-linear relationships, validating the use of multiple linear regression.

Principal Analyses

We examined the multivariate relationships among the variables by regressing scores on the DUCP across the scores on the three CNFU subscales with age as a control
We also mean centered the CNFU subscale scores and computed their interaction terms (three two-way interactions and one three-way interaction). The largest Variance Inflation Factor or VIF was only 2.1, indicating minimal multicollinearity. The regression results show that when considered simultaneously, only the relationship between CCC and DUCP is statistically significant ($p < .05$) (with the exception of one minor interaction term), and this relationship is independent of the age of the subjects.

The relative importance of an independent variable in accounting for variance in a dependent variable is estimated by the beta coefficient and part coefficient (Hair et al. 2006, pp. 170, 173). These assessments, however, can be unreliable when independent variables are not orthogonal (Johnson and LeBreton 2004). When independent variables are correlated, as they are here, a more valid way to assess their importance is to use “dominance analysis” (Azen and Budescu 2003; Budescu 1993). Dominance analysis computes the pattern of dominance as well as “general dominance weights” for the independent variables, defined as the “average increase in $R^2$ associated with a variable across all possible submodels” (Johnson and LeBreton 2004, p. 241). Our analysis (see Table 2) showed the pattern of dominance as CCC > UCC > AS. There was “complete dominance” for CCC over the other two constructs in that its “additional contribution to each of the subset models that form the basis for comparison is greater than that for the other predictor[s]” (Azen and Budescu 2003, p. 135). Thus, the relationship between DUCP and CNFU is almost completely accounted for by its relationship with CCC.

**Supplementary Analyses**

Because the same self-report method measured the variables, common method variance might account for the observed relationships. To test for this effect, we followed the procedure recommended by Lindell and Whitney (2001). In addition to the DUCP and CNFU scales, a third multi-item self-report scale was included in the questionnaire, the six-item Consumer Independent Judgment Making Scale or CIJM (Manning et al. 1995). This scale measures a psychological construct similar to those in this study and used the same Likert response format. According to Lindell and Whitney (2001), the correlation of a scale with another scale that shares its response format can be used to assess the influence of common method bias on the relationship between two

---

**TABLE 1**

Correlations and Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>DUCP</th>
<th>CCC</th>
<th>UCC</th>
<th>AS</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Correlations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DUCP</td>
<td>.73*</td>
<td>.61**</td>
<td>.40**</td>
<td>.38**</td>
<td></td>
</tr>
<tr>
<td>CCC</td>
<td>.63**</td>
<td>.94</td>
<td>.59**</td>
<td>.54**</td>
<td></td>
</tr>
<tr>
<td>UCC</td>
<td>.40**</td>
<td>.59**</td>
<td>.91</td>
<td>.55**</td>
<td></td>
</tr>
<tr>
<td>AS</td>
<td>.39**</td>
<td>.54**</td>
<td>.53**</td>
<td>.95</td>
<td></td>
</tr>
<tr>
<td>AGE</td>
<td>-.21**</td>
<td>-.18**</td>
<td>-.09</td>
<td>-.19**</td>
<td></td>
</tr>
<tr>
<td><strong>Descriptive Statistics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>32.73</td>
<td>38.90</td>
<td>32.65</td>
<td>25.80</td>
<td>34.51</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>7.23</td>
<td>13.57</td>
<td>11.24</td>
<td>11.13</td>
<td>13.91</td>
</tr>
<tr>
<td>95% CI</td>
<td>32.2 – 33.3</td>
<td>37.9 – 39.9</td>
<td>31.8 – 33.5</td>
<td>25.0 – 26.6</td>
<td>33.5 – 35.5</td>
</tr>
<tr>
<td>Low</td>
<td>10</td>
<td>11</td>
<td>10</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>High</td>
<td>56</td>
<td>77</td>
<td>68</td>
<td>63</td>
<td>90</td>
</tr>
<tr>
<td>Skewness</td>
<td>.012</td>
<td>.108</td>
<td>.201b</td>
<td>.378b</td>
<td>.800b</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>.361</td>
<td>-.335</td>
<td>-.131</td>
<td>-.351</td>
<td>-.036</td>
</tr>
</tbody>
</table>

Note: $n = 742$

Zero order Pearson correlations in lower diagonal, first order partial correlations (df = 659) with the effects of age controlled in upper diagonal.

* Coefficient Alpha  
* Skewness more than twice its standard error.

** $p < .01$, * $p < .05$
TABLE 2
Regression Results and Dominance Analysis

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>B</th>
<th>β</th>
<th>t</th>
<th>Sig.</th>
<th>Part</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>-.055</td>
<td>-.106</td>
<td>-3.4</td>
<td>.001</td>
<td>-1.02</td>
<td>1.07</td>
</tr>
<tr>
<td>Creative Choice Counterconformity</td>
<td>.295</td>
<td>.554</td>
<td>13.4</td>
<td>.000</td>
<td>.400</td>
<td>1.92</td>
</tr>
<tr>
<td>Unpopular Choice Counterconformity</td>
<td>.024</td>
<td>.037</td>
<td>0.88</td>
<td>.377</td>
<td>.026</td>
<td>1.99</td>
</tr>
<tr>
<td>Avoidance of Similarity</td>
<td>.029</td>
<td>.045</td>
<td>1.08</td>
<td>.282</td>
<td>.032</td>
<td>1.93</td>
</tr>
<tr>
<td>CCC x UCC</td>
<td>.002</td>
<td>.061</td>
<td>1.05</td>
<td>.143</td>
<td>.044</td>
<td>1.93</td>
</tr>
<tr>
<td>CCC x AS</td>
<td>.005</td>
<td>.117</td>
<td>2.85</td>
<td>.005</td>
<td>.085</td>
<td>1.91</td>
</tr>
<tr>
<td>UCC x AS</td>
<td>-.005</td>
<td>-.112</td>
<td>-2.53</td>
<td>.012</td>
<td>-.075</td>
<td>2.19</td>
</tr>
<tr>
<td>CCC x UCC x AS</td>
<td>.000</td>
<td>.010</td>
<td>0.221</td>
<td>.825</td>
<td>.007</td>
<td>2.09</td>
</tr>
</tbody>
</table>

(df = 8/653, F = 59.04, p < .001, R² = .420, Adj. R² = .413)

Dependent Variable = Desire for Unique Consumer Products; significant coefficients in bold.

Dominance Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>R²</th>
<th>CCC</th>
<th>UCC</th>
<th>AS</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>.400</td>
<td>.159</td>
<td>.155</td>
<td></td>
</tr>
<tr>
<td>CCC</td>
<td>.400</td>
<td>.002</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>UCC</td>
<td>.159</td>
<td>.243</td>
<td>.048</td>
<td></td>
</tr>
<tr>
<td>AS</td>
<td>.155</td>
<td>.245</td>
<td>.052</td>
<td></td>
</tr>
<tr>
<td>CCC, UCC</td>
<td>.402</td>
<td>-.002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCC, AS</td>
<td>.400</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UCC, AS</td>
<td>.207</td>
<td>.193</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCC, UCC, AS</td>
<td>.400</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

General Dominance Weights: .279 > .062 > .059

Another issue is the influence of outliers. Outliers are unusual data points that can unduly influence the results of the analysis. The regression analysis identified four outlier cases. Consequently, the regression was repeated after removing these cases. The result revealed larger relationships, but because inspection of the data from the four cases did not suggest systematic errors, they were not discarded; so the results presented here include these four cases.

Finally, residual analysis showed that the regression assumptions of normality, linearity, homoscedasticity, and independence were met.

DISCUSSION

The purpose of this study was to assess the relationship between two similar psychological motivations for consumer behavior: the Desire for Unique Consumer Products and Consumer Need for Uniqueness. It was hypothesized that all three subcomponents of CNFU, creative choice counterconformity, unpopular choice counterconformity, and avoidance of similarity, were positively related to the desire for unique consumer products. Analysis of data from a large sample of student and
adult consumers supported the hypotheses; DUCP was positively and significantly correlated with CCC (.63), UCC (.40), and AS (.39). Respondent age was negatively correlated with all four of these measures, but a partial correlation analysis holding the effects of age constant revealed similar results. There were no other systematic relationships between the psychological variables and the demographic characteristics of gender, education, income, or socio-economic status. The findings for age and gender are consistent with those reported for DUCP by Lynn and Harris (1997) and for CNFU by Tian et al. (2001).

Regression analysis shows that DUCP is most highly related to CCC. Our interpretation is that the variance shares between DUCP and CCC is the same variance DUCP shares with UCC and AS. The three CNFU subscales share variance because all three assess a desire for uniqueness, but reflect slightly different motives. The content of the DUCP appears to be closest to the content of the CCC in that it reflects a positive, socially accepted desire for newness. This result suggests that when consumers seek unique products, it is chiefly to find socially accepted ways of expressing identity and uniqueness. Thus, one motive for seeking unique products is a desire to express identity in ways that do not threaten the consumer’s social image.

The study’s findings are limited in generality owing to the convenience sample providing the data. Valid point and interval estimates can only be made if probability samples are selected from specified populations. Moreover, although efforts were made to remove the effects of confounds, the unmeasured effects of other variables could not be assessed.

On the theoretical side, the findings add to the list of constructs that are related to DUCP, expanding our understanding of the etiology of this important aspect of consumer behavior. Uniqueness theory proposes that individuals seek a level of individuality balanced between the extremes of conformity and rebellion. As a more complete “nomological network” of constructs is uncovered, consumer psychologists will be better able to explain the antecedents and consequences of consumers’ efforts to be unique through their purchasing behavior.

For managers, the findings suggest that when they try to promote unique products, or try to present less unique products in a way that exaggerates their uniqueness, they should emphasize positive and constructive messages about the consumer and about how the product promotes uniqueness in a socially accepted way or develop products that are both unique and socially acceptable. In addition, new products that incorporate a uniqueness appeal, such as clothing or jewelry might have an enhanced chance of succeeding if they are socially acceptable.

One avenue for future research in this area might involve the search for consumer characteristics that are more highly related to UCC and to AS than to CCC. That is, how do consumers who need uniqueness, but do so in ways that are unpopular, differ from those who seek uniqueness in ways that do not threaten their social image? A second avenue of research should focus on developing a comprehensive nomological network of constructs that would allow for the more precise estimation of the nature and extent of the antecedents and consequences of the Desire for Unique Consumer Products.

REFERENCES


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THE ROLE OF INTERPERSONAL ORIENTATION, COGNITIVE ENDEAVOR, AND ADVERTISING IN CONSUMER ETHNOCENTRISM: A CONCEPTUAL MODEL

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SUMMARY

Consumer ethnocentrism (CE) has been considered one of the important consumption barriers in the global market. CE is fundamentally a personal predisposition toward shaping attitudes toward foreign products. In this paper, three forms of interpersonal orientation (i.e., compliant, aggressive and detached) are proposed as antecedents to predict the degree of consumer ethnocentrism. Compliant people exhibit personal traits that go along with “moving toward” people and they possess a desire “for human intimacy, a desire for “belonging.” Thus, this “passionate need for closeness” makes the need for being the part of the group of critical importance for compliant people. Therefore, we propose that compliant-orientedness is positively related to CE. One of the prevalent person’s mode of response to others is “to move against people,” which is defined as aggressiveness. Personal identity tends to be more salient for aggressive – oriented people. Considering that CE implies the identification with a particular group, one’s own group, we make the proposition that aggressive-orientedness is negatively related to CE. Likewise, we argue that detached-orientedness is negatively related to CE, because detached people behave independently, freedom is highly valued for them, and feelings become less important in life, and instead, critical reasoning comes to the forefront. CE is argued to be an affective concept and its influence on attitude toward foreign product and foreign product purchases may be moderated by cognitive endeavors (i.e., need for cognition, need for evaluation and need for precision). More specifically, we derive on some studies that have shown that purchasing foreign products results in high emotional consequences for consumers, and therefore, this “affective” nature of decision making, may explain why ethnocentric consumers assess foreign and domestic products in different ways. Finally, it is proposed that the negative effects of consumer ethnocentrism on attitude toward foreign products and foreign products purchases may be lessened by marketing communication efforts (i.e., attitude toward advertising in general and exposure to foreign-product advertisements). That is, exposure to advertisements positively impacts consumers’ propensity to buy particular products. This tendency can be explained by “persuasive effect” of informative advertising. Furthermore, consumers respond to advertising through sequence of affective, cognitive and conative steps which lead to behavioral outcomes. References are available upon request.

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COUNTRY-OF-ORIGIN: A CONSTRUCT PAST ITS SELL-BY DATE?

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ABSTRACT

In recent years, the country-of-origin (COO) construct – and, by extension, research on COO – has been under fire from at least three angles. First, it is argued that the “COO effect is no longer a major issue for international marketing operations: multinational production, global branding, and the decline of origin labeling in WTO rules tend to blur the COO issue and lessen its relevance” (Usunier 2006, p. 61). Second, several studies empirically show that, for the most part, consumers do not know the (correct) COO of many (often well-known) brands (e.g., see Samiee, Shimp, and Sharma 2005; Balabanis and Diamantopoulos 2008); thus it seems that “consumers either have limited recognition of brand origins or find such information relatively unimportant and thus unworthy of retention in memory” (Samiee et al 2005, p. 392). Third, in surveys on the use of COO as an informational cue, only a (very) small proportion of respondents indicate that COO might have played some role in product choice; for the majority, COO “is not a relevant attribute for making choices between alternatives” (Liefeld 2004, p. 91).

If the above criticisms are justified, then outcome variables such as purchase intentions for a particular brand would not be expected to be influenced – either directly or indirectly – by COO considerations. More specifically, neither the product-country image (PCI) that is, “the overall perception consumers form of products from a particular country, based on their prior perceptions of the country’s production and marketing strengths and weaknesses” (Roth and Romeo 1992, p. 480) nor the product category image (PCATI) that is, the image of the specific product category to which the focal brand belongs,1 should impact the brand image and/or consumers’ intentions to buy the brand. Put simply, if COO does not matter, purchase intentions would be mainly driven by the focal brand’s image (as well as other factors, such as situational influences) but the latter would not be related to either the PCI of the brand’s COO or the PCATI associated with that origin.

In this paper, we empirically investigate the above propositions by specifying and testing alternative models linking PCI, PCATI, brand image, and purchase intentions, while taking into account differences in brand familiarity. Our analysis throws light on (a) the importance of PCI and PCATI in shaping brand image perceptions, (b) the direct and indirect drivers of purchase intentions, and (c) the role of brand familiarity.

The following section presents the conceptual models to be tested and discusses the linkages among the focal constructs. Next, details of the study’s methodology are provided and followed by a presentation of the results obtained when testing the models. We conclude the paper by considering the implications of our findings and suggesting some areas for future research.

CONCEPTUAL MODELS

Role of PCI and PCATI

We use the model depicted in Figure 1 as a “base model” linking the various constructs of interest.2 In this model, all possible direct and indirect effects of PCI and PCATI – representing COO influences – on brand image and purchase intentions are captured.3 The rationale for the depicted paths is shown in Table 1.

The link between PCI and PCATI (i.e., γ1) as well as that between brand image and purchase intentions (i.e., β1) are well-established in the literature (see Table 1) and are of no theoretical interest in this study. The key relationships of interest relating to the controversy in the literature surrounding the role of COO, are the links γ1, γ2, γ3, and β1. Specifically, γ1 and γ2 represent the potential direct impact of PCI and PCATI on purchase intentions, while γ3 and β1 represent the potential direct impact of PCI and PCATI on brand image. By selectively setting these paths to zero and comparing the resulting models to one another, the exact nature and magnitude of the COO effect (if any) can be assessed.

We first assess whether PCI and/or PCATI have any effect (direct and/or indirect) on purchase intentions. We do this by setting the following four parameters to zero: γ1, γ2, γ3, and β1 (Model A). In this model, purchase intentions are only impacted by brand image (and the latter is not influenced by either PCI or PCATI). We next assess whether PCI and PCATI only have indirect effects on PI. We do this by restricting γ1 and γ2 to zero but allowing γ3 and β1 to be freely estimated (Model B). In this model, purchase intentions are directly impacted by brand image as well as indirectly by PCI and PCATI (both through their effects on brand image). Third, we assess whether PCI and PCATI only directly impact purchase intentions. We do

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1. Should impact the brand image and/or consumers’ intentions to buy the brand.
2. Base model linking the various constructs of interest.
3. Rationale for the depicted paths is shown in Table 1.

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this by setting $\gamma_2$ and $\beta_1$ to zero but allowing free estimation of $\gamma_1$ and $\gamma_4$ (Model C). Here, purchase intentions are directly influenced by PCI, PCATI, and brand image, but neither PCI or PCATI are allowed to have any indirect influence (through brand image). Finally, assuming that Models B and C reveal the presence of both indirect and direct effects, we incorporate those that are significant in a final model.

Following the above approach permits us to shed light on the debate surrounding the role of the COO construct. Specifically, if the most restricted model, as-
Role of Brand Familiarity

Brand familiarity (BF) refers to “the consumer knowledge regarding the brand that exists in a product category. This knowledge includes how brands compare on different attributes and which brands own unique attributes” (Phau and Sunntornmood 2006, p. 35). Traditionally, (brand) familiarity has been used as a moderator variable in COO research, however, findings on its specific impact have been inconsistent with some studies indicating that COO effects are weaker under conditions of high familiarity (e.g., Gürrhan-Canli and Maheswaran 2000) and other studies (e.g., Johansson and Nebenzahl 1986) revealing the opposite.

To throw additional light on the role of brand familiarity, we model its potential impact in two alternative ways. First, and consistent with recent literature approaches (e.g., Knight and Calantone 2000; Tam 2008), we treat it as a moderator variable and compare estimates of COO effects under high versus low familiarity conditions. Second, we introduce brand familiarity as an additional direct antecedent of brand image and purchase intentions and examine the extent to which the explanatory power of the model is improved. To the best of our knowledge, this second approach has not been yet adopted in the COO literature, although several arguments can be offered in support. First, familiarity can be expected to enhance brand image perceptions as familiarity overcomes “fear of the unknown”; individuals are likely to be more circumspect/negative in their judgment of objects with which they are not familiar (Kent and Allen 1994; Laroche et al. 1996). Second, familiarity may result in a greater willingness to accommodate imperfections, that is, a more tolerant evaluation of weaker facets of the brand (a “knowledge is loving” argument) (Colombo and Morrison 1989). Third, brand familiarity can be expected to also directly (and positively) impact purchase intentions in that it reduces the mental effort when making choices, and facilitates habitual purchase behavior (a “force of habit” argument) (Laroche et al. 1996). Needless to say that an investigation of the role of brand familiarity is conditional upon the existence of a (significant) COO effect as noted in the previous section.

METHODOLOGY

Sample and Data Collection

We used personal, face to face interviews conducted at pre-selected central locations (e.g., supermarkets and shopping malls) in seven major U.K. cities (London, Birmingham, Manchester, Leeds, Cardiff, and Edinburgh). A total of 404 consumers were randomly selected varying in gender, age, education, and income. Because of the multicultural composition of the U.K. population and in an attempt to avoid bias resulting from differences in nationality (see Parameswaran and Pisharodi 2002), all respondents were either U.K. citizens or permanent residents for at least five years. Interviews were conducted by four interviewers having undergone extensive training to ensure familiarity with the research instrument and the sampling procedure. Following the completion of the interviews, a random selection of 15 respondents from each interviewer were contacted by telephone to ensure that the interviews had indeed taken place and to cross-check their answers to key questions (Fowler 1993). These checks revealed no problems with data quality and enhanced our confidence in the collected data.

Study Setting and Stimuli

The U.K. was chosen as a research country because of its open economy, wide availability of foreign products, as well as because of its trade links with the stimulus (i.e., target) COO which was the USA. We did not want to use the U.K. as a target origin because of the well-known domestic country bias that has been observed in previous COO research (e.g., see Balabanis and Diamantopoulos 2004). The USA was specifically selected because it has been frequently shown to enjoy a favorable country image (e.g., see Papadopoulos, Heslop, and IKON Research Group 2000), it has been widely used as a stimulus origin in previous COO research (see Usunier 2006 for a review), and it is a major producer (and exporter) in the focal product category (household appliances).

Concerning the latter, we specifically focused on refrigerators for which product familiarity is high (refrigerators are considered a necessity and there is almost 100 percent penetrate in the U.K. market – see AMA Research 2003) and for which a number of brands (more than 30) from a dozen COOs are available in the U.K. We
selected Whirlpool as our focal brand, as a qualitative pretest revealed a wide range of consumer familiarity with the brand.

Research Questionnaire and Measures

A structured, pre-tested questionnaire was used during the interviews, asking respondents to (a) assess the PCI of the USA, (b) do the same for the specific product category involved (i.e., the PCATI for U.S.-made refrigerators), (c) evaluate the image of the Whirlpool refrigerator brand, and (d) indicate their degree of familiarity with as well as purchase intentions concerning the latter.

To operationalize PCI, PCATI, and brand image we undertook an extensive review of the COO literature and identified a total of 24 intrinsic and extrinsic product cues, capturing different elements of the marketing mix; these were subsequently grouped into six main dimensions each containing four items (Table 2). Respondents were asked to evaluate these 24 cues separately at the country-product category, and brand level thus providing independent assessments of PCI, PCATI and brand image; all cues were measured on seven-point semantic differential scales (1 = poor, 7 = excellent). Subsequently, we constructed formative indices of PCI, PCATI, and brand image respectively as follows:

\[
P_C I = \sum_{i=1}^{6} \sum_{j=1}^{4} \alpha_{ij}
\]

where \(\alpha_{ij}\) is the (country-level) rating on the jth product cue on the ith dimension (see Table 2). The indices for PCATI and brand image were calculated in an analogous fashion as in equation (1), using the product category- and brand-specific ratings respectively.

Formally, our operationalization of PCI, PCATI, and brand image falls within the “aggregate model” of Law, Wong, and Mobley (1998, p. 745), whereby the focal construct “is formed as an algebraic composite of its dimensions.” This is in contrast to extant research which, almost invariably, has operationalized country and brand images by means of reflective scales. However, we believe that a formative perspective is more consistent with the conceptual nature of the constructs involved since images are formed (determined by) consumers’ evaluations of attributes rather than reflected in the latter. The very definition of PCI, for example, as the “aggregate image for any particular country’s products” (Narayana 1981, p. 32, added emphasis), which is based on consumers’ “prior perceptions of the country’s production and marketing strengths and weaknesses” (Roth and Romeo 1992, p. 480, added emphasis) is fully consistent with a formative approach (see Edwards and Bagozzi 2000 for a conceptual comparison of reflective and formative measurement perspectives).

Concerning brand familiarity, we measured the latter with a three-item, seven-point scale (1 = very low, 7 = very high) asking consumers to indicate their awareness, knowledge, and prior usage of the Whirlpool brand. A principle axis factor analysis confirmed the unidimensionality of the scale and its internal consistency (\(\alpha = .865\)) was also highly satisfactory.

Finally, following recent recommendations in the methodological literature, (Bergkvist and Rossiter 2007), we used a single-item to measure consumers’ intentions to buy the Whirlpool refrigerator brand (1 = very low, 7 = very high).

RESULTS

Role of PCI and PCATI

The results of estimating Models A-C (using LISREL 8.72) are shown in Table 3; the specific links represented by the various \(\gamma\)- and \(\beta\)-parameters are those previously depicted in Figure 1.

It can be seen that Model A – postulating a complete absence of COO effects – results in a very poor overall model fit as indicated by all global fit indices. Nevertheless, Model A’s fit is not significantly worse than Model C’s fit (\(\Delta \chi^2 = 0.908, DF = 1, p > .10\)), which hypothesizes direct effects of PCI (\(\gamma_1 = 0.069, p > .10\)) and PCATI (\(\gamma_4 = 0.029, p > .10\)) on purchase intentions. These results indicate that COO does not directly impact consumers’ intentions to buy the focal brand; the latter is only significantly influenced by the brand image (Model A: \(\beta_3 = 0.513, p < .01\), \(R^2 = 0.263\); Model C: \(\beta_4 = 0.462, p < .01, R^2 = 0.222\)).

Further inspection of Table 3, however, reveals that Model B – postulating only indirect effects of PCI and PCATI on purchase intentions – has, by far, the best fit of all three models. The fit statistics for Model B are indicative of a very well-fitting model in absolute terms. Moreover, Model B’s fit is significantly better than those of both Model A (\(\Delta \chi^2 = 179.102, DF = 2, p < .01\)) and Model C (\(\Delta \chi^2 = 178.184, DF = 2, p < .01\)). Specifically, Model B indicates that both PCI (\(\gamma_1 = 0.517, p < .01\) and PCATI (\(\beta_4 = 0.245, p < .01\)) indirectly influence purchase intentions through their impact on brand image. In fact, over 50 percent of the variance of brand image (\(R^2 = 0.514\)) is explained by PCI and PCATI; in turn, brand image explains over a quarter of the variance in purchase intentions (\(R^2 = 0.263\)).
The above findings clearly suggest that COO considerations are still relevant in consumer decision-making as they have a strong impact on consumers' brand image perceptions and, through them, on purchase intentions. Indeed, according to an effect size decomposition, the (standardized) indirect effect of PCI on purchase intentions comes to 0.358, while that of PCATI on purchase intentions to 0.126. While these are lower in magnitude than the direct effect of brand image (0.513), they are both substantial and highly significant.

Role of Brand Familiarity

Having established that COO is a relevant factor impacting consumer decision making, we now examine the role of brand familiarity by modeling it both as a moderator variable as well as an (direct) antecedent of brand image perceptions and purchase intentions.

Table 4 shows the results of the moderator analysis based upon estimation of Model B under low- and high-brand familiarity conditions respectively. To ensure sufficient discrimination between the two groups, the low familiarity group consists of 112 consumers scoring less than 4 on the seven-point brand familiarity scale (see methodology section earlier) and the high familiarity group comprises 151 consumers scoring higher than five on the same scale; the “middle” group (88 consumers) which is moderately familiar with the focal brand was excluded from the analysis.

The parameter estimates and fit statistics in Table 4 indicate that Model B has a very good fit under both low- and high-brand familiarity conditions. There are, however, three noteworthy differences between the two groups. First, the path from PCATI to brand image is significant only in the low familiarity group; this suggests that consumers’ perceptions of the COO cue at a product category level are only relevant when consumers are less familiar with the focal brand. Second, and partly as a result of this, a smaller proportion of the variance in brand image is explained under high familiarity ($R^2 = 0.374$) versus low

<table>
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<th>TABLE 2 Construct Operationalization: Product Cues</th>
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<tr>
<td>Dimension</td>
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<tr>
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<td>6. Promotion</td>
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TABLE 3  
Model Estimation Results

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Model A (Neither Direct Nor Indirect Effect of PCI and PCATI on Purchase Intentions)</th>
<th>Model B (PCI and PCATI Only Have an Indirect Effect on Purchase Intentions)</th>
<th>Model C (PCI and PCATI Only Have a Direct Effect on Purchase Intentions)</th>
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<td>γ₂</td>
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<td>set to zero</td>
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<td>γ₃</td>
<td>0.739</td>
<td>0.739</td>
<td>0.739</td>
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<tr>
<td>γ₄</td>
<td>set to zero</td>
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<td>0.029 (ns)</td>
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<td>set to zero</td>
</tr>
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<td>β₂</td>
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<td>0.513</td>
<td>0.462</td>
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Fit Statistics

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<th>180.053</th>
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<td>2</td>
</tr>
<tr>
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<td>&lt;.001</td>
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<tr>
<td>GFI</td>
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<td>0.997</td>
<td>0.795</td>
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<td>CFI</td>
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[all parameter estimates significant at p < .01, except those marked ns = not significant]

TABLE 4  
Brand Familiarity as Moderator (Model B)

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<thead>
<tr>
<th>Parameter</th>
<th>High Familiarity</th>
<th>Raw</th>
<th>Standardized</th>
<th>Low Familiarity</th>
<th>Raw</th>
<th>Standardized</th>
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<tbody>
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<td></td>
<td>set to zero</td>
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</tr>
<tr>
<td>γ₂</td>
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<td>0.535</td>
<td>0.489</td>
<td>0.477</td>
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</tr>
<tr>
<td>γ₃</td>
<td>0.749</td>
<td>0.629</td>
<td>0.868</td>
<td>0.833</td>
<td></td>
<td></td>
</tr>
<tr>
<td>γ₄</td>
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<td></td>
<td>set to zero</td>
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<td></td>
</tr>
<tr>
<td>β₁</td>
<td>0.085 (ns)</td>
<td>0.112</td>
<td>0.298</td>
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<td>β₂</td>
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<td>0.438</td>
<td>0.016</td>
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Fit Statistics

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<td>DF</td>
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<td>2</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.500</td>
<td>0.252</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.000</td>
<td>0.756</td>
</tr>
<tr>
<td>GFI</td>
<td>0.995</td>
<td>0.988</td>
</tr>
<tr>
<td>CFI</td>
<td>1.000</td>
<td>0.996</td>
</tr>
<tr>
<td>SRMR</td>
<td>0.021</td>
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</table>

[all parameters significant at p<.01, except those marked ns=not significant]

familiarity (R² = 0.561) conditions. Third, the model is better able to account for variance in purchase intentions in the high familiarity (R² = 0.192) rather than the low familiarity (R² = 0.077) group; this is because the link from brand image to purchase intentions is much stronger under high familiarity conditions.
Table 5 shows the results of modifying Model B by incorporating familiarity as a direct determinant of brand image ($\gamma_5$) and purchase intentions ($\gamma_6$).

The expanded model shows good overall fit and returns positive and significant coefficients for both the link between brand familiarity and brand image ($\gamma_5 = 0.336, p < .01$) and between familiarity and purchase intentions ($\gamma_6 = 0.621, p < .01$); the other parameter estimates are also significant and analogous to those in Model B (see Table 3 earlier). What is particularly interesting, however, is that the incorporation of brand familiarity in the model results in a substantial increase in explanatory power both for brand image ($R^2 = 0.609$) and purchase intentions ($R^2 = 0.527$). Indeed, the direct impact of familiarity on purchase intentions is substantially stronger than that of brand image; in addition, brand familiarity has an about equal effect on brand image as that of PCI.

Taken together, the findings on the role of brand familiarity seem to favor modeling the latter as an additional antecedent variable rather than a moderator. Note, in this context, that COO effects (as reflected in the impact of PCI and PCATI) remain quite stable, irrespective of how familiarity is modeled. The main difference lies in the explanatory power of model which is dramatically increased when familiarity is considered as an antecedent rather than a moderator variable.

### DISCUSSION

In light of substantial criticism proclaiming that the COO construct has lost its relevance, this research aimed to shed fresh light on its role. Capturing COO both at country level (PCI) and product category level (PCATI), the influence of COO on brand image and purchase intentions was empirically assessed and the role of brand familiarity revisited.

Regarding the latter, familiarity was initially treated as a moderator and revealed that COO cues at category level (PCATI) are only significant for consumers with low brand familiarity. As a consequence, a comparatively larger proportion of the variance in brand image can be explained under conditions of low familiarity. More interesting are the findings when brand familiarity is modeled as a direct determinant of both, brand image and purchase intentions. For both constructs, the direct impact of brand familiarity leads to substantial increases in explanatory power. Moreover, brand familiarity drives purchase intention much stronger than brand image.

Taken collectively, our results clearly vindicate the importance of the COO construct and help reconcile some of the contradictory assessments of the role of COO found in the literature. While the findings reveal that COO – measured both at PCI and PCATI level – does not directly

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**TABLE 5**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Raw</th>
<th>Standardized</th>
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<tr>
<td>$\gamma_1$</td>
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<tr>
<td>$\gamma_2$</td>
<td>0.391</td>
<td>0.391</td>
</tr>
<tr>
<td>$\gamma_3$</td>
<td>0.818</td>
<td>0.739</td>
</tr>
<tr>
<td>$\gamma_4$</td>
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<td>set to zero</td>
</tr>
<tr>
<td>$\gamma_5$</td>
<td>1.705</td>
<td>0.336</td>
</tr>
<tr>
<td>$\gamma_6$</td>
<td>0.240</td>
<td>0.621</td>
</tr>
<tr>
<td>$\beta_1$</td>
<td>0.214</td>
<td>0.237</td>
</tr>
<tr>
<td>$\beta_2$</td>
<td>0.013</td>
<td>0.165</td>
</tr>
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</table>

**Fit Statistics**

- $\chi^2$-value: 6.009
- DF: 3
- Sig.: 0.111
- RMSEA: 0.054
- GFI: 0.993
- CFI: 0.997
- SRMR: 0.023

[all parameters significant at $p < .01$; $\gamma_5$ and $\gamma_6$ capture direct impact of brand familiarity on brand image and purchase intentions respectively]
impact consumers’ intentions to buy the focal brand, the COO construct has an important indirect influence. Specifically, PCI and PCATI strongly influence purchase intent through their impact on brand image: over 50 percent of the variance of brand image is explained by these COO effects. Our findings also suggest that, from a theoretical point of view, the role of brand familiarity can be better captured as a direct antecedent of brand image and purchase intent rather than as a moderator. From a managerial vantage point, these findings once again underline the importance of brand familiarity in building brand image and in creating purchase intent.

Extant COO research has either implicitly or explicitly taken a product-centric perspective, that is, its has matched certain countries with particular product categories assuming that consumers buy brands from these countries simply because of their superior capabilities/reputation in these product categories. For example, Turkey is well known for carpets, Greece is well known for yogurt, and Holland is well known for cheese. The findings of this research, however, suggest that COO effects are also brand-centric. Thus, consumers associate a country’s image not only with specific capabilities relating to an industry or product category, but also with the more comprehensive capabilities of producing good brands. Looking at Table 3 (Model B), brand image – in our setting the image of Whirlpool – is influenced more strongly by the direct link between PCI and brand image (see path $\gamma$) than the link between PCATI and brand image (see path $\beta$). In other words, consumers think highly of Whirlpool not only because USA makes good refrigerators, but even more so because the USA makes good brands.

The nature of the COO effects demonstrated in our study has a critical bearing on future theory development in the field. Instead of conceptualizing COO primarily as a construct that is associated with industry- or product category images, a more differentiated view of COO influences is called for. In particular, the role of COO not only as a driver of product image but also as a driver of brand image needs to be taken into account. Figure 2 depicts four archetypes of COO influences that follow from these considerations.

In an ideal case (high product image / high brand image), COO has a positive impact on both a focal country’s products and brands. This would be the case for Germany that has a strong reputation for cars in general (product) but also produces strong brands like BMW or Mercedes. Alternatively, a country like Turkey may develop a strong reputation for a certain type of product, such as carpets, but lacks the relevant skills to turn this product-related capability into strong and well-known brands (high product image/low brand image). Research that provides a better understanding of the barriers preventing a country from capitalizing on their product-specific advantages through the development of strong brands would be most welcome, both from a managerial/policy point of view and in terms of theory development in the COO field.

Conceptually interesting are also cases where a country, such as Austria, manages to develop strong brands, for example Red Bull or Swarowski, but is not at all well-known for its expertise in the respective product categories, in the above example energy drinks and fashion jewelry (low product image/high brand image). It would be of immediate benefit for companies operating in such countries to analyze whether image advantages accrued by strong brands can also be used to support other less well-known brands in these product categories. In terms of theory development, investigating whether a strong brand has a positive “halo” effect on competing brands in the same industry and country is an obvious avenue for further research.

Lastly, there are counties (e.g., Romania) that are in the unfortunate position to possess neither a particular strong product or brand image (low product image/low brand image). In terms of COO research, this is arguably
the most challenging situation, as the focus has to shift from strengthening existing product or brand images to creating strong product and/or brand images.

CONCLUSION

The results of our research make evident that COO influences should not be discounted prematurely but also highlights a need for a more differentiated treatment of the COO construct. Specifically, not only the direct effects of a positive PCATI on brand image or purchase intentions should be considered, but also the indirect effect of PCI through brand image; brand familiarity should be used as an antecedent of both brand image and purchase intentions.

ENDNOTES

1 As Jaffe and Nebenzahl (2006, p. 93) point out “a country’s image may vary by product category”; see also Han and Terpstra (1988) and Eroglu and Machleit (1989).
2 The potential impact of brand familiarity will be considered at a later stage.
3 Note that the model in Figure 1 is a saturated model with zero degrees of freedom and cannot, therefore, be tested. We simply use this model as a “base” for developing several overidentified models which are subsequently tested and compared to one another.

REFERENCES

MANAGING GLOBAL ACCOUNT IN DYNAMIC MARKET

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SUMMARY

Global Account Management refers to supplier’s centralized selling activities to serve a global account customer worldwide. A major concern of GAM program is to monitor the trends such as customers’ needs and competitors’ moves, and then reconfigure the existing organizational processes ahead of competitors to capitalize the market opportunities. In fact, business scholars have emphasized the importance of the ability to reconfigure in customer relationship management. For example, Day (1994) suggest that too win in competition, a firm must sense and respond quickly and effectively to customers’ needs.

There has been extensive research about responding to customers’ requests and competitors’ initiatives as found in literature pertaining to global account management (Birkinshaw, Toulan, and Arnold 2001; Harvey et al. 2003; Shi et al. 2005), global marketing strategy (Yip 1995; Zou and Cavusgil 2002), market/customer orientation (Deshpandé, Farley, and Webster, Jr. 1993; Narver and Slater 1990), and evolution and development of dynamic capabilities (Narayanan et al. 2003; Teece, Pisano, and Shuen 1997). These literature streams all emphasize the importance for a firm to continuously change routines to keep congruence with changing environment. However, prior literatures have largely focused on delineating the antecedents to respond to customers’ requests. There is still a lack of studies that provide conceptualization and empirical investigation of specific capability enabling a firm to maintain a good fit with external environment. In addition, in the rapidly changing global marketplace, global account customers’ needs continuously evolve. These changing trends and events render a firm to deal with the market dynamism from around the globe. However, the prior literature has not yet provided the empirical evidence as to how reconfiguration capability may behave differently in turbulent markets versus stable market in GAM context. We also need to understand how the rapidly changing environment influences this capability.

Moreover, to our best knowledge, no research has been conducted to investigate the ability to reconfigure in GAM context. Global account customers are often the most powerful multinational buyers which may determine the survival and success of the suppliers; developing appropriate capabilities to manage global account relationship lies at heart of global marketing research. Without appropriate understanding of GAM capabilities, managers are unable to exploit the full range of options to improve global account performance and the consequence might be serious. The failure of some GAM projects demonstrate the managerial significance of research pertaining to GAM capabilities.

In order to address the gaps in the current research, this paper centers on examining various ways to deal with global market dynamism in global account management. In particular, we propose that an organization’s ability to reconfigure is the key to GAM success. Further, we examine the contingency effect of global market dynamism on the above relationship. By doing this, we are able to verify whether reconfiguration ability is indeed crucial to GAM success when market conditions changes. We examine the interplay of three processes in GAM program, namely, intelligence acquisition, cross-country integration and reconfiguration. Our findings suggest that intelligence acquisition and cross-country integration will lead to stronger reconfiguration capability in managing global account.

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GETTING A GRIP ON THE SADDLE: CYCLES, CHASMS, OR CASCADES?

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SUMMARY

A pattern not commonly considered in the product diffusion literature is the phenomenon of a “Saddle.” The Saddle refers to a pattern of a sudden decline in sales following a rapid growth phase (see Figures 1 and 2 below). Goldenberg, Libai, and Muller (2002), who term this phenomenon the “Saddle,” find this pattern in 50 percent of the 32 product categories that they examine. Golder and Tellis (2004) find a period of level, slowly increasing, or temporarily decreasing product category sales in 22 out of 23 product categories in the U.S. market.

Researchers had as early as in the 1970s proposed the possibility of such a sharp slowdown in sales (Cox 1967; Wasson 1978). However, for many decades, there was no substantial empirical evidence to support this pattern of slowdown (Day 1981). Nearly twenty years later, two papers have found some empirical evidence of a sudden decline in sales following a rapid growth phase (Goldenberg, Libai, and Muller 2002; Golder and Tellis 2004). The compelling new evidence indicates a clear need to revisit and rethink the phenomenon of the product life cycle. The pattern of a sharp decline averaging more than 20 percent in sales and lasting on an average nine years has grave consequences for new product marketers. Managers, who believe the phenomenon to be isolated to their product alone, may, on seeing such a sharp deviation in trend from the expected bell-shaped curve, pull the plug on new products they think are performing poorly. Or their processes may be inadequately geared to meeting a sudden slowdown in sales, and to the subsequent growth in sales.

This study aims to develop a better understanding of the phenomenon of the saddle. In particular, it seeks answers to three questions:

1. How pervasive is the saddle across countries and products?
2. What are the characteristics of the saddle in terms of suddenness of occurrence and depth and duration of decline?
3. What causes the saddle and are these causes predictable or controllable?

The first explanation for the Saddle has a macroeconomic origin as it is based on business cycles. Diffusion research has long examined the role of wealth in influencing product diffusion (Golder and Tellis 1998; Talukdar, Sudhir, and Ainslie 2002). Much of the research has concentrated on the positive aspect of income changes –

FIGURE 1
Depiction of a “Saddle” in Product Sales
i.e., in income increases leading to an increase in market potential. However, even if a product class may initially be growing rapidly, reversals in the economy would lead to a slowdown in sales (Golder and Tellis 2004). Recently, researchers have started examining the impact of business cycles on product sales (Deleersnyder et al. 2004; Lamey et al. 2006). Recessions may impact product sales adversely for three reasons. One, consumers are more likely to cut back on discretionary expenditure such as spending on consumer durables during times of recessions (Deleersnyder et al. 2004; Golder and Tellis 1998, 2004). Two, consumers lose trust during recessions, more quickly than re-acquiring confidence during the following expansion, leading to cyclical asymmetries in the purchase of durables (Deleersnyder et al. 2004). Three, firms may tend to increase prices during recessions, indulging in counter-cyclical pricing (Backus and Kehoe 1992; Deleersnyder et al. 2004), which may aggravate the sensitivity of consumers.

The second explanation for the Saddle is based on the theory of a chasm in adopter segments. Traditionally, it has been thought that the diffusion process can be fueled by simply targeting the innovators and the early majority, triggering word of mouth communication across the other adopter segments (Rogers 1995; Mahajan and Muller 1998). However, some researchers debate this notion of continuity. Mahajan and Muller (1998) posit conditions wherein the majority should be treated differently from the early market. Moore (1991) suggested that there is a ‘chasm’ between the early market dominated by a few visionary customers and the main stream market dominated by a large block of pragmatic customers. Goldenberg, Libai, and Muller (2002) argue that this weak communication between the early market and a late market may lead to these markets adopt products at differing rates, creating a Saddle.

The third explanation to the Saddle relies on the notion of Information Cascades, a topic first introduced in the economics literature (Bikhchandani, Hirshleifer, and Welch 1998, 1992). Information cascades refer to the tendency of a market to snowball onto a popular behavior. In consumer markets, initially consumers may carefully consider alternatives while making product choices. Their adoption gives a signal to the rest of the market. New consumers may make evaluations based both on their information, as well as on signals provided by the market. Their actions provide a further signal to the market. Soon, consumers may increasingly rely on signals provided by the actions of earlier adopters rather than making a careful evaluation of alternatives. This triggers a positive cascade in sales. Such cascades can lead to an acceleration of sales. Cascades are extremely fragile as they are based on very little information. A positive cascade can be reversed by new information that affects the personal preferences and decisions of a small number of people (Golder and Tellis 2004). Hence, acceleration in sales triggered by a positive cascade accompanied by a deceleration in sales immediately afterward triggered by a negative cascade, may lead to a Saddle.
We analyze the sales history of 12 new products across 18 countries (16 European countries, U.S. and Japan) over time. We use annual sales and market penetration data compiled from a combination of sources: (1) Database for Europe compiled by Tellis, Stremersch, and Yin (2003); (2) Archival search for the U.S. from various issues of Electrical Merchandising, Electrical Merchandising Week, Merchandising, Merchandising Week, Dealerscope Publications, Fast Facts database, and data provided by Arvind Rangaswamy; (3) Global Market Information Database provided by Euromonitor; (4) Statistics on product shipments and market saturation provided by the Ministry of Internal Affairs and Communication in Japan. For calculating the timing of recessions across countries, we use Real GDP from the Groningen Growth and Development Center and the Conference Board, Total Economy Database.

We use discrete time survival analysis to disentangle the impact of the three explanations on the occurrence of a Saddle. In each interval \( t \) we observe a binary response indicating whether or not an event (a Saddle) has occurred. The year of the Saddle is the first year after takeoff when the sales decline by 10 percent or more from the initial peak and takes more than two years to cross the initial peak.

We measure cyclical expansions and recessions similar to Lamey et al. (2005). Here, the cyclical components of the GDP are extracted using a filtering approach. We term the period from a peak in the cyclical component of GDP to the base as a recession, and the period from the base to the next peak as an expansion.

To measure chasms, we develop a measure of dispersion from the mean penetration at saddle. This is based on the notion that the likely point of transition from the early adopters to early majority occurs at a specific range of penetration, typically at a penetration level of 15–20 percent (Rogers 1995; Mahajan, Muller, and Srivastava 1990; Mahajan and Muller 1998). If the chasm theory were to hold, smaller dispersions from mean penetration would be positively associated to the occurrence of the Saddle, in the model.

We measure the effects of negative cascades at an aggregate cross-country level. The measure is the number of Saddles that occur in the same category, in the same year or the year before, in other countries.

Our analysis across 160 products drawn from many countries and products suggests that the saddle is pervasive. Given at least nine years from takeoff, it occurs in over 90 percent of 160 products. It leads to a sales decline of 13 percent on average in the year of saddle and an average depth of 26 percent from the year of peak sales to the depth. The average duration of the saddle is eight years. A test of rival explanations via a hazard model together with descriptive statistics does not find any support for chasms in adopter products. In contrast, it provides strong support for negative cascades as well as business cycles.

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WITHIN-COUNTRY RETAIL FORMAT DIVERSIFICATION: DOES COUNTRY CONTEXT MATTER?

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SUMMARY

International markets represent important growth opportunities for multinational corporations (MNCs). The top 250 MNCs represent about a third of the $9 trillion dollar global retail market (Deloitte, Touche, Tohmatsu 2006). However, very little research examines how retailers diversify their businesses in foreign markets, whether the diversification strategies result in performance differences, and what types of performance differences are demonstrated.

Our study contributes to the literature in three ways. First, diversification research rarely includes the service sector, which has considerable strategic and structural differences with the manufacturing sector. Second, store format diversification is one of the most important strategic decisions retailers make. Third, most extant research results aggregate the units of analysis, which can result in flawed inferences.

Our framework addresses the impact of country factors on the relationship between retail strategy and performance. Understanding how these factors enhance performance or detract from it can improve a retailers’ market selection process. We examine format diversification strategies and resources of retail entities in foreign markets, specifically, retailer growth strategies in diverse country contexts.

At a local level, MNCs must make a choice about which format through which to enter and expand within a foreign market. Chain resources impact the firm’s ability to reach their target markets. Firms can also grow their chains through a strategy of either related or unrelated diversification.

The differences between countries can affect the average performance of a retailer in a foreign market. Importantly, these environmental factors can influence their diversification decisions. These factors include the attractiveness of the local market, competition, and the country’s level of economic development and they are important because they can greatly affect potential performance of retail chains in foreign markets.

Within a multi-level framework, our study examines foreign business units (FBUs) of 34 retailers across 49 markets. We use Hierarchical Linear Modeling to account for the differences in the units of analysis and dependencies in the data. Consequently, our parameter estimates should be less biased than other studies that do not account for these issues.

Our results show that foreign business units garner higher market shares in less developed markets than in advanced retail markets, but the level of industry concentration has a variable impact on performance. For example, less to moderately concentrated markets, such as India, China, and Japan, Italy and the United States tend to have lower average market share ranges than the other groups. We also find that unrelated diversification strategies, while yielding lower market shares than related diversification strategies, are still reasonable growth strategies within host country markets. Interestingly, market attractiveness did not affect average retail market share after other environmental factors were controlled.

Future research will explore the moderating affects of corporate resources and strategies on foreign market performance. An immediate extension includes testing the stability of the parameter estimates and identifying more contextual variables to explain both country and corporate differences. While market share is a reliable performance variable at this level of analysis across corporations and countries, most other studies use other financial and accounting performance measures; we will also expand our study to include other measures of performance.

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GENDER DIFFERENCES IN FOOD PREFERENCES: THE ROLE OF EMOTIONAL INTENSITY, SELF-REGULATION, AND APPETITIVE CRAVING

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SUMMARY

Retail food marketers as well as advertising strategists are often faced with the need to position various product offerings effectively to appropriate consumer demographic segments (Gupta and Chintagunta 1994). More recent marketing research has identified gender differences as an important demographic variable in food preference. For example, Wansink, Cheney, and Chan (2003) found that male consumers are more likely to prefer meal-related foods like meat and warm soups as comfort foods, while women preferred snack-related foods like cookies, chocolates, potato chips and ice-cream. Dube, LeBel, and Lu (2005) investigated the emotions that trigger desires for comfort foods, and argued that because women tend to focus more on the negative aspects of their emotional experiences, their comfort-seeking food consumption is driven by negative affects (Dube and Morgan 1996), hence their preference for high-calorie sweet (HCS) foods like chocolate, ice-cream, and baked goods. Men, on the other hand, show a greater tendency to engage in strategies to distract themselves from negative emotional experiences by embracing positive emotions to reinforce their morale (Dube and Morgan 1996; Ingram, Cruet, Johnson, and Wisnicki 1988). Therefore, men’s comfort-seeking food consumption urges are triggered by foods that boost positive emotions – foods such as high-caloric non-sweet (HCNS) selections like meats and meat products (Dube et al. 2005).

Our current investigation contributes to the extant literature by examining how three relevant factors influence the way consumers respond to the allure of food in the marketplace: First, negative emotional intensity – a stable component of human temperament linked to the Affect Intensity construct (Larsen and Diener 1987). Second, self-regulation – namely, the perceived ability of men versus women to resist an eating temptation (Bagozzi, Moore, and Leone 2004; Baumeister and Heatherton 1996; Baumeister 2002; Clark et al. 1991). Third, we also examined the influence of appetitive craving on the food preferences of men versus women (Cepeda-Benito, Erath, Williams, and Gleaves 2000; Weingarten and Elson 1990).

Our objective in Study 1 is to show that the influence of negative emotional intensity will be more strongly observed among women than among men, and this, in turn, will lead to lower perceived self-efficacy to resist eating temptations related to HCS foods. In Study 2 we argue that if negative emotional intensity is associated with the breakdown in self-regulation to a greater extent among women than among men, then negative emotions should be correlated with foods that women find most difficult to resist, but not with foods that men find most difficult to resist (Dube, LeBel, and Lu 2005; Wansink et al. 2003). Finally, in Study 3, as a further test of the relationship between emotions, gender and food preferences, we focus on two issues: First, are there gender differences in the level of appetitive craving and desire for food? Second, to what extent does gender mediate the influence of positive emotions on craving intensity when the target food is a high-caloric non-sweet (HCNS) meat product (Dube, LeBel, and Lu 2005)?

Our results in Study 1 showed that when consumers are faced with eating temptations, women are more likely than men to be influenced by the intensity of their negative emotions, and this, in turn, significantly undermined their perceived self-efficacy in resisting the urge to indulge. In Study 2 we found that if negative emotional intensity is linked to self-regulation failure, then negative emotions that are linked to a woman’s struggle to resist an eating temptation will be significantly related to food preferences. For Study 3 our findings suggested that food cravings (Cepeda-Benito et al. 2000) may be closely linked to consumers’ struggle to resist eating temptations, even though this construct has been largely ignored in consumer behavior research.

Based on our study, there are several implications for retailers and marketing decision makers. First, with respect to craving and desire for meat-related products, male consumers are driven more by the sensory pleasure to be derived from taste rather than the positive feelings associated with the eating experience. Hence, retail and advertising strategies for attracting male consumers to eating establishments serving meat-related products (e.g., fast food hamburger retailers or steak houses, or chicken retailers), should place greater emphasis on promoting the taste of the food, rather than just the stimulation of positive feelings associated with consumption. Second, since the ability of women to resist the temptation to consume HCS foods is presumed to be associated with negative emotional intensity, food retailers who are targeting female...
consumers are faced with two strategic choices: (a) Marketing decision makers may be tempted to exploit the female consumer’s emotional vulnerability by appealing to the type of emotions that would lead to increased food consumption (and corporate profits), or (b) Decision makers, in contrast, may choose a customer-relationship marketing approach that facilitates the customer’s goal of resisting unwanted eating temptations. References are available upon request.
HOW THE ORDER OF SAMPLED EXPERIENTIAL GOODS AFFECTS CHOICE

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ABSTRACT

Experiential marketing reaches out to consumers prior to the actual purchase event and allows them to experience a product in an attempt to motivate them to make a purchase. Experiential products that consumers often sample before purchase include food samples given out in a supermarket or a food court and music or movie clips offered online. Some people may sample only one item, though in many cases, they sample multiple items before deciding which to purchase. Although researchers have explored the effects of sampling one item on subsequent choice decisions (Shiv and Nowlis 2004), no investigations consider the sequential ordering of experiential samples and its influence on subsequent choice decisions.

Serial position order in a sequence matters, as documented by research (Howard and Kahana 1999; Levav et al. 2008; Haugtvedt and Wegener 1994; Wagner and Klein 2007). Although normatively, the serial position of products in a sequence should not influence evaluations (Schoemaker 1982), two outcomes typically emerge: a primacy effect, which causes the first information encountered to be more influential, and a recency effect, which makes the second information more influential.

Past research in marketing has focused on situations which emphasize informational components (e.g., product attributes, messages). This stream of research has found that situations that foster high levels of message elaboration result in primacy effects, whereas situations that foster low levels of message-relevant elaboration result in recency effects (Haugtvedt and Wegener 1994). We extend the work of serial position effects into the domain of experiential goods. Experiential products are somatosensory in nature, so the experience of using them likely is driven by automatic affective reactions to the products (Shiv and Nowlis 2004). In such a situation, message elaboration will not be relevant; rather, recall of the products sampled is expected to become more important. In this paper, we argue that there will be a recency effect for memory such that the most recently experienced goods will be better recalled; however, this will result in different choice outcomes as a result of whether the sampled items are desirable or undesirable.

Although it might not be common for a consumer to sample undesirable products, it is nevertheless a realistic possibility, especially when he or she evaluates a product for the first time or without much knowledge about that product. Furthermore, experiential products are, by their very nature, subjective in terms of desirability or undesirability across different groups of people, especially across various cultures or age groups. Thus, this research explores not only the impact of sampling desirable products, but also of sampling undesirable products, as well as the impact of sampling a mixed set of desirable and undesirable products.

We argue that the choice outcomes will vary as a function of whether the products sampled are desirable versus undesirable and that the underlying process is due to recency effects (whereby the product evaluated sequentially later would be better recalled). Specifically, we expect that consumers will exhibit a recency outcome for desirable products, such that they express preference for the desirable product experienced second in a series of two desirable products, but a primacy outcome for undesirable products, such that they express preference for the undesirable product experienced first in a series of two undesirable products. In addition, we examine how the placement of an undesirable product in relation to two desirable products influences these primacy and recency outcomes.

BACKGROUND

Experiential Products

Since experiential products are somatosensory in nature, they entail both affective and informational experience components (Shiv and Nowlis 2004). The affective component pertains to the emotional reactions that arise from the sensory experience, associated with automatic processes. The informational component is associated with controlled processes. For example, when tasting chocolate, the affective component includes emotion experienced, such as happiness, whereas the informational component pertains to thoughts about the chocolate, such as its health consequences, quality, sweetness, or texture (Shiv and Nowlis 2004). In general, the affective component carries more weight than the informational component (Shiv and Nowlis 2004). Thus, when a consumer evaluates two experiential products, he or she likely experiences a critical affective reaction to both.
For experiential goods, marketers must understand how affective reactions to the product may influence consumers’ responses to products experienced sequentially. Building on work by Shiv and Nowlis (2004), in which they examine how sampling one food item may affect the subsequent choice of that item, we examine how the impact of experiencing two items and then making a choice between them may be influenced by the sequential positioning of those items. That is, how will the order in which the consumer experiences those products affect his or her choice? If the choice involves a desirable and an undesirable product, the choice is obvious and order has no impact. However, if the choice is between two equally desirable products or two equally undesirable products, it becomes less obvious and may vary as a function of the order in which the two products appear.

**Serial Position Effects for Experiential Products**

Regardless of the valence of the product, when consumers evaluate products in a sequence, product information enters their short-term working memory (Conway, Cowan, and Bunting 2001); they later retrieve that information when they must rate the product (Howard and Kahana 1999). Previous marketing studies have typically focused on information-rich contexts and have shown primacy effects (such that the first piece of information exerts more influence) when there are high levels of message elaboration and recency effects (such that the second piece of information exerts more influence) when there is less message relevant elaboration (Haugtvedt and Wegener 1994). Thus, in the context of experiential goods, where there is less information to elaborate on, we expect a recency effect such that the information most recently encountered will exert more influence. This recency effect expectation is consistent with the psychology literature which has investigated the impact of serial position in less information rich domains such as recognition of words, names, faces or symbols (e.g., Howard and Kahana 1999).

Additionally, previous research confirms that as additional stimuli information enters working memory, memory for the initial stimulus information decays (Howard and Kahana 1999), causing the recall accuracy for the initial stimulus to diminish (Verhaeghen, Cerella, and Basak 2004). Furthermore, affective reactions derived from an experience (e.g., another sampled product) likely interfere with the retrieval of feelings generated during the initial experience (Cowley 2007). In combination, these findings support the notion that when consumers must recall and rate products after they have evaluated them sequentially, the product encountered most recently should have a stronger impact; in essence, there will be a recency effect in memory for the products (Howard and Kahana 1999; Miller and Campell 1958).

However, we also predict that this better recall for the most recently experienced good will result in different preference outcomes, depending on whether the products are desirable versus undesirable. More specifically, we predict that for two equally desirable products, consumers would better recall the desirable aspects of the product encountered last in a sequence, which will cause them to prefer the product encountered last (recency outcome). In a related vein, for two equally undesirable products, we predict that consumers will better recall the undesirable aspects of the product encountered last in the sequence, which causes them to relatively prefer the product encountered first (primacy outcome).

**H1:** When experiencing a sequence of two desirable products, consumers would prefer the second product (recency outcome). Alternatively, when experiencing a sequence of two undesirable products, consumers would prefer the first product (primacy outcome).

**The Moderating Effect of Memory**

The preceding argument suggests better recall for the most recently sampled item, and thus, the valence (desirable versus undesirable) of that item should drive whether the outcome will be a preference for the first (primacy) or the second (recency) product. If this argument holds, we would be able to reduce primacy and recency outcomes by enhancing memory for the initially sampled item. Consumer behavior research demonstrates that various types of tasks can enhance memory and result in more accurate choices (Johar, Maheshwaran, and Peracchio 2006).

With enhanced memory capabilities, consumers should be better able to recall the objective features related to sampling both sequential stimuli (Verhaeghen, Cerella, and Basak 2004). This memory enhancement in turn should improve recall for the initially sampled item (recall for the most recently experienced item already should be high) and reduce the serial position outcomes hypothesized previously. More formally, we expect:

**H2A:** In the absence of any memory capability enhancement, when experiencing a sequence of two desirable products, consumers would prefer the second product (recency outcome). Alternatively, when experiencing a sequence of two undesirable products, consumers would prefer the first product (primacy outcome).

**H2B:** Under conditions of enhanced memory capability, these effects will be reduced.
STUDY 1A: IMPACT OF THE SERIAL POSITION OF DESIRABLE AND UNDESIRABLE PRODUCTS AND THE MODERATING IMPACT OF MEMORY CAPABILITY

Design and Participants. We test H1 and H2 using a 2 (product set: two desirable beverages versus two undesirable beverages) × 2 (memory: enhanced versus not enhanced) between-subjects experiment. The sequential ordering of the beverages was counterbalanced. Sixty-nine students participated in exchange for course credit and complimentary beverages. Beverages were pretested to determine both desirable and undesirable beverages.

To enhance participants’ memory capability perceptions, we told participants that the products will enhance their memory. Research in the domain of placebo effects (e.g., Shiv, Carmon, and Ariely 2005) reveals that a person’s beliefs and expectations about a product (e.g., treatment) can influence his or her behavioral outcomes (e.g., health), irrespective of the actual performance of the product. In this study, we told participants that the products they are sampling have been shown to enhance memory.

Procedure. All participants were asked to memorize four words. We told those in the memory enhancement condition that “prior research has shown that drinking these beverages improves a person’s memory,” whereas we make no mention of memory to those in the non-memory enhancement condition. Participants then sampled two beverages (both either desirable or undesirable) by taking a single sip of the first beverage and then taking a single sip of the second beverage. As mentioned previously, we counterbalanced the order of the beverages across participants. We removed all identifying label information from the beverages to avoid any potential confounding effects due to brand familiarity. Participants then completed a questionnaire.

Dependent Measures. The participants ranked the beverages by indicating, “Between the two beverages that you tasted, which one tasted relatively better?” They also rated the taste according to “How would you rate the taste of the first beverage?” and “How would you rate the taste of the second beverage?” We capture both responses on 1 (extremely horrible) to 7 (extremely tasty) scales. The difference between the ratings assigned to each beverage serves as the preferential rating.

Participants then responded to two open-ended questions: (1) “What words would you use to describe the taste of the first beverage?” and (2) “What words would you use to describe the taste of the second beverage?” Towards the end of the questionnaire, participants indicated, on the basis of two questions, whether the beverages improved their memory (1 = definitely no, 7 = definitely yes). They were also asked to recall the four words given at the beginning of the study.

Manipulation Checks. The manipulations worked as intended. Desirable beverages (4.62) earned more favorable ratings than undesirable beverages (2.74, F(1, 67) = 57.76, p < .01). Participants in the memory enhancement condition had stronger beliefs (2.34) that the beverages improved their memory than those in the non-enhancement condition (1.60, F(1,67) = 6.51, p < .05). They also recalled more words (M absence of memory enhancement = 3.77, M enhanced memory = 3.94, t(66) = 1.71, p < .05, one-tailed).

Results

Main tests. Consistent with H1, we find a recency outcome for desirable products, such that more participants prefer the second desirable beverage (first = 35%, second = 65.0%, χ² = 3.60, p < .05). Similarly, the second desirable beverage achieves higher ratings than the first (M first = 4.28, M second = 4.98, F(1,39) = 4.59, p < .05). For undesirable products, we find a primacy outcome, such that more participants prefer the first undesirable beverage (first = 69.0%, second = 31.0%, χ² = 4.17, p < .05) and rate the first undesirable beverage relatively more favorably than the second undesirable beverage (M first = 3.0, M second = 2.48, F(1,28) = 4.10, p < .05).

However, consistent with H2, these effects are moderated by perceived memory capacity. A 2 (desirable versus undesirable) × 2 (memory enhancement: present versus absent) logistic regression shows a significant interaction effect for product ranking (-2LL(1) = 10.62, p < .01), and a corresponding ANOVA reveals a significant interaction effect for preferential rating (F(1,65) = 4.70, p < .05). Follow-up analyses indicate that that for desirable products and in the absence of memory capability enhancement, a recency outcome results, such that more participants prefer the second desirable beverage (rankings: first = 25%, second = 75.0%, χ² = 5.0, p < .05; ratings: M first = 4.10, M second = 5.10, paired sample t-test t(19) = 2.21, p < .05). However, when we enhance their perceived memory capacity, the recency outcome for desirable products is attenuated for both ranking (first = 45.0%, second = 55.0%, χ² = 8.0, p = .06) and ratings (M first = 4.45, M second = 4.85, paired sample t-test t(19) = .85, p = .41).

In the undesirable products conditions, in the absence of memory capability enhancement, we find a primacy outcome; more participants prefer the first beverage (rankings: first = 80.0%, second = 20.0%, χ² = 5.40, p < .05; ratings: M first = 3.27, M second = 2.47, paired sample t-test t(14) = 2.35, p < .05). However, under enhanced
perceived memory capacity, these results are attenuated for both ranking (first = 57.14%, second = 42.86%, \( \chi^2 = .29, p = .59 \)) and ratings (\( M_{\text{first}} = 2.71, M_{\text{second}} = 2.50 \), paired sample t-test t(13) = .56, \( p = .58 \)).

**Process Results.** To examine the processes underlying these results, we analyze the number of words that participants use to describe the products when asked the open-ended questions about how they would describe the taste of the beverages. Consistent with H1, participants use more words to describe the taste of the second beverage (\( M_{\text{first}} = 2.56, M_{\text{second}} = 3.30 \), paired sample t(68) = 3.82, \( p < .01 \)), in support of our contention that participants better recall the product encountered later in the sequence.

In support of H2, the process results also reveal that this effect can be moderated by memory enhancement. Specifically, in the absence of perceived memory enhancement, participants use more words to describe the taste of the second beverage (\( M_{\text{first}} = 2.11, M_{\text{second}} = 3.23 \), paired sample t(34) = 4.20, \( p < .01 \)), but with enhanced processing, they use a similar number of words to describe both (\( M_{\text{first}} = 3.03, M_{\text{second}} = 3.38 \), paired sample t(33) = 1.31, \( p > .20 \)), which indicates that they recall the first and second products experienced to a similar extent. By comparing across conditions, we note that memory enhancement results in more words used to describe the first beverage (\( M_{\text{first (absence of enhanced memory)}} = 2.11 \), vs. \( M_{\text{first (enhanced memory)}} = 3.03 \), t(67) = 3.11, \( p < .01 \)).

**Discussion**

The results of Study 1A show that when consumers sample beverages sequentially, the serial position of the beverage influences their subsequent evaluation. While the serial position effects on choice are driven by recency effects, due to greater recall of the beverage evaluated later, the outcomes are influenced by whether the beverages are desirable versus undesirable. For desirable beverages, participants evaluate the second beverage as better tasting than the first—a recency outcome. In contrast, for undesirable beverages, participants evaluate the beverage tasted first relatively better than that tasted second, a primacy outcome. As expected, the products’ serial position effects become attenuated when we enhance participants’ perceptions of their memory capabilities. Furthermore, the process results support the notion that primacy and recency outcomes are driven by greater recall of the most recently sampled item (a recency effect), whether it is desirable or undesirable. By enhancing memory perceptions, we create equality in the ability to recall both items. To confirm that differential recall of the sample items drives results, in Study 1B, we equate the ability to recall both items by reducing memory for the subsequently sampled item.

**STUDY 1B: MODERATING EFFECTS OF COGNITIVE CONSTRAINTS**

In Study 1A, we propose and show that under normal processing conditions (i.e., in the absence of any memory enhancement), for desirable (undesirable) products, a recency (primacy) outcome results that reveals greater preference for the product evaluated second (first). The underlying logic for these predictions is that with experiential items, memory for the most recently encountered item is stronger (e.g., Howard and Kahana 1999). By enhancing memory for the initial item, Study 1A demonstrated that we can reduce product serial position effects by enhancing the memory for the item evaluated earlier in the sequence. Study 1B in turn demonstrates that if we weaken memory for the item evaluated later in the sequence, we can again reduce the serial position effects.

As cognitive constraints increase, people have less capacity for additional activities, such as learning or remembering new information (Lynch and Srull 1982), which increases their reliance on automatic reactions (Rottenstreich, Sood, and Brenner 2007; Shiv and Fedorikhin 1999). We expect that when consumers suffer from high cognitive constraints, their ability to remember either the first or the second product they experience should diminish. As a result, the second product experienced should not be recalled in any greater detail than the first product, and consumers should become indifferent between the two evaluated products in subsequent recall and rating tasks. That is, the effects predicted by H1 should weaken when consumers suffer higher cognitive constraints. Formally stated, we expect:

**H3A:** Under low cognitive constraints, when experiencing two desirable products, consumers would prefer the second product (recency outcome). Alternatively, when experiencing two undesirable products, consumers would relatively prefer the first product (primacy outcome).

**H3B:** Under high cognitive constraints, these effects will be reduced.

**STUDY 1B: METHOD**

Design and Participants. To test H1 and H3, we employed a 2 (desirable versus undesirable products) \( \times \) 2 (cognitive constraint: high versus low) between-subjects experiment, with the sequential ordering of products counterbalanced. Ninety students participated. Music was pretested to determine desirable and undesirable.

**Procedure.** Participants listened to two, sequential, 25-second music pieces (both desirable or both undesir-
able) on a computer. As noted previously, the ordering was counterbalanced across participants. We manipulated cognitive constraints with a distraction task that focuses participants’ attention on a secondary task (Fitzsimons and Williams 2000). Specifically, participants were asked to keep a running tab of the number of times they blink (Posavac et al. 2004). In the high cognitive constraint condition, participants counted the number of eyeblinks while listening to the music and completing the survey; in the low cognitive constraint condition, they kept track of the number of blinks during a one-minute period prior to listening to the music and filling out the survey.

Dependent Measures. We measured participants’ product ranking by asking, “Between the two musical pieces that you heard, which one did you like more?” To measure product rating, we asked (1) How would you rate your liking of the first musical piece? (1 = hated it, 7 = loved it), and (2) How would you rate your liking of the second musical piece? (1 = hated it, 7 = loved it). As in Study 1, the difference in responses for these two questions forms the preferential rating of the music clips.

Participants also responded to two open-ended questions: (1) “What words would you use to describe the first musical piece?” and (2) “What words would you use to describe the second musical piece?” Finally, in line with Monga and Houston (2006), we asked participants two additional questions to check the degree of mental effort demanded by the cognitive constraints: (1) “How much mental effort did you exert to keep track of the number of times you blinked?” (1 = did not exert mental effort at all, 7 = exerted a lot of mental effort), and (2) “How busy was your mind while trying to count the number of times you blinked?” (1 = not busy at all, 7 = extremely busy).

Manipulation Checks. The manipulations worked as intended. Participants indicated higher product ratings for both musical pieces in the desirable conditions (M_desirable = 4.89, M_undesirable = 4.34, t(88) = 8.67, p < .001), as well as greater mental effort in the high cognitive constraint condition (M_high constraint = 4.70, M_low constraint = 3.68, t(88) = 3.59, p < .01).

Results

Main Tests. Consistent with H1, there is a recency outcome for desirable music, such that more participants prefer the serially second music they heard (rankings: first = 37.78%, second = 62.22%, χ² = 2.69, p < .05; ratings: M_first = 4.58, M_second = 5.20, t(44) = 2.03, p < .05). We also find a primacy outcome for undesirable music, such that more participants relatively prefer the serially first music heard (rankings: first = 64.44, second = 35.56 percent, χ² = 3.76, p < .05; ratings: M_first = 3.67, M_second = 3.20, t(44) = 2.06, p < .05).

We also find support for H3. A 2 (desirable versus undesirable products) × 2 (cognitive constraint: high versus low) logistic regression reveals a significant interaction effect for product ranking (-2LL(1) = 7.90, p < .01), and a corresponding ANOVA shows a significant interaction effect on product preferential rating (F(1,86) = 4.86, p < .01). Follow-up contrasts reveal that for low cognitive constraints and desirable music, there is a recency outcome such that the sequentially second piece is more preferred (rankings: first = 30.43%, second = 69.57%, χ² = 3.52, p < .05; ratings: M_first = 4.30, M_second = 5.35, paired sample t(22) = 2.46, p < .05). However, high cognitive constraints produce no such outcome. An equal proportion of people rank each musical piece as preferable (first = 45.45%, second = 54.55%, χ² = .18, p > .67) and rate them equivalently (M_first = 4.86, M_second = 5.05, paired sample t(21) = .42, p > .68).

Under low cognitive constraints and with undesirable music, there is a primacy outcome such that relative preference is expressed for the first piece (rankings: first = 69.57%, second = 30.43%, χ² = 3.52, p < .05; ratings: M_first = 3.39, M_second = 2.74, paired sample t(22) = 2.29, p < .05). However, high cognitive constraints prompt no such outcome (rankings: first = 59.09, second = 40.91%, χ² = .73, p > .39; ratings: M_first = 3.95, M_second = 3.68, paired sample t(21) = .77, p > .45).

Process Results. We examine the number of words participants use to describe each musical piece. According to our theorizing, when they engage in normal processing (i.e., under low cognitive constraints), participants should attain greater recall of the musical piece evaluated later in the sequence, but these effects should be attenuated when they are under high cognitive constraints. Consistent with such theorizing participants used more words to describe the second musical piece under low cognitive constraints (M_first = 2.65, M_second = 3.02, t(45) = 2.23, p < .05) but used an equivalent number of words to describe both pieces under high cognitive constraints (M_first = 2.23, M_second = 2.29, t(43) = .34, p > .73). Furthermore, by comparing across conditions, we gather that cognitive constraints result in a reduction in the words used to describe the second piece of music (second_low constraint = 3.02, second_high constraint = 2.29, t(88) = 2.18, p < .05).

Discussion

This study further supports the notion that in the absence of high cognitive constraints, primacy outcomes occur for undesirable products and recency outcomes occur for desirable products, such that consumers express greater preference for the second (first) option when the products are desirable (undesirable). The underlying process again reflects a recency effect whereby consumers are better able to recall the item sampled later. However, by reducing their ability to recall the later item, through
cognitive constraints, we reduce this recency effect, thereby allowing similar degrees of recall of each product. Next, by examining mixed choice sets in which consumers encounter a mix of both desirable and undesirable products in the consideration set, in Study 2, we further extend our findings.

STUDY 2: MODERATING EFFECT OF POSITIONING OF AN UNDESIRABLE PRODUCT IN A SERIES OF DESIRABLE PRODUCTS

While evaluating products in the real world, consumers do not always encounter products that are only desirable or only undesirable. Rather, in most cases, they likely find some products they consider desirable and others they deem undesirable. For example, suppose a consumer evaluates three perfumes and finds two equally desirable but one undesirable. The question we investigate in this study is how the order in which the undesirable product gets sampled, in comparison with the two desirable products, affects consumer preferences and evaluations.1

In an evaluative experiential choice set of two desirable and one undesirable options, three combinations may occur. Combination 1 consists of the first desirable, the second desirable, and the undesirable product, or D1-D2-U. Combination 2 is U-D1-D2, and Combination 3 is D1-U-D2. In all combinations, consumers should form evaluations after they experience each option. Thus, in Combination 1 (D1-D2-U), after experiencing D1-D2, they should prefer D2 (consistent with the recency outcome in Studies 1A and 1B). Consumers then sample the third option, U, but because it is undesirable, that option should be eliminated from the choice set (Tversky 1972). The choice then reverts to the consumers’ preference between D1 and D2, an evaluation they formed prior to exposure to the undesirable product. Hence, the preference pattern should follow our findings in Studies 1A and 1B, resulting in a preference for the second desirable product and reflecting a recency outcome.

Combination 2 involves U-D1-D2. Because the consumer processes U first, the undesirable product forms the context for evaluating the subsequent options. Prior research in the area of relative judgment measures reveals that when participants process sequential stimuli, their evaluation of a particular stimulus depends on the stimulus immediately preceding it (Novemsky and Ratner 2003; Stewart, Brown, and Chater 2005). Prior literature has identified two possible outcomes, contrast effects versus assimilation effects, while evaluating a sequence of stimuli of varying strengths. Contrast effects would predict that when an undesirable product precedes a desirable product, the evaluation of the desirable product would be enhanced (Novemsky and Ratner 2003). Assimilation effects would predict that when an undesirable product precedes a desirable product, the evaluation of the desirable product would be diminished (Stewart, Brown, and Chater 2005). Prior literature has also noted that contrast effects might occur when the sequential stimuli unfold over large amounts (e.g., more than a day) of time (Novemsky and Ratner 2003), while assimilation effects are more likely when the sequential stimuli immediately follow each other (Petrov and Anderson 2005; Stewart, Brown, and Chater 2005). Since in the current research, the experiential products immediately follow each other, assimilation effects are more likely. Specifically, assimilation effects would predict that “participants are systematically biased to respond as if the current stimulus is nearer to the previous stimulus than it actually is” (Stewart, Brown, and Chater 2005, pp. 883–884), because when trying to evaluate sequential experiential stimuli, people must adjust between stimuli that vary in strength (e.g., loudness, taste) (Petrov and Anderson 2005). As a result, the evaluation of a particular experiential stimulus tends to assimilate with the immediately preceding stimulus (Petrov and Anderson 2005; Stewart, Brown, and Chater 2005). Thus, for a sequence of U-D1-D2, the desirability of D1 should be lower because of its assimilation with U. Then, when they experience D2, consumers should remember D2 better and prefer it (as hypothesized and shown in Studies 1A and 1B). In addition, the preference for D2 should be even greater than it would have been if the consumer had not experienced U prior to D1. That is, we expect the desirability of D1 to decline because of the initial exposure to and assimilation with the undesirable experience of U. Thus, preference for D2 should be exaggerated, due to the decline in desirability of D1, resulting in an enhanced recency outcome.

Finally, Combination 3 is D1-U-D2. In this combination, the experience of the undesirable product (U) sets the context for the experience of D2. As explained previously, this effect should cause the assimilation of D2 with the undesirable product (e.g., Petrov and Anderson 2005; Stewart, Brown, and Chater 2005), which in turn should reduce the preference for D2. That is, in this combination, consumers remember D2 relatively less favorably and therefore should prefer the item evaluated most positively, D1, resulting in a primacy outcome. Formally stated:

H4A: In a mixed choice set of two desirable and one undesirable products (D1-D2-U), when consumers experience the undesirable product last, they prefer the second desirable product (recency outcome).

H4B: In a mixed choice set of two desirable and one undesirable products (U-D1-D2), when consumers experience the undesirable product first, they
prefer the second desirable product even more (enhanced recency outcome).

H4C: In a mixed choice set of two desirable and one undesirable products (D1-U-D2), when consumers experience the undesirable product second, they prefer the first desirable product more (primacy outcome).

STUDY 2: METHOD

Design, Participants, and Procedure. We test four between subjects conditions: the three combinations of (1) D1-D2-UD, (2) UD-D1-D2, and (3) D1-UD-D2, and a control group (4) D1-D2. We counterbalance the ordering of the desirable products, so D1, D2 indicate only the serial positions of the products, not the actual products. As in Study 1B, we use music as the experiential product. Seventy-eight executive MBA students participated. As in Study 1B, participants listened to sequential, 25-second music clips, timed and played on a computer. We employed the same two desirable music clips from Study 1B and one of the undesirable clips. We also used the same dependent measures.

Results

In the control group of no undesirable product (i.e., D1-D2), consistent with H1, we find a recency outcome, whereby a greater proportion of participants rank the second piece of music as better than the first (first = 28.57%, second = 71.43%, $\chi^2 = 3.86, p < .05$). Similarly, the ratings of the second piece of music are higher ($M_{\text{first}} = 4.57, M_{\text{second}} = 5.29, t(20) = 2.66, p < .05$).

As we hypothesize in H4A, in Combination 1 with the undesirable product last (D1-D2-U), we find a recency outcome. A higher proportion of participants rank the second desirable piece as better than the first (first = 31.58%, second = 68.42%, $\chi^2 = 2.58, p < .05$) and rate it more highly ($M_{\text{first}} = 4.70, M_{\text{second}} = 5.45, t(19) = 2.88, p < .01$). In Combination 2, in which the undesirable product immediately precedes the first desirable product (U-D1-D2), we find an enhanced recency outcome. A higher proportion of participants rank the second piece of desirable music as better than the first (first = 5.56%, second = 94.44%, $\chi^2 = 14.22, p < .001$), and the product rating judgments are in a similar direction ($M_{\text{first}} = 3.89, M_{\text{second}} = 5.53, t(18) = 4.75, p < .001$). That is, we find an enhanced recency outcome in Combination 2 (i.e., 94% prefer the second option compared with 71% in the control condition and 68% in Combination 1), in support of H4B. Finally, consistent with H4C, when the undesirable music immediately precedes the second desirable music option (D1-U-D2), a primacy outcome emerges, such that a greater proportion of participants rank the first piece as better (first = 68.75%, second = 31.25%, $\chi^2 = 2.25, p < .07$) and rate it as better ($M_{\text{first}} = 5.05, M_{\text{second}} = 4.39, t(17) = 2.13, p < .05$).

Discussion

This study demonstrates the impact of sampling an undesirable option with two desirable options. The serial position of an undesirable option actually changes consumers’ preference for the desirable options. Consistent with H4, when consumers experience the undesirable product last (D1-D2-U), the second desirable product appears preferable (recency outcome). When they experience the undesirable product first (U-D1-D2), their preference for the second desirable product gets enhanced (enhanced recency outcome). Finally, when they experience the undesirable product second (D1-U-D2), they prefer the first desirable product (primacy outcome). Next, Study 3 examines the effects of time delay on the primacy effects observed in Study 2 (for combination D1-U-D2).

GENERAL DISCUSSION

We conducted three experiments to investigate the impact of the sequential ordering of experiential products on preference for those products. Despite investigations of the impact of ordering in other domains (Haugtvedt and Wegener 1994; Kardes and Herr 1990; Levav et al. 2008), no study has examined how the affective experience of sampling multiple goods (judged independently to be equally appealing) influences preference for these goods. We demonstrate that the serial position of a product in a sequence matters in terms of consumer preference and ratings.

When sampling two equally desirable products, consumers prefer the later experienced product, which represents a recency outcome. When sampling two equally undesirable products, they prefer the first product, which we term a primacy outcome. The process underlying these preferences involves their better recall for the later experienced good, which implies recency effects. As we demonstrate with Study 1, under normal memory conditions (i.e., in the absence of any perceived memory enhancement), consumers prefer the item they experience last (recency outcome) between two desirable beverages. In contrast, they prefer the first item (primacy outcome) when they taste two undesirable beverages. We also find support for the moderating effects of memory enhancement and the moderating effects of inhibiting memory through cognitive constraints. Study 2 explores the impact of mixed choice sets with two desirable and one undesirable options. The order in which consumers experience the products still affects their preferences. When they sample the undesirable product last, they experience
a recency outcome and prefer the second desirable product. When the undesirable product appears first, the enhanced recency outcome means consumers have an even stronger preference for the second desirable product. A primacy outcome occurs only when the undesirable product precedes the second desirable product and assimilation effects prompt consumers to prefer the first product.

ENDNOTE

1 We do not investigate combinations of two undesirable and one desirable product, because in this case, the desirable product will always be chosen.

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WHEN POSITIVE IS PAINFUL: AVERTION TO MOOD TRANSITIONING AS AN EXPLANATION FOR THE AVOIDANCE OF POSITIVE HEDONIC STIMULI

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SUMMARY

The research presented herein proposes that when people are in a negative mood (e.g., after a bad day), they tend to avoid positive hedonic options (e.g., comedies) that would be mood-lifting. Although they want to feel good and can identify alternatives that would improve their negative mood, they reject these alternatives and opt instead for stimuli that match their mood more closely. We suggest that people in a bad mood may avoid a positive option because transitioning from a bad to a good mood is aversive. We define an aversive transition as a psychic cost entailed when someone in a negative mood encounters a positive hedonic stimulus and moves from a negative to a positive mood.

To investigate this phenomenon, we begin by testing whether negative mood leads to an avoidance of positive hedonic stimuli. To address this, three experiments were conducted. The first aimed at determining if people in a negative mood avoid positive hedonic stimuli relative to people in a neutral mood. For this, we used positive, neutral or negative newspaper headlines as the hedonic stimuli and music to induce the participant’s affect. Those in a negative mood were more likely to choose a negative headline than those in a neutral mood. For the second part we hypothesized that the contrast between a negative state and a positive stimulus makes the positive stimulus more aversive to process. We sought to establish that it is the relative intensity of the negative mood and the anticipated aversiveness of the positively hedonic option that drives choice. It was found that in the highly positive condition participants in a negative state avoided the positive headlines and preferred negative headlines relative to those in a neutral state, while in the mildly positive headline condition there was no effect of mood. For the last experiment of this part, we sought to address two primary issues. First, is the critical mediating factor the difficulty of the affective transition per se, or the difficulty of the particular affect-repairing task that subjects are given to perform (reading the story). Thus, we had participants choose between different compilations of music. Second, we manipulated task aversiveness by giving participants a choice between exposure to a positive hedonic stimulus before or after a negative one. When the positively hedonic stimulus occurs second, participants should be less likely to experience the aversive transition. As expected, when given a choice between a positive, neutral or negative newspaper story, people in a negative mood were less likely to choose a positive story. When the aversive transition is attenuated either by making the positive stimulus less positive or by offering an option in which the positive stimulus occurs second, we see that people in a negative mood are more likely to choose the positive stimulus.

Our second hypothesis is that people in a negative (vs. positive/neutral) mood initially find it aversive to process a positive hedonic stimulus. Affect was manipulated by providing the participants with a word association task that consisted of either negative or neutral primes and by asking them to describe the unhappiest (negative) or a typical (neutral) day in their life. After reading the story provided, they were asked to rate how aversive they found the story at different stages of the reading. As we expected, people in a negative mood experience the positive story as more aversive to read, suggesting that it entails a psychic cost.

The last part of our research sought to examine the boundary conditions for people’s desire to avoid an aversive transition. We hypothesized that people in a negative mood will choose a positive hedonic stimulus when a subsequent task demands a more positive mood. When people are given a mood-lifting option such as a positive hedonic stimulus, they will choose it to upward regulate their mood to enhance creative performance in spite of the transition cost. It was demonstrated that people’s subsequent task demands can lead people to endure the aversive transition.

This research builds on previous work that attempts to understand affect regulation and hedonic preference. A positive hedonic stimulus in the long term can be mood-lifting but, it demands a hedonic cost. While the long-term hedonic benefit of a positive hedonic stimulus does not appear to motivate people in a negative mood to select it, their anticipation of a creative task does. Understanding how and why people forgo short-term gratification in favor of long-term gain has a number of important implications.
A TEST OF ALTERNATIVE MECHANISMS FOR THE PSYCHOLOGICAL IMPACT OF PRICE BUNDLING AND IMPLICATIONS FOR WHEN AND WHY PRICE BUNDLING ENHANCES OR DERAILS CONSUMER EVALUATION

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SUMMARY

There has been considerable debate in behavioral research on bundling regarding whether, when and why price bundling enhances or derails consumers’ perceptions of the offer. Multiple theoretical perspectives have been advanced that offer different, sometimes conflicting, predictions. According to the loss aggregation hypothesis, a bundled offer will be evaluated more positively than an offer priced individually because consumers perceive a single loss as less punishing than multiple losses (Johnson, Herrmann, and Bauer 1999). In contrast, the heuristic processing hypothesis predicts that price perceptions will be lower when the price information is partitioned due to heuristic processing (Mortwitz, Greenleaf, and Johnson 1998). According to the inferred bundle saving (IBS) hypothesis, consumers infer a bundle saving when presented with a bundled offer (Heeler, Nguyen, and Buff 2007). Similar to the loss aggregation hypothesis, the IBS hypothesis predicts a positive impact of price bundling on consumer evaluations, but this positive impact may not always occur, because price bundling, or more generally, price integration, does not always yield an inferred saving.

Three studies were performed pitting these alternative mechanisms against one another and examining the implications for when and why price bundling enhances or derails consumer evaluation. We hypothesized that: (1) when price bundling enhances consumer evaluation of an offer, this effect is due to IBS rather than loss aggregation; (2) when IBS is absent, consumers will evaluate unbundled more highly than bundled offers due to heuristic processing, and because consumers may not want all the items included in the bundle.

Study one tested loss aggregation against IBS, with a partial replication of (Johnson, Herrmann, and Bauer 1999) using three conditions, bundled, unbundled, and bundled without IBS. Offer satisfaction and recommendation were higher for bundled than for unbundled, however only offer satisfaction was significant at p < .1. We found that both offer satisfaction and recommendations were higher for bundled than for bundled without IBS. These differences were significant at the p < .05 level thus supporting IBS. The ratings for bundled without IBS were lower than for unbundled. This difference was significant at p < .1 for offer satisfaction, but not significant for recommendation. This supports IBS to loss aggregation.

Studies two and three were designed with a different bundling context to allow for a more appropriate and complete test of alternative explanation for the impact of price bundling. Study two established the existence of IBS in the context of a restaurant menu and meal deal. Our experiment consisted of two menus that varied with bundling. Respondents in the unbundled condition were presented with an unbundled menu that included all the items, each individually priced, and then indicated how much they thought the total price would be for combo meal. Those in the semi-inclusive condition were presented with a combo menu that included all the items they want at one combo price. This offer also included a service charge and tax that were listed separately, but the total price of the offer (food plus service charge and tax) was provided. Respondents then indicated how much they thought the total price would be for an all-inclusive offer that includes the combo meal plus service charge and tax. As predicted, respondents in the unbundled condition expected a bundle to cost less than the provided unbundled price ($20.07 versus $23.13, p < .01). Further, respondents in the semi-inclusive condition expected an all-inclusive price to be not significantly different from the provided semi-inclusive price ($28.45 versus $27.98, p > .1). A content analysis of open-ended questions confirmed the existence of IBS in provided context. Respondents generally believed that when you purchase something in bundle, it is cheaper than purchasing it individually; essentially one is getting more for less. But when surcharges are integrated into base price, no inferred saving is expected.

Study three tested IBS versus loss aggregation hypothesis versus heuristic processing using menus as in study two. Respondents were presented with a menu that varies on bundling (unbundled, semibundled, bundled) and availability of total price (total price provided, not provided). They then evaluated offer satisfaction and
purchase intention. Bundling was manipulated to test IBS against loss aggregation. Availability of total price was manipulated to test heuristic processing against IBS and loss aggregation. The results lacked sufficient statistical power to be determinant. Comments from respondents to the open ended question suggested some potential confounding effects.

Overall, this research contributes toward clarifying the contradiction between the various theoretical approaches to explain how bundling affects consumer evaluation and choice. The propositions which were not supported need further research. References are available upon request.

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THE INFLUENCE OF PURCHASING GOALS ON CONSUMERS’ PERCEPTIONS OF PRICE PROMOTIONS

Lan Xia, Bentley College, Waltham
Kent B. Monroe, University of Illinois and University of Richmond

SUMMARY

Sellers use various advertising and promotion tactics to attract customers and increase sales. Previous research has shown that framing of promotion messages and presentation of price information influence consumers’ perceptions of prices and their willingness to buy (Das 1992; Sinha, Chandran, and Srinivasan 1999; Sinha and Smith 2000). However, previous research generally has not distinguished between consumers who have prior goals to buy the product relative to those who do not have such purchase goals. Further, there has been no research examining whether consumers’ responses to different promotion message framing and price presentations differ when they do or do not have pre-purchase goals. Since the same promotion information may lead to different perceptions as consumers’ goals vary (Shavitt, Swan, Lowrey, and Wanke 1994), understanding how consumers with different purchase goals react to various promotion messages can help sellers design effective promotion programs.

Goals play a fundamental role in influencing how information in a promotion message will be processed (Shavitt et al. 1994). Moreover, when individuals have multiple information processing strategies available, they select among them on the basis of goals, motives, and the environmental context (Taylor 1998). Thus, the effect of the same information would differ and consequently, consumers’ responsiveness to various price promotions would vary relative to their purchase goals. In this paper, we examine how consumers’ prior purchase goals interact with promotion characteristics including promotion framing and promotion depth to influence their perceptions of price promotions and their willingness to buy.

First, identical price promotions could be framed as either additional gains or reduction of losses. For example, Wal-Mart’s slogan is “We Sell for Less” while Meijer’s is “Why Pay More?” Different message framing may lead to different consumer information processes. “Pay less” may induce consumers to process the sacrifice aspect of a purchase while “save more” may induce them to focus attention on a gain from a promotion. If consumers have a goal to purchase a product, then they are mentally prepared for the loss (i.e., monetary sacrifice) that is necessary to receive the product’s benefits. However, when consumers do not have a prior purchasing goal, they may be more attracted to the gains conveyed by a positive framing. Thus, we predict an interaction effect between promotion message framing and consumers’ prior purchasing goals where consumers have a prior goal to purchase a product will be more likely to buy that product when the promotion message is framed as reducing a loss while those do not have a prior goal will be more likely to buy when the promotion is framed as obtaining a gain.

Second, promotions can involve monetary savings as well as non-monetary benefits. One type of non-monetary promotion often used is to give customers a free product or gift instead of a price discount. Compared to price discounts, non-price promotions such as free products are likely to be perceived as small gains (Diamond and Johnson 1990). Discounts reduce the price that consumers have to pay for the product (i.e., reduced sacrifice). However, in a free gift promotion, while the value of the promotion may be equivalent to a discount, nevertheless, it does not reduce the sacrifice with the focal product purchase hence could be perceived as a gain.

Therefore, we predict that consumers who have a prior purchasing goal will be more willing to buy when the promotion is framed as a discount relative to a free gift while those who do not have a goal will be more willing to buy when the promotion is framed as a free gift relative to discount.

Finally, consumers with and without a prior purchasing goal may respond differently to promotion depth. Research showed that consumers may not respond to a promotion until the discount reaches a certain level (e.g., 15%), and the positive influence of additional discount percentages reaches a saturation point (e.g., 30 or 40%) beyond which a higher discount level has little incremental effect on purchase intentions (Gupta and Cooper 1992). If consumers without a pre-purchase goal are less attracted to discounts, their threshold for an effective discount may be higher. Hence, we propose that people who have different purchase goals may respond to discount levels differently and we may observe different patterns of thresholds in the two segments.

We conducted three studies to test these predictions. In study one, we manipulated goal (with vs. without a prior purchase goal) and promotion framing (“pay less” vs. “save more”) using kitchen towels as the focal product. In study two, we manipulated goal in the same way but manipulated promotion framing as discount vs. free gift.
using athletic shoes as the focal product. In study three, we manipulated goal and promotion depth (six levels: 10% to 60% discount) replicated on laptop computer and computer diskette. Results overall supported our predictions. Consumers planning to purchase a product are more responsive to promotion messages framed as *reduction of losses* (e.g., “pay less” and a “discount”) while consumers without a goal are more responsive to messages framed as *additional gains* (e.g., “save more” and “free gift”). Finally, consumers with different purchase goals respond differently to the depth of a discount. When consumers do not have a purchase goal, they are less responsive when the discount level is either too small or too large. In contrast, such thresholds are less observable when consumers have a prior purchase goal.

Introducing consumer goals as a moderating factor provides some boundary conditions to previous research effects and adds to our knowledge of consumers’ perceptions of and responses to various price promotions. The results reported here are not inconsistent with previous research, but they help us to better understand when those effects may occur. The underlying mechanism for these interaction effects is an interesting issue worth further pursuing. References are available upon request.

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THE USE OF A CONCRETE-PARTITIONED MESSAGE FRAME:
A CONCEPTUAL CAUSE-RELATED PERSPECTIVE

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Neel Das, Appalachian State University, Boone

SUMMARY

Cause-related marketing is a marketing strategy whereby the seller promises to donate a portion of the purchase price of the product being sold to a designated charitable or other civic non-profit cause. The unique contribution of this study relates to the proposed effects of the presentation or framing of a cause-related offer message on the likelihood of a donation exchange. We suggest the usage of a concrete (versus abstract) framed message in terms of the amount of the product/service purchase price going to the participating cause. We assert that such a concrete message frame can be represented through the template of a partitioned pricing strategy.

Effect of Message Framing on Cause-Related Exchanges

We conceptualize message framing in terms of concreteness and abstractness of cause-related ad content. A concrete framed message explicitly states the amount of the purchase price going toward a stated cause (dollar amount or percentage of purchase price). In contrast, an abstract framed message does not specify the amount of the purchase price going toward a stated cause. Partitioned pricing typically occurs when a price is divided into two or more parts, a larger base price associated with the core product offered and a smaller component(s) referred to as the surcharge(s) (Morwitz et al. 1998). The surcharge(s) include fees separate and distinct from the base product or service price. Such strategies are effective in increasing consumer purchase intentions for the advertised product when consumers are unable or lack the motivation to process the separate base price and surcharge completely and accurately (Morwitz et al. 1998; Xia and Monroe 2004). Such a mind-set results in decreased recall and evaluation of the total cost of the product in question. Lowered recall of the total cost of the product or service offered results in increased demand for the product. Additionally, an important outcome of the use of partitioned pricing is the resultant heightened clarity of the terms of the offer, i.e., the base price of the product or service, and the amount of the purchase price devoted to the cause. This clarity, inter alia, is likely to increase consumer purchase intentions (Xia and Monroe 2004). Therefore, the concrete-partitioned message frame should likely have a favorable effect on the decision making process and the level of intention to participate in the donation exchange. It is posited that representing a cause-related offer in a concrete partitioned message frame is likely to have a greater positive effect on the likelihood of participating in donation exchanges compared to when no such clear stipulations are present.

Moderating Influences of Donation Request and Cause Support

When donation requests are at low levels, lower risks (uncertainty related to the use and distribution of cause-related exchange proceeds) associated with the donation may not motivate the potential participant to process additional message-related information (partitioned advertisement). At higher amounts of donation request, potential participants are likely to process additional message-related information. It is posited that the level of donation request will moderate the effects of concrete-partitioned cause-related message framing on the likelihood of participating in a donation exchange. When the amount of donation request is high, the likelihood of participating in a donation request will be higher when concrete-partitioned message framing is used versus abstract message framing.

Greater personal relevance is likely to lead the potential participant to focus on the central cues (i.e., the cause) (Petty et al. 1983; Petty and Cacioppo 1984), while making the decision regarding the donation request. In other words, the cause becomes the central cue and other message related factors, such as the type of framing, becomes the peripheral cue. When the cause support is low, the personal relevance of the message is likely to be low. As a result, the peripheral cues, such as the type of cause-related offer framing, would assume greater importance and ultimately influence the likelihood of participating in a donation exchange. It is posited that the level of cause support will moderate the effect of cause-related offer framing on the likelihood of participating in a donation exchange. Among consumers with low levels of cause support, the likelihood of participating in a donation exchange will be higher when concrete-partitioned message framing is used versus abstract framing.

Past research has also shown that in the process of making trade-offs, consumers place particular stress on moral attributes while making their choice (Barone et al. 2000). Hence, consumers would have a higher likelihood of participating in a donation exchange even if the price is relatively more, when they prefer the product in some
other way (i.e., supporting a cause that they identify with). On the other hand, when consumers cannot identify with a particular cause, they are likely to shy away from high amounts of donation request. It is posited that the level of cause support will moderate the effect of level of donation request on the likelihood of participating in a donation exchange. At low levels of cause support, the likelihood of participating in a donation exchange will be higher when the level of donation request is lower.

**Summary**

Marketing managers are likely to see improved effectiveness in the form of increased sales through the use of cause-related strategies. As these strategies are formulated, improved performance should likely emanate from the use of concrete-partitioned message framing. In addition to empirically examining the propositions presented thus far, it would be interesting to investigate the effects of additional variables used in cause-related marketing research in the present context of offer framing. Message framing in this paper is defined in terms of concrete-partitioned and abstract dimensions. The concrete-partitioned dimension is presented and discussed through the lens of partitioned price strategy. The level of donation request and the level of cause support are viewed as having key moderating roles in the cause-related exchange process. References are available upon request.

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ALLIANCE STRUCTURE AND SUCCESS IN THE GLOBAL AIRLINE INDUSTRY: AN EMPIRICAL INVESTIGATION

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Anne T. Coughlan, Northwestern University, Evanston

ABSTRACT

In this paper, we investigate the use of horizontal distribution alliances (HDAs) in the international airline industry. Airlines enter these alliances to effectively meet the needs of passengers in new and emerging markets. We apply transaction cost analysis (TCA) to develop a conceptual framework explaining the use of HDAs. We then analyze primary and secondary data to reveal empirical insights into the motivations for forming an HDA and the factors promoting a successful alliance.

INTRODUCTION

The focus of this research is to study the use of a specific mode of entry – the horizontal distribution alliance (HDA) – that could ease the process of entering a new market or expanding within a market. In an HDA, an entrant manufacturer forms a partnership that allows it to use the channel resources of another manufacturer in the target market. The manufacturer in the target market – or host – therefore acts as the distributor for the entrant (Root 1994). HDAs have also been termed as “piggybacking” because the entrant manufacturer basically “rides” on the distribution system of the host (Terpstra and Simonin 1993; Terpstra and Yu 1990). Whereas this implies a vertical relationship, the horizontal descriptor of the strategy is used because the host is often an industry competitor of the entrant, a very different situation than in traditional vertical distribution agreements.

Horizontal distribution arrangements can be found in industries ranging from consumer goods and pharmaceuticals to automobiles and air travel. In the pharmaceutical industry, for instance, companies borrow each other’s sales forces to gain access to or increase their market presence in underdeveloped or foreign markets (Pangarkar and Klein 1998). In the airline industry, when partners in an airline alliance specifically agree to use each other’s designator codes to distribute their air service in the market, the industry calls these agreements “code-sharing” alliances (Power 2003).

The benefits gained from these alliances have been many yet, horizontal distribution alliances as a market entry strategy can be risky for both parties (Ryan 1976). For instance, the host partner (the manufacturer in the target market) may appropriate the technology of the entrant and become a stronger competitor in the market-place (Bucklin and Sengupta 1993). Alternatively, the entrant firm might learn enough about the target market to “go it alone” at a future date. Nevertheless, Terpstra and Simonin (1993) suggest that these distribution alliances are often used to enter or expand within markets. Given the persistence of the use of these alliances and the benefits and costs to both sides of the alliance, the purpose of this research is to contribute to an understanding of the strengths of these effects and their impact on alliance formation and success (Varadarajan and Cunningham 1995). Specifically, our objectives are to:

• Extend the transaction costs analysis (TCA) framework to the use of HDAs as a mode of market entry in a legally restrained industry;

• Gain empirical support for this strategy by testing hypotheses of both the use of HDAs as well as the consequences of their use.

The paper continues with a review of the theoretical foundations and empirical evidence found in the literature, followed by a discussion of the hypotheses resulting from the literature. Next, the methodology is discussed, followed by the results from analyses of secondary and primary data. The paper concludes with a discussion of the results.

HYPOTHESIS DEVELOPMENT: ALLIANCE AS A MODE OF ENTRY

The level of transaction costs is the focal construct in Williamson’s theory of organization structure: the higher the transaction costs, the more likely the firm will choose to vertically integrate (Williamson 1975). The components of transaction costs include asset specificity, uncertainty, bounded rationality, and opportunism (Rindfleisch and Heide 1997; Williamson 1975, 1985). These components work in concert to drive up transaction costs, which then lead the firm to favor vertical integration (VI) over market contracting in order to reduce its costs.

Empirical findings regarding the choice to vertically integrate or use an arms’-length arrangement have largely been consistent with the predictions of TCA (Anderson and Coughlan 1987; Erramilli and Rao 1993; Gatignon and Anderson 1988). However, the findings pertaining to the choice of the intermediate levels between the two extremes have been more elusive (Agarwal and
Ramaswami 1992; Kim and Hwang 1992). This could be due to the intermediate nature of such agreements, of which TCA says little. The lack of conclusive results suggests the need for further research to determine the conditions under which firms are likely to choose an intermediate, mixed, or “hybrid” form of governance (Gulati 1995; Williamson 1985) versus going direct into a market. Even more critical, HDAs are not just examples of hybrid governance; they are alliances between potential competitors, where the Williamsonian risks of opportunistic behavior could be even greater than in other alliance forms.

Further, other marketplace factors may not favor vertical integration. In the airline industry, for example, legal restrictions constrain the entrant’s choice so that vertical integration may be a limited option, even for large firms. Therefore, horizontal distribution alliances become a “next-best” alternative to vertical integration in these circumstances. An HDA thus represents a greater degree of commitment to and involvement in the market than more arms’-length modes of entry. Further, an HDA gives the entrant access to an already-established distribution channel (Martin 1974).

**Horizontal Distribution Alliance Formation**

The transaction costs literature argues that large firms’ transaction costs can be minimized through vertical integration (Rindfleisch and Heide 1997; Williamson 1975, 1985). Yet, while TCA would imply vertical integration in order to save on transaction costs, other internal-to-the-firm factors may not favor going direct into the market (Root 1994). These factors include a lack of assets due to small firm size or a lack of multinational experience (Agarwal and Ramaswami 1992). Channel management researchers have advanced similar positions in proposing that small firms may lack the means necessary to vertically integrate (Heide and John 1988; John and Weitz 1988).

Other researchers have also noted that larger firms have a greater ability to manage transaction costs due to their greater organizational capabilities (Aulakh and Kotabe 1997), greater multinational experience (Agarwal and Ramaswami 1992), or greater access to financial or managerial assets (Heide and John 1988; John and Weitz 1988). The firms may be limited in their investment capacity or the issue may rest with the regulations of the foreign government. Our first hypothesis therefore modifies the standard TCA prediction relating firm size to propensity to vertically integrate by substituting an HDA for the vertical integration option:

**H1:** The likelihood of using a horizontal distribution alliance as a mode of expansion into a foreign market is positively related to the level of the firm’s assets.

Transaction cost analysis proposes that higher levels of uncertainty will lead to higher transaction costs, which in turn should increase the probability of going direct, and this has been supported in empirical research in the international modes of entry literature (Gatignon and Anderson 1988; Kim and Hwang 1992). In previous applications of the TCA framework, uncertainty was usually portrayed as the degree of country risk confronting the entrant in the target market or country (Aulakh and Kotabe 1997; Erramilli and Rao 1993). Legal restrictions have also played a role in a firm’s decision on the mode of market entry (Gatignon and Anderson 1988). Intuitively, it would seem to be the case that if certain government regulations and restrictions are known, then this will alleviate disturbances due to the uncertainty of market conditions. In the case of the airline industry, a variety of agreements and treaties have been established to regulate activities on a worldwide as well as bilateral basis. By signing these agreements, countries agree to abide by rules and regulations concerning airspace restrictions, landing rights of airlines (e.g., cabotage, ports-of-entry, etc.), as well as traveler/passenger rights. Our expectation is that market uncertainty is tempered in the presence of these agreements between two countries. And with lower uncertainty, airlines will be more apt to use a horizontal distribution alliance. We apply this logic in the following hypothesis:

**H2:** The likelihood of choosing to form a horizontal distribution alliance is positively related to the degree that uncertainty is alleviated in the target market.

Because an HDA falls short of total vertical integration, it carries the risk of opportunistic behavior by the horizontal alliance partner. Opportunistic behavior (or post-contractual opportunistic behavior—PCOB) is characterized by “... a lack of candor or honesty in transactions...” that is magnified with the critical ingredient of the perpetrator demonstrating “self-interest seeking with guile” (Williamson 1975, p. 9). The degree of substitutability between the products of the entrant and the alliance partner is positively related to the likelihood of post-contractual opportunistic behavior by the partner, suggesting the following hypothesis:

**H3:** The greater the level of potential opportunistic behavior, the less likely an entrant will choose to form a horizontal distribution alliance.

Therefore, we expect that the likelihood of using a horizontal distribution alliance will be directly related to the potential alliance partner’s sales do not excessively compete with those of the entrant.

Horizontal distribution alliances can be an effective way for an entrant to leverage the marketing and distribution expertise of the host partner (Goodnow and Kosenko
Commitments are important in distribution alliances because of the threat that a firm will be taken advantage of after investing assets in the alliance, due to opportunistic behavior on the part of the alliance partner (Carpenter and Coughlan 1999). Opportunistic behavior on the part of the alliance members is certainly capable of ruining an alliance. We predict that by increasing transaction costs between partners, post contractual opportunistic behavior can have a detrimental effect on satisfaction, and therefore, the success of an alliance. We hypothesize that:

H7: As the degree of post-contractual opportunistic behavior (PCOB) increases, alliance success will decrease.

Our measure of alliance success is based on the level of satisfaction with both the partner and the alliance. Therefore, the role a partner plays in the alliance is critical for the alliance to work (Dyer, Kale, and Singh 2001; Kale, Singh, and Perlmutter 2000). Indeed, Bucklin and Sengupta (1993) found that alliance success was positively related to the degree of match – prior history and organizational compatibility – between two allied firms. The firms that do not methodically research a prospective partner’s fit are more likely to face a failed alliance (Aviation Strategy 1998). Conversely, a high level of search can be expected to translate into satisfaction with the partner, since candidates likely to engage in opportunistic behavior, or otherwise be unsuitable, can be weeded out before the alliance is struck (Kale et al. 2000). This suggests the following hypothesis:

H8: Alliance success will increase as the level of search for the right partner increases.

In the next section, we discuss our empirical analysis of the hypotheses pertaining to horizontal distribution alliance formation and success in the airline industry.

METHODOLOGY

Two different analyses are performed in order to test the two research questions in this paper, both in the context of the international airline industry. The first
analysis is conducted with archival data and is used to test hypotheses on the formation of horizontal distribution alliances. The second uses a survey instrument to question managers directly concerning these alliances and provides some descriptive and preliminary results about alliance success.

**Archival Data Analysis**

Archival data were gathered in order to test the hypotheses regarding the choice to form a horizontal distribution alliance. The sample consisted of the seven major U.S. airlines and their economic and operating characteristics. Specifically, we gathered data from a variety of published industry resources regarding the countries into which the airlines claimed to fly as well as information about the airlines operating in the target markets. The U.S. airlines either did or did not have code-sharing arrangements with airlines based in these countries. The total number of observations was 161. Each observation consisted of an airline operating in a country and the mode of operation could be either codeshare or non-codeshare. The dependent variable is CODESHARE and equals “1” if a code-sharing agreement is used in the respective country into which an airline flies and equals “0” if there is no codesharing agreement in the target country. The proxy variables along with their operationalizations, definitions, and expected signs are summarized in Table 1.

Using the first five predictor variables, we estimated a binary logistic regression with the choice to codeshare as the dependent variable. The results of the analysis are reported in Table 2, under Model I. All factors are significant at = .05 or better, and four of the five predictors are in the expected direction. The overall model is significant with a chi-square of 58.47 (p < .0001). **Entrant’s Passenger Assets** (H1) and **Uncertainty Reduction** (H2) are positively related to the use of code-sharing in the target market, consistent with our theoretical predictions.

<table>
<thead>
<tr>
<th>HYPOTHESIS</th>
<th>FACTOR</th>
<th>DEFINITION</th>
<th>EXPECTED SIGN</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Entrant’s Passenger Assets (ASSETS)</td>
<td>Sum of two ratios: {the number of passengers carried (000’s) by entrant airline in the domestic market} + {the ratio of the number of frequent flyer members (000’s) versus the total frequent flyer members for all major U.S. carriers}.</td>
<td>Positive</td>
</tr>
<tr>
<td>H2</td>
<td>Market Uncertainty Reduction (LOWUNCRT)</td>
<td>= 1 if bilateral agreement in place between entrant airline’s home country and host country; = 0 otherwise.</td>
<td>Positive</td>
</tr>
<tr>
<td>H3</td>
<td>Opportunism (OPPORT)</td>
<td>= 0 if codeshare partner or most likely partner does not have an existing codeshare alliance with another U.S. airline; = 1 otherwise.</td>
<td>Negative</td>
</tr>
<tr>
<td>H4</td>
<td>Bounded Rationality (EXPERT)</td>
<td>The percentage of passengers carried by codeshare partner or most likely partner in the target market.</td>
<td>Positive</td>
</tr>
<tr>
<td>H5</td>
<td>Entrant’s Specific Assets (SPECIFIC)</td>
<td>Ratio of {number of airports entrant airline flies to in the target market} to {total number of major airports in the target market}.</td>
<td>Negative</td>
</tr>
<tr>
<td>Control</td>
<td>Partner’s Net Profit (PROFIT)</td>
<td>Profits measured in U.S. dollars.</td>
<td>Positive</td>
</tr>
<tr>
<td>Control</td>
<td>Partner’s Passenger Load (LOAD)</td>
<td>Partner’s passenger capacity load; the measure ranges from 0 to 1.</td>
<td>Negative</td>
</tr>
</tbody>
</table>
other words, larger entrant firms facing less uncertainty from the existence of a bilateral agreement will likely use a code-sharing agreement in the target market.

The factors Opportunism (H3), Partner Expertise (H4) and Asset Specificity (H5) show a negative relationship with the choice to codeshare. As was predicted, the variable OPPORT was negative: a partner who already has ties to a competitor will not be a viable alternative for the entrant, therefore making the choice to codeshare a less attractive option. This was expected given the greater likelihood for the partner to potentially exhibit a higher degree of opportunistic behavior. The result from the EXPERT (H4) variable suggests that an entrant will be more likely to codeshare with a partner who has relatively less expertise than one with more expertise. This result is significant, but not in the expected direction. For H5, SPECIFIC, the inverse relationship with the dependent variable is consistent with our prediction. The result indicates that airlines tend to persist in their non-alliance behavior, the more extensive their experience is flying into ports of entry in a country.

Overall, we found that TCA has predictive capability for the choice of entering a horizontal distribution alliance. In order to account for a purely economic incentive

<table>
<thead>
<tr>
<th>HYPOTHESIS/ FACTOR</th>
<th>MODEL I COEFFICIENT (T-STATISTIC)</th>
<th>MODEL II COEFFICIENT (T-STATISTIC)</th>
<th>MODEL III COEFFICIENT (T-STATISTIC)</th>
<th>EXPECTED SIGN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>-0.405 (-0.35)</td>
<td>-0.533 (-0.15)</td>
<td>16.117 (2.46**)</td>
<td>NA</td>
</tr>
<tr>
<td>H1 (ASSETS)</td>
<td>6.498 (2.41**)</td>
<td>6.416 (2.18**)</td>
<td>7.660 (1.82*)</td>
<td>Positive</td>
</tr>
<tr>
<td>H2 (LOWUNCRT)</td>
<td>1.591 (2.00**)</td>
<td>2.776 (2.321**)</td>
<td>Positive</td>
<td></td>
</tr>
<tr>
<td>H3 (OPPORT)</td>
<td>-1.309 (-2.56**)</td>
<td>-1.397 (-2.50**)</td>
<td>-2.384 (-2.58***)</td>
<td>Negative</td>
</tr>
<tr>
<td>H4 (EXPERT)</td>
<td>-3.369 (-3.85****)</td>
<td>-2.812 (-2.91****)</td>
<td>-5.899 (-3.454***)</td>
<td>Positive</td>
</tr>
<tr>
<td>H5 (SPECIFIC)</td>
<td>-2.910 (-4.37****)</td>
<td>-3.354 (-4.20****)</td>
<td>-5.215 (-2.28**)</td>
<td>Negative</td>
</tr>
<tr>
<td>(PROFIT)</td>
<td>0.003 (1.99**)</td>
<td></td>
<td>Positive</td>
<td></td>
</tr>
<tr>
<td>(LOAD)</td>
<td></td>
<td>-0.019 (-0.42)</td>
<td>-0.201 (-2.276**)</td>
<td>Negative</td>
</tr>
<tr>
<td>OBS</td>
<td>161</td>
<td>137</td>
<td>94</td>
<td></td>
</tr>
<tr>
<td>Codeshares</td>
<td>29%</td>
<td>28%</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>-2 LL</td>
<td>134.17***</td>
<td>114.13***</td>
<td>63.69***</td>
<td></td>
</tr>
<tr>
<td>chi-square</td>
<td>58.47***</td>
<td>47.65***</td>
<td>45.20***</td>
<td></td>
</tr>
</tbody>
</table>

***p < .01; **p < .05; *p < .10
for entering an alliance, we estimated two additional models by adding two control variables, Partner’s Net Profit and Partner’s Passenger Load to the original model. The first estimation includes only one of the control variables, LOAD (results are listed under Model II in Table 2). Inclusion of the variable did very little to alter the original results from Model I. The original estimators retained their magnitudes as well as their significance levels, while the economic variable itself was not significant. Model III was then estimated by removing the variable, LOWUNCRT, and including the second control variable, PROFIT. In this model, there is a greater loss of observations (from 161 observations in Model I to 94 in Model III) and a subsequent loss of model significance (from a chi-square of 58.47 to 45.20). The two control variables that are now in the model are significant at \( p < .05 \) while the variables ASSETS and SPECIFIC remain significant (\( p < .10 \) and \( p < .05 \), respectively). OPPORT is the only variable from the original model that slightly increases in its significance level. From the results, we maintain that TCA remains a viable theoretical framework for the choice to enter a horizontal distribution alliance.

**Primary Data Analysis**

We developed two sets of questionnaires using multiple indicators for the factors central to the research study (Bagozzi, Yi, and Phillips 1991). One version was designed for the entrant and the second version for the partner. We followed standard processes for pre-testing and revising the surveys. The industry references used to compile the list of potential respondents included a report on code-sharing by the U.S. General Accounting Office (GAO) and industry trade publications. A total of 107 surveys were mailed to the major U.S. airlines and their international code-sharing partners (for both terminated and current agreements that we had learned about). We treat the U.S.-based airline as the entrant and its international partner as the host partner in this survey. A copy of a report on the survey results was promised to the informants for their participation.

Of the 107 possible surveys, six were eventually eliminated (mainly due to the alliance not having existed as a commercial passenger code-sharing agreement), leaving an effective sample size of 101. We received 41 responses in the first round and after one reminder-mailing, another 26 responses were received, for a total of 67. Of the 67 responses, 50 surveys were truly usable for statistical purposes (some of the surveys were returned blank). This left us with a final response rate of 50 percent, which is slightly higher than average for research conducted with mail surveys (Fowler 1995). Additional information regarding the respondents is detailed in Table 3.

From our survey responses, we estimated the following multivariate regression model of the predictors of success:

\[
\text{Success} = f(\text{Net Commitment Level, PCOB, Partner Search}), \text{ where}
\]

SUCCESS is the dependent variable and is a composite score of satisfaction with the partner and with the alliance agreement; the attitudinal responses in Likert-type measures are averaged together.

\[
\text{Net Commitment Level} (\text{COMMIT}; \text{H6}) \text{measures the number of services committed to by the partner minus the number of issues of concern with the partner. The coefficient sign is expected to be positive since a high service level committed to by the respondent’s alliance partner would allay the concerns about the partner, leading to greater satisfaction with the partner and the alliance. Tables 4 and 5 summarize the two components of the variable, services and issues, respectively.}
\]

The regressor, net commitment level, was then calculated as the difference between the number of committed services received from the partner and the number of concerns about the partner. This variable has a mean of 0.90, with a minimum of -6 and a maximum of 9. A negative value on this measure indicates that the respondent had more issues about the partner than there were commitments that were made to offset these issues. A positive number indicates the partner pledged a greater number of commitments to the respondent than there were issues regarding the partner. We are hypothesizing that the greater the number of commitments made to override the issues, the more likely the respondent will feel enough investments have been made to counter the effects of the issues it may have with the partner.

\[
\text{Post-Contractual Opportunistic Behavior (PCOB; H7) is a composite score of Likert-type measures. We asked respondents about the likelihood and the ease with which a partner would acquire, learn, or copy the knowledge and expertise of the respondent’s firm. Two rating scales were used, each containing two items. The first scale ranged from 1 = “Not at all Likely” to 5 = “Extremely Likely.” The second ranged from 1 = “Not at all Easy” to 5 = “Extremely Easy.” The responses were fairly low with the entrants’ average at 2.60 and the hosts’ average at 1.89 (entrant correlation = .75; host correlation = .63). We expect the variable’s coefficient sign to be negative.}
\]

\[
\text{Partner Search (SEARCH; H8) is a single measure ranging from 1 to 5, with 1 indicating “None to a Very Low Extent” and 5 indicating “To a Very High Extent.” Airlines appear to expend considerable effort in locating the “right” partner, with an average effort level of 3.694.}
TABLE 3  
Summary of Respondents

<table>
<thead>
<tr>
<th>RESPONDENT TYPE</th>
<th>TYPE OF CARRIER</th>
<th>FREQUENCY</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing (Entrant)</td>
<td>32</td>
<td>64.0</td>
<td></td>
</tr>
<tr>
<td>Operating (Host)</td>
<td>18</td>
<td>36.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SIZE</th>
<th>PASSENGERS (000’s)</th>
<th>FREQUENCY</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 5,000</td>
<td>16</td>
<td>32.0</td>
<td></td>
</tr>
<tr>
<td>5,001 – 15,000</td>
<td>10</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>15,000 – 55,000</td>
<td>9</td>
<td>18.0</td>
<td></td>
</tr>
<tr>
<td>&gt; 55,000</td>
<td>15</td>
<td>30.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MARKETS INVOLVED IN THE AGREEMENTS</th>
<th>MARKET</th>
<th>FREQUENCY</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe (incl. Nordic countries)</td>
<td>18</td>
<td>36.0</td>
<td></td>
</tr>
<tr>
<td>Africa and Arab-Gulf Region</td>
<td>8</td>
<td>12.0</td>
<td></td>
</tr>
<tr>
<td>South America</td>
<td>2</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>North America (inc. Caribbean)</td>
<td>12</td>
<td>24.0</td>
<td></td>
</tr>
<tr>
<td>Pacific Rim (Asia &amp; S. Pacific)</td>
<td>12</td>
<td>24.0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Average Length of the Agreements: Three (3) years  
*Average Number of International Code-sharing Alliances in which Respondents are Involved: Seven (7)

*Source: Airline Business, June 1996.

TABLE 4  
Services Committed to by Partner

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FREQUENCY</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Services</td>
<td>42/50</td>
<td>84.0</td>
</tr>
<tr>
<td>Training Services</td>
<td>32/50</td>
<td>64.0</td>
</tr>
<tr>
<td>Production Services</td>
<td>26/50</td>
<td>52.0</td>
</tr>
<tr>
<td>Financial Services</td>
<td>22/50</td>
<td>44.0</td>
</tr>
<tr>
<td>Scheduling Services</td>
<td>6/50</td>
<td>12.0</td>
</tr>
</tbody>
</table>

Note: Respondents were able to list or check more than one category.
### TABLE 5
Frequency of Issues of Concern Respondents Had with Their Partners

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FREQUENCY</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/Service</td>
<td>25/47</td>
<td>53.0</td>
</tr>
<tr>
<td>Market/Network</td>
<td>19/47</td>
<td>40.0</td>
</tr>
<tr>
<td>Financial Return</td>
<td>13/47</td>
<td>28.0</td>
</tr>
<tr>
<td>Commitment</td>
<td>10/47</td>
<td>21.0</td>
</tr>
<tr>
<td>Cultural Fit</td>
<td>6/47</td>
<td>13.0</td>
</tr>
</tbody>
</table>

Note: Respondents were able to list multiple issues.

### TABLE 6
Descriptive Statistics of Analysis Sample

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>MEAN*</th>
<th>VARIANCE</th>
<th>STANDARD DEVIATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment Level (COMMIT)</td>
<td>0.917</td>
<td>7.850</td>
<td>2.802</td>
</tr>
<tr>
<td>Opportunistic Behavior (PCOB)</td>
<td>2.297</td>
<td>0.937</td>
<td>0.968</td>
</tr>
<tr>
<td>Partner Search (SEARCH)</td>
<td>3.694</td>
<td>1.018</td>
<td>1.009</td>
</tr>
<tr>
<td>Opportunism (OPPORT)</td>
<td>33%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Presence (MKTPRES)</td>
<td>0.238</td>
<td>0.035</td>
<td>0.187</td>
</tr>
<tr>
<td>Alliance Success (SUCCESS)</td>
<td>4.028</td>
<td>0.914</td>
<td>0.956</td>
</tr>
</tbody>
</table>

*The percentage of instances where a partner or potential partner is allied with a competing carrier from the U.S. is reported.

### TABLE 7
Predictors of HDA Success: Results of Regression Analysis

<table>
<thead>
<tr>
<th>HYPOTHESIS/ FACTOR</th>
<th>Model A Coefficient (t-statistic)</th>
<th>Model B Coefficient (t-statistic)</th>
<th>Model C Coefficient (t-statistic)</th>
<th>EXPECTED SIGN</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td>2.330 (4.00***))</td>
<td>1.923 (3.63***))</td>
<td>2.138 (4.22***))</td>
<td>NA</td>
</tr>
<tr>
<td>Intercept</td>
<td>0.092</td>
<td>0.075</td>
<td>0.098</td>
<td></td>
</tr>
<tr>
<td>H6</td>
<td>(1.79*)</td>
<td>(1.67)</td>
<td>(2.21**)</td>
<td>Positive</td>
</tr>
<tr>
<td>COMMIT</td>
<td>0.112</td>
<td>0.137</td>
<td></td>
<td></td>
</tr>
<tr>
<td>H7</td>
<td>(0.76)</td>
<td>(0.97)</td>
<td></td>
<td>Negative</td>
</tr>
<tr>
<td>PCOB</td>
<td>0.369</td>
<td>0.434</td>
<td>0.434</td>
<td></td>
</tr>
<tr>
<td>SEARCH</td>
<td>(2.62***))</td>
<td>(3.51***))</td>
<td>(3.46***))</td>
<td>Positive</td>
</tr>
<tr>
<td>H6</td>
<td>-0.627</td>
<td>-0.491</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPPORT</td>
<td>(-2.26**)</td>
<td>(-1.83*)</td>
<td></td>
<td>Negative</td>
</tr>
<tr>
<td>H5</td>
<td>1.298</td>
<td>1.342</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPECIFIC</td>
<td>(2.56**))</td>
<td>(2.68**))</td>
<td></td>
<td>Positive</td>
</tr>
<tr>
<td>OBS</td>
<td>36</td>
<td>35</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>F-value</td>
<td>4.40**</td>
<td>6.33***</td>
<td>7.02***</td>
<td></td>
</tr>
<tr>
<td>Adj. R²</td>
<td>0.22</td>
<td>0.43</td>
<td>0.40</td>
<td></td>
</tr>
</tbody>
</table>

***p<.01; **p<.05; *p<.10
It is interesting to note that 90% of respondents felt they did find the right partner. The coefficient is expected to be positive.

Two additional models predicting success were estimated. The first model includes all the variables listed above along with two of the variables from the archival data: Opportunism (OPPORT) and Asset Specificity (SPECIFIC). The two variables were included to provide objective data of some of the TCA concepts. Of course, we predict that OPPORT will have a negative effect on the level of success of the alliance. On the other hand, SPECIFIC is expected to have a positive effect on alliance success. Note that in this part of the analysis, Specific Assets is calculated for both the entrant and for the host partner. In many instances, code-sharing agreements are reciprocal in nature. That is, the partners agree to grant access to both markets involved in the alliance. The implication of the variable is that both airlines in the alliance are able to oversee the assets that may be at risk in the target market.

Of the 50 usable surveys, fourteen were eliminated due to missing data for one or more of the data points required for the regression model, leaving 36 observations for the analysis. Table 6 includes descriptive statistics for each of the factors and Table 7 reports the regression results. The overall model was significant (F = 4.40; p = 0.0104). The coefficient of COMMIT was positive and significant at p = 0.0826 (t = 1.79). The coefficient for PCOB was non-significant (t = 0.76; p = 0.4540). The coefficient of SEARCH was positive and significant (t = 2.62; p = 0.0132). The coefficients of both COMMIT and SEARCH were in the directions predicted.

Model B in Table 7 provides the results of including the two variables from the alliance formation analysis. As expected, the coefficient of OPPORT is negative and significant (t = -2.26, p = 0.0309) and that of SPECIFIC is positive and significant (t = 2.56, p = 0.0156). However, the variable COMMIT completely loses its significance while PCOB remains an insignificant predictor. In Model C, we re-estimate Model B after removing the original PCOB measure. There is an overall positive effect on the model. The F-value increases from 4.40 (p = 0.0104) in Model A to 7.02 (p = 0.0004) in Model C. Partner Search retains its significance level, but more importantly we find that Opportunism (OPPORT) is negative and significant (t = -0.627, p = -2.26), while COMMIT is positive, as expected, and is significant (t = 2.21, p = 0.0342). As a consequence, Model C turns out to be the superior model in predicting success of an alliance.

CONCLUSIONS

The findings from both the primary and the secondary analyses suggest that transaction cost analysis does provide a theoretical foundation for both the formation and success of horizontal distribution alliances. We found that HDAs can be used to help mitigate transaction costs when entering a new market. In addition, the results suggest that including commitments to overcome concerns with the partner as well as an extensive partner search can lead to greater levels of alliance success. The overall results indicate a reasonable level of support for our TCA-based predictions. This is of particular interest because of the industry-specific constraint of limiting vertical integration in overseas airline operations. A horizontal distribution alliance may be the closest institutional analogue to vertical integration in this industry, but is clearly not the same option. It is thus revealing that factors usually associated with vertical integration have some applicability to the formation of a horizontal alliance.

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SUMMARY

Young companies often have a fundamentally different approach to marketing compared to that displayed by established firms. Structural features specific to many new enterprises, such as limited resources and experience, highly innovative products, and the central role of the founder, lead to marketing approaches that are unique to these firms and suited particularly to their specific needs (Carson and Cromie 1989).

In particular the distribution system – as a key revenue-generating part of the organization – is a highly relevant but often neglected area determining the long-term success of those young firms. An important decision for these companies in the domain of distribution is related to channel choice. In a study by Fischer et al. (1990), approximately half of the surveyed managers in entrepreneurial firms consider the choice of distribution channels to be key to success.

Yet within the research stream of entrepreneurship, curiously little attention has been devoted to the empirical analysis of distribution channel choice. This omission is even more surprising given that it is widely acknowledged that the initial choice of distribution channels of a young firm is of major importance for its future economic success (Burgel and Murray 2000). Thus, the purpose of this study is to empirically determine a set of factors underlying the choice between direct, dual, and indirect distribution in new entrepreneurial ventures (NEVs). By including the alternative of dual distribution, i.e., the combination of direct and indirect distribution channels, we follow the call for further research on the combination of different governance regimes by using a “plural forms” approach (Rindfleisch and Heide 1997). Even though dual distribution has become common in business practice, the phenomenon remains poorly understood in marketing research (Neslin et al. 2006). In the present paper, we consider channel choice to be a variable ranging from indirect to direct with intermediate values representing dual forms of distribution.

In deducing the antecedent factors of channel choice in NEVs, we first build on transaction cost economics, which has received an increased amount of attention from a broad range of audiences, but which has primarily been used in research focusing on established firms (Michael 2007). By applying transaction cost economics to a context characterized by novel transactions involving young firms, we test its applicability in the area of entrepreneurship. Adding richness to our model, we also investigate differences in the role of those factors in two different types of business, namely manufacturing and service firms.

The results reveal that the strategic importance of customer retention is the most salient determinant of the decision to select direct channels of distribution. Companies having a strong emphasis on customer retention prefer direct channels of distribution to manage and control customer retention activities within their own boundaries. Another particularly strong effect is related to the factor differentiation through the core offering. Apparently, firms pursuing such a competitive strategy strive to leverage indirect channels of distribution in order to realize multiplication effects in communicating a high quality image of their products. Further, firms operating in environments characterized by high technological uncertainty show a strong preference for indirect forms of distribution. This choice provides them with the required flexibility for adapting to abrupt technological changes. Similarly, firms selling products having strong synergies with complementary products tend to choose indirect channels of distribution. By combining products of several suppliers, indirect channels are better able to offer comprehensive solutions, and thus greater value, to the customers of those firms.

The present study is among the first to explicitly consider differences in the antecedents to channel choice between manufacturing and service firms. Comparing those two types of business, we find that four antecedent factors significantly differ in their effect on channel choice. Behavioral uncertainty, transaction frequency, and product synergies are significantly stronger related to the choice of indirect channels of distribution in the subsample of service firms, while differentiation through the core offering is a significantly stronger antecedent to choosing indirect channels in the subsample of manufacturing firms.
Our study is a first attempt to identify important factors influencing channel choice of NEVs. We believe that this research provides important insights into the hitherto largely neglected topic of distribution channel choice of young firms. The results support the notion that existing concepts of channel choice that have been successfully applied to established firms cannot easily be transferred to the context of NEVs. References are available upon request.

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THAT’S NOT FAIR! A SOCIAL EXCHANGE THEORY PERSPECTIVE ON FAIRNESS AND POWER IN BUYER-SUPPLIER RELATIONSHIPS

Jessica J. Hoppner, Michigan State University, East Lansing

SUMMARY

Does it pay to be fair in buyer-supplier relationships? And, if in fact it does pay to be fair, how are these perceptions of fairness formed? According to social exchange theory, the basic motivation for forming exchange relationships is to seek rewards and avoid punishments. Consequently, the realization of these rewards and punishments via the manner in which power manifests itself within the relationship determines the attitudes and behaviors of the parties. From social exchange theory, the self-interest model of fairness is derived. Fundamentally, this model suggests that a party in a relationship seeks power over their situation and decisions because they are concerned with their own outcomes. However, when the power in the relationship resides within the other party, the self-interest model of fairness suggests that a party’s concern for and perceptions of fairness existing in a relationship develop from the ability of the other party to provide procedures and outcomes that maximize their own personal gain.

Thus, this study was designed to examine social exchange theory’s self-interest model of fairness in buyer-supplier relationships, wherein which the supplier occupies a position of dependence in the relationship and as such are subject to the power of their primary buyer. Specifically, this study seeks to address: (1) what effect does the power of the buyer (both reward and coercive) have on a supplier’s perception of fairness of the procedures and outcomes in the relationship, and (2) how do these perceptions of fairness in turn influence the evaluations of the relationships performance.

The self-interest model of fairness was empirically tested using survey data from 282 buyer-supplier relationships in the United States. To eliminate common method bias, different informants were utilized and a time lag was introduced when obtaining information on the constructs. After measurement purification and confirmation, the model was tested using structural equation modeling. The results indicate that perceptions of fairness, both procedural and distributive, are influenced by the extent to which the channel partner can provide desirable and undesirable results. More specifically, in the context of this study, the supplier perceives their primary buyer to be more fair when the buyer has the ability to mediate rewards, and less fair when they have the ability to mediate punishments. In turn, the perception of fair treatment, in terms of procedures and outcomes, serves to improve the evaluations of the performance of the relationship.

Overall, the results provide evidence to conclude that, in fact, (1) it does pay to be fair, and (2) it pays more to merely not punish than it does to reward. Fairness, in procedures and outcomes, are vital to the performance evaluations of the channel relationship, whereby the means by which the outcomes are reached (i.e., policies and procedures) are relatively more important than the outcomes themselves. Moreover, these perceptions of fairness are differentially influenced by the partner’s ability to control the flow of rewards and punishments within the channel relationship, with the negative impact of punishments more than double the positive impact of rewards on the evaluations of procedural fairness, and with only punishments negatively influencing the evaluations of distributive fairness.

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HYBRID INTEGRATION: WHEN THIRD PARTIES SET THE AGENDA TO SUPPLIERS AND RETAILERS

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Sandro Castaldo, Bocconi University, Italy
Monica Grosso, Bocconi University, Italy

SUMMARY

Business ties fostering coordination and collaboration in exchange settings have attracted a lot of interest in marketing research (e.g., Anderson and Weitz 1991; Ganesan 1994; El Ansary 1979).

Scholars convincingly argued that integration of manufacturers with distributors facilitates value generation (Jap 1999) and its appropriation by both parties of a dyad (Jap 2001). Various techniques have been proved to suit such purposes (e.g., Corsten and Kumar 2005). Among them, category management – the practice of employing a single decision maker who is responsible for a firm’s product line (Zenor 1994, p. 202) – has raised growing interest in scholarly research as well as practice, being one of the most diffused and controversial (Basuroy et al. 2001; Dewsnap and Hart 2004).

In this paper we tackle the debate on category management effectiveness by pointing on the conditions that facilitate the coordination of category management activities and the exploitation of value within the manufacturer-distributor dyad. In doing so, we focus on the integration by mean of third parties – namely hybrid integration – which establish a common ground in force of prior relationships with the two actors of the dyad, gear knowledge sharing processes and the coordination of category management strategies, foster customer orientation, and the exploitation of gaps in the value proposition delivered to the market.

Lack of prior research on this subject calls for case-study as a suitable research design. Case studies indeed allow gaining benefits in terms of induction of more reliable models, albeit demanding consistent research efforts (Bourgeois and Eisenhardt 1988; Yin 1994).

An in-depth case analysis of a dyad under-performing as compared to the average in the market, where conflicting relationships between the manufacturer and the distributor exist, as well as the intervention of a CM mediator, is provided. A CM mediator is identified as a well-known and successful organization providing information services related to the end market both to manufacturers and distributors in the large-consumption business, having built a sound reputation as a trustful organization.

Information about the category management process is collected firstly via the third-party organization, and then through the manufacturer and the distributor directly maintaining the relationship. In-depth interviews are coupled with archival data on the category management project. In order to maximize reliability, the same protocol and sequence of questions are adopted with all the informants, as suggested by Yin (1994).

Hybrid integration is mapped and analyzed in its sub-activities, identifying crucial steps where the intervening CM mediator identifies failure in value exploitation, brings together the exchanging organizations, and allow to foster performance and relationship quality, integrating or substituting the boundary spanners in their own activity.

A theoretical framework for hybrid integration by third-party mediation is developed from the case analysis. Advancements in understanding of category management techniques and the integration of the manufacturer-distributor interface are discussed against prior research, including channel marketing literature, where the mechanisms for value exploitation and appropriation have been developed (e.g., Jap 1999, 2001); business marketing literature, where the notion of focal actors mediating network ties is conceived (e.g., Anderson, Hakansson, Johanson 1994); and social network literature, where brokerage activities have been theorized (e.g., Burt 1992, 1997, 2000).

Implications for practice and limitations are presented then in the concluding section of the manuscript.

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REGULATORY FOCUS AND NEW PRODUCT TEAM DECISION-MAKING

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SUMMARY

Two basic motivational influences on new product decision-making exist: the decision-maker’s internally-driven individual motivational frame and the externally-driven motivational frame conveyed by goals and objectives given by the decision-maker’s supervisor or leadership. Regulatory focus theory (Higgins 1997) offers insight into how individual motivational differences (i.e., promotion versus prevention focus) influence new product decisions. Regulatory fit theory (Higgins 2000, 2005) explores how people respond to goals set out for them, such as performance objectives given to product managers.

Individuals who experience fit between their regulatory focus (i.e., promotion or prevention focus) and the goal pursuit strategies used (i.e., eagerness or vigilance) become more engaged in the decision-making process and experience value from fit in terms of heightened evaluative reactions. However, since teams consist of multiple decision-makers, who might or might not share the same regulatory focus, it is unclear how regulatory fit affects decisions in teams.

In this paper, we explore how regulatory focus and fit influence team-based new product decisions. Specifically, we explore the effects of a regulatory focus match vs. mismatch between team members. We conduct a multi-period study with repeated decision-making cycles and find that regulatory match effects in teams are stronger than the effects from regulatory fit, suggesting that product management teams are strongly influenced in their decisions by shared motivational frames. In contrast, when the individual team members do not share the same motivational frame (i.e., team members have different regulatory foci and experience regulatory mismatch), directives and goals given by leadership appear to exert greater influence on new product decisions in teams. References are available upon request.

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BUSINESS STRATEGIES OF TREACY AND WIERSEMA: THE IMPACT OF MARKETING CAPABILITIES AND PRODUCT LIFE CYCLE

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SUMMARY

The Treacy-Wiersema strategic typology (1993) (hereafter T-W) – product leadership, customer intimacy, and operational excellence – has recently gained increasing importance among researchers, consultants and practitioners. Nevertheless, most of the research has been of qualitative nature. Unlike for the Miles and Snow strategic archetypes (1978), there is a serious lack of empirical research on the T-W strategic typology. This study attempts to resolve this gap and, in doing so, addresses four research issues in the extant (marketing) strategy literature. Firstly, the study strives for empirical evidence that the three business strategies indeed exist. Secondly, this study empirically examines the relationship between marketing capabilities and the business strategies of T-W. Thirdly, the study empirically investigates whether the stages of the product life cycle determine the business strategies. Fourthly, this study empirically examines whether the stages of the product life cycle moderate the proposed link between business strategies and marketing capabilities.

The three T-W business strategies – product leadership, customer intimacy, and operational excellence – are examined as dependent variables in this study. We consider three marketing capabilities – outside-in, inside-out and marketing innovation capabilities – to investigate the relationship between the T-W business strategies and marketing capabilities. According to Kotler (1999), no company can be good at everything, as choosing to excel in one area may reduce the possibility of being excellent at something else. In order to avoid dissipating energies and too rather direct these energies toward achieving excellence in the chosen value discipline, companies must excel in that process which has the maximum impact on this customer value proposition. Therefore, companies should focus on the key capabilities derived from this process (Kaplan and Norton 2000; Treacy and Wiersema 1993). Market innovation capabilities which include abilities to forecast technological change, to develop new products with best-in-class functionality, and to bring them to market rapidly are critical to the success as a product leader. Therefore, we hypothesize that market innovation capabilities will be positively related to the business strategy of product leadership. We further assume that they are neither related to the business strategy of customer intimacy nor to the business strategy of operational excellence. Outside-in capabilities enable a company to understand and participate in markets by understanding customers. Hence, we assume that these capabilities will be positively associated with the business strategy of customer intimacy as customer intimacy companies owe their competitive advantage to their ability to build up long-term relationships with customers. We further hypothesize that outside-in capabilities will neither be associated with the business strategy of product leadership nor with the business strategy of operational excellence. As inside-out capabilities contribute to effective market participation and include financial management, cost control, and marketing management, we hypothesize that these capabilities will be positively associated with the business strategy of operational excellence. We further assume that inside-out capabilities will be neither related to the business strategy of product leadership nor with the business strategy of customer intimacy.

Most researchers have concluded that the strategy content should vary in each stage – the introduction, growth, maturity, and decline stage – of the product life cycle (Anderson and Zeithaml 1984) as every stage shows different key characteristics. Hence, the different product life cycle stages are associated with specific business strategies of T-W. Therefore, we hypothesize that the product life cycle affects the business strategy of product leadership, the business strategy of customer intimacy, and the business strategy of operational excellence.

Value propositions are a function of honed capabilities, with each company having focused on developing its key capabilities that enable it to deliver its value proposition to its customers efficiently and effectively (Treacy and Wiersema 1993). Thus, distinctive marketing capabilities are inherent in each business model in accordance with the respective business strategy. Consequently, the form of the relationship will not be affected by any environmental change or by any stage of the product life cycle. Changing stages of the product life cycle require business strategy changes rather than changes in the relative emphases of capabilities within a pursued business strategy. Therefore, we hypothesize that the product life cycle will not moderate the relationship between
marketing capabilities and the business strategy of product leadership, the business strategy of customer intimacy, and the business strategy of operational excellence.

Data for this study were collected from 377 CEOs or chief marketing executives out of 2,500 Swiss companies found in a commercial address database. The scales used in the study consisted of newly developed measures, as well as measures that had been previously utilized in the literature. Moderated hierarchical linear regressions with the different business strategies as dependent variables were run to test the hypotheses. In summary, we found empirical support for almost all the stated hypotheses. Only the hypothesis that the product life cycle affects the business strategy of operational excellence could not be supported.

This study is the first to empirically examine relationships between T-W business strategies, marketing capabilities and the product life cycle. On the basis of this analysis, a company should either decide how to best allocate its scarce resources and capabilities in support of the chosen strategy, or to adjust its business strategy so that the company is more in line with its capabilities. Further, our findings suggest managers to adopt a “situational-specific approach” when formulating a business strategy by turning their attention to the characteristics of the product life cycle. References are available upon request.

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THE IMPACT OF MARKET-BASED ORGANIZATIONAL LEARNING ON FIRM PERFORMANCE: A RESOURCE-BASED APPROACH

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SUMMARY

The importance of organizational learning has long been recognized among marketing scholars. For instance, Day (1994) argued that as a market sensing capability, organizational learning facilitates a market-driven firm’s ability to continuously sense market changes and accurately respond to them in a timely manner. This in turn, translates into a superior competitive position. Similarly, Slater and Narver (1995) proposed that if organizational learning caused a positive change in behavior, performance improvement would closely follow. Surprisingly, to the best of our knowledge, empirical evidence is lacking to validate such claims. As such, the purpose of this paper is to empirically test whether market-based organizational learning leads to superior performance.

We rely on the organizational learning literature, market orientation literature, and the resource-based view (RBV) of the firm as our study’s foundation. Consistent with the extant literature in organizational learning, this form of learning is defined as “the development of new knowledge or insights that have the potential to influence behavior” (Slater and Narver 1995, p. 63). In our study, we develop a model that conceptualizes organizational learning as an unobservable latent factor that is reflected by four organizational learning characteristics. These are knowledge acquisition, information distribution, information interpretation, and organizational memory (e.g., Huber 1991; Sinkula 1994). Drawing on the RBV (e.g., Barney 1991; Wernerfelt 1984), we contend that organizational learning serves as a strategic capability that positively influences performance if the firm takes strategic actions (i.e., responsiveness) that capitalize on this capability.

The Study

We used a sample drawn from Dun and Bradstreet Information Services (D&B). The focus of the analysis was the strategic business unit (SBU). Senior corporate executives in one SBU per MNC were targeted as key informants in assessing the four organizational learning factors, the outcomes of organizational learning, and a set of demographics. Of the 1,000 executives targeted, 250 responded reflecting an effective response rate of 26.5 percent (56 surveys were non-deliverable). On average, the organizations had existed for 39 years, had 8,376 employees (range: 54 to 58,300) and an annual sales volume of $1.420 billion (range: $181 million to $15 billion).

Testing of the hypothesized relationships was accomplished through a higher-order structural equation analysis via the use of EQS (Bentler 2004). This analysis resulted in a good fit to the data (CFI = .90; SRMR = .06; RMSEA = .073). Knowledge acquisition (standardized = .89, t-value = 7.93), information distribution (β = .93, t-value = 10.00), information interpretation (β = .75, t-value = 11.81), and organizational memory (β = 0.51, t-value = 7.57) serve as first-order factors of market-based organizational learning. This strategic capability has a positive, direct effect on responsiveness (β = .98, t-value = 10.08), which in turn, has a direct, positive effect on performance (β = .28, t-value = 3.62).

Conclusion

The main contribution of our study is providing empirical evidence that organizational learning is significantly associated with performance via responsiveness. While organizational learning had been widely recognized as a source of competitive advantage and superior performance (e.g., Slater and Narver 1995), to our knowledge, this is the first study to link organizational learning, responsiveness, and performance. In addition, our findings contribute to the body of knowledge demonstrating the predictive value of the resource-based view of the firm (Barney 1991; Wernerfelt 1984). As such, organizational learning leads to superior performance if the firm takes strategic actions that capitalize on this capability.

For managers, this study underscores the importance of cultivating organizational learning. Senior managers must make sure that mechanisms to facilitate market knowledge acquisition, information distribution, interpretation, and storage are in place throughout the organization. These four processes are important since they enable market-driven firms to anticipate trends in their markets ahead of their competitors, respond to customers’ ever-changing needs in a timely manner, and improve channel relations (Day 1994), which in turn translate into superior performance. References are available upon request.
A CONFIGURATIONAL PERSPECTIVE ON COMPANIES’ INNOVATION ORIENTATION: A TRIADIC ANALYSIS

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SUMMARY

During the past two decades, companies have paid greater attention to innovations (e.g., Iyer and Davenport 2008; Kanter 2006), investing considerable resources to enhance their innovativeness. U.S. expenditures for research & development (R&D) reached $343 billion in 2006, of which $242 billion was invested in the industrial sector (National Science Foundation 2007). Against this background, academic literature reflects a compelling interest in innovations, specifically in relation to new product performance and the measurement issues associated with new product success (e.g., Atuahene-Gima 1995; Cooper and Kleinschmidt 1995; Kleinschmidt and Cooper 1991; Yap and Souder 1994). This study focuses not on innovations at the product level but instead on the concept of innovation orientation as a strategic orientation at the organizational level (e.g., Hurley and Hult 1988; Siguaw, Simpson, and Enz 2006).

We base our research on a broader understanding of innovation orientation as an organization’s configuration of internal arrangements and customer-related boundaries to promote innovativeness. Internal arrangements are grouped into formal and informal arrangements (Siguaw, Simpson, and Enz 2006). The underlying constructs of formal arrangements are innovation orientation of the strategy, organization, and HR systems. Informal arrangements comprise innovation orientation of the culture and leadership. On the basis of configuration theory, we also include environmental characteristics in our conceptualization of a company’s innovation orientation. In this manner, we employ a holistic approach, as suggested by Engelland and Summey (1999).

A multi-stage data collection procedure yields a total of 103 dyadic cases with responses from both marketing and R&D managers. We also gather 46 triadic cases consisting of responses from marketing managers, R&D managers, and, on average, 2.33 related customers. Our taxonomy development procedure thus is based on 103 dyadic cases, and the customer data help verify the marketing managers’ assessments of product innovativeness through correlation analyses. Approximately two-thirds of the sample represent manufacturing industries, such as machinery, electronics, and information technology, whereas the remaining one-third come from the service sector, such as banking, insurance, and consulting.

The multi-stage clustering approach identifies four different types of companies: customer-oriented innovators, strategic innovators, holistic innovators, and internally-driven preservers. Significant performance differences mark the four types. Whereas organizational innovativeness and financial performance are highest for strategic innovators, a holistic approach leads to the highest scores on product innovativeness.

Cluster 1 (Customer-Oriented Innovators)

A strong degree of customer integration in the innovation process is the dominant characteristic of this company type. This innovation orientation type benefits from its comparatively high innovation orientation of the culture and HR systems. Customer-oriented innovators do not achieve very high values on product innovativeness nor on organizational innovativeness, but they score above average on financial performance.

Cluster 2 (Strategic Innovators)

Companies of this type display the highest innovation orientation of the organization, paired with a strong innovation orientation of the strategy and leadership. The other internal arrangements earn average scores. Strategic innovators achieve the second highest scores on all three facets of product innovativeness and the highest overall organizational innovativeness. Financial outcomes are the highest for this type.

Cluster 3 (Holistic Innovators)

Almost all active cluster variables rank as the highest among all clusters for this type; that is, these companies achieve high scores in all relevant facets of innovation orientation. Holistic innovators achieve the highest outcomes in product innovativeness. Organizational innovativeness is above average. In contrast, this cluster ranks below average in financial outcomes.

Cluster 4 (Internally-Driven Preservers)

This type scores lowest on several internal arrangements and the degree of customer integration. Internally-driven preservers can be denoted the least successful companies. All three facets of product innovativeness are the lowest for these firms, the same being the case for
financial outcomes. Additionally, all facets of organizational innovativeness rank below average, underbid only by customer-oriented innovators.

This study is among the first to consider the managerially important strategic orientation of companies’ innovation orientation. Based on a strong theoretical foundation we identify typical patterns of innovation orientation. To our knowledge, this is the first study in the field of innovation marketing based on a triadic sample (comprising data from marketing and R&D managers, as well as customers). As an implication, we argue that companies’ innovation orientation is such a complex phenomenon that studying simple “the more the better” mechanisms appears insufficient. In this context, an important finding for managerial practice is that companies can be too innovation-oriented: Holistic innovators are highly innovative in all dimensions, but they are not financially successful.

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COUPLE-SHOPPING BEHAVIORS: WHEN AND WHY DO SHOPPING PARTNERS POSITIVELY/NEGATIVELY PARTICIPATE IN A JOINT-SHOPPING TRIP?

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SUMMARY

When couples jointly shop, some people actively and positively participate in a joint shopping trip while some people engage in annoying behaviors. Why do they engage in such different shopping behaviors during a joint shopping with their partner? Past researchers note that the act of shopping is often a social behavior and couples frequently shop together for certain items (Gentry, Commuri, and Jun 2003). Social interaction appears to be a prime motivator for some consumers to visit shopping malls (Arnold and Reynolds 2003; Bloch, Ridgway, and Dawson 1994). However, with a few exceptions, such as Prus (1993) and Kiecker and Hartman (1994), there has been little academic research on the topic of shopping with companions. Further, the existing studies on shopping companions provide very general descriptions of joint-shopping behaviors and only partially useful explanations for couples’ shopping.

We concentrate this current research on opposite-gender couples who live together, given that they maintain a household together and act as a “family unit.” When couples shop together, they will make shopping related decisions. They are not equally involved in the full decision-making process (Davis 1976; Filiatrault and Ritchie 1980). Often a person in a dyad becomes the primary decision maker and takes more decision authority over the various shopping-related decisions, while the other person in a dyad assists in the shopping task. We, in this study, examine the antecedents to, and the shopping behaviors of, shopping partners (i.e., those individuals accompanying the primary shopper during a joint-shopping trip.) – when and why do shopping partners positively/negatively participate in a joint-shopping trip? We define a joint-shopping trip as a shopping trip in which a couple visits retail stores together, in which they separately or together browse and/or buy items to achieve their shopping goals.

After reviewing relevant literature, such as purchase pals and helping behaviors, we use in-depth interviews of couples to study couple-shopping behaviors from the perspectives of shopping partners. The 15 interviewed couples were recruited by the primary researcher and six graduate students trained by the authors. Both members of the couple were interviewed together to generate more interaction between them. We used the theory-generation guidelines suggested by Strauss and Corbin (1998) to analyze the interview data. As we examined the data, we felt that the evolving themes associated with the behaviors of shopping partners could be grouped into two categories: “active shopping engagement” or “negative shopping display.” Active shopping engagement of a shopping partner refers to the degree to which an individual is actively involved and helpful in the shopping task/trip. Negative shopping display refers to the degree to which an individual negatively reacts to the shopping task/trip, is uncooperative, and/or tries to get his/her own way. These concepts tend to be more orthogonal to one another than unidimensional – thus, they are not two ends of a continuum.

We also identified four factors affecting the behaviors (active shopping engagement/ negative shopping display) of shopping partners: acceptability of a partner’s shopping style, product purchase relevance, attractiveness of retail mix, and gender. We define shopping style as a set of goal-directed behaviors and tactical and experiential approaches to shopping such as shopping tempo and the approach to browsing stores, evaluating alternatives, and making purchase decisions. The qualitative data clearly show that interviewees have their own personal shopping style and appear to consciously or unconsciously observe the other’s shopping behaviors and judge whether or not the other’s observed shopping behaviors. When a person perceives his/her partner’s shopping style to be unacceptable for their particular shopping trip she/he reacts negatively to his partner and the shopping trip. However, when she/he perceives his/her partner’s shopping behaviors (style) to be acceptable, she/he actively shops with his/her partner to achieve their shopping goals (active shopping engagement). Relevance of the product purchase to a shopping partner also influences how much she/he actively participates in the shopping process or negatively reacts to a shopping trip. A shopping partner more actively and cooperatively shops with a shopper when she/he perceives that the purchase is relevant to her/him. However, when a product is not relevant to her/him, she/he is not motivated to engage in the shopping process and may even engage in negative shopping display. Attractiveness of retail mix is also related to a shopping partner’s behaviors. Attractiveness of retail mix, in this study, refers to an individual’s perceptions regarding the extent to which she/he favorably evaluates the assortment
and amenities of a retail setting she/he is visiting during a shopping trip. Attractive retail mix tends to produce more active engagement in the shopping process and/or prevent a shopping partner from being bored and disturbing her partner (negative shopping display). The qualitative data indicates that gender may affect the relationship between acceptability of a partner’s shopping style and shopping behaviors (active shopping engagement and negative shopping display). Compared with males, female shopping partners may be more active and cooperative during a joint-shopping trip, regardless of their partner’s shopping behaviors. However, male shoppers may be more likely to complain about the female partners’ behaviors when they are unhappy with it, engaging in negative shopping behaviors (negative shopping display and less active shopping engagement).

In this study, we explore couple shopping from the perspectives of shopping partners with in-depth interviews of 32 participants. Thus, while this study identified several key variables that influence shopping partners’ behaviors in couple shopping, findings may not be broadly generalizable and there are certainly other important variables relevant to this issue not identified here. The variables identified here need to be assessed empirically in future research. Further, the interactions that occur between members of a couple during shopping trips are also important to understand. Also, the impact of these interactions on shopping experiences, emotionally, cognitively, and behaviorally, on the part of both shoppers is in need of exploration. Thus, future research should focus on couples as a unit of analysis and explore how members of a couple perceive and react to his/her partner’s shopping behaviors. References are available upon request.

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CROSS-CULTURAL DIFFERENCES IN CUSTOMERS’ WILLINGNESS TO CO-PRODUCE PROFESSIONAL SERVICES: INSIGHTS FROM AN 11 COUNTRY-STUDY

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SUMMARY

Increasing customers’ willingness to co-produce has long been realized as an important goal for services marketing (Berry 1995). Especially professional services, such as financial services, business consulting or medical services, have a high need for customer co-production as they need to be customized to the specific requirements of the customer (Bitner et al. 1997). As over the last 25 years the export of services has increased five fold (WTO 2006), more and more service providers provide their services to customers with a diverse cultural background (Stauss and Mang 1999). This can be a challenge for global service providers, since some evidence exists that customers in different cultures differ in their willingness to co-produce. However, to our knowledge there has been no research on cross-cultural differences in the motivation to co-produce professional services. The present study addresses three major questions: (1) Do customers from different countries differ in their willingness to co-produce? (2) How can these differences be explained? and (3) How should service providers deal with these differences among their customers? Drawing upon Hofstede’s cultural dimensions, we collected primary data of 2433 retail-banking customers in 11 countries on four continents in order to answer these questions.

Customer participation in the service production process is defined by Dabholkar (1990, p. 484) as “the degree to which the customer is involved in producing and delivering the service.” As an example of joint production (Meuter and Bitner 1998) may serve professional services. Service quality and hence the perceived value in use depend here to a large extent on the customer participation in the consulting process (Bitner et al. 1997). In this study we focus on two aspects of customer co-production, which are of key importance for service quality in the context of professional services: the disclosure and contribution of information (Czepiel 1990; Howcroft, Hewer, and Durkin 2003) and the customer compliance to the advice of the service provider (Bitner et al. 1997; McKnight, Choudhury, and Kacmar 2002). In the case of financial services, the customer needs to talk with the consultant about his future career targets and family planning in order to achieve a result that is customized to his specific plans and needs. Moreover, the customer also has to follow the financial plan, as selling funds too early or exceeding the credit limit can have negative financial outcomes.

The results show that customers from different countries differ in their motivation to co-produce: The customers’ willingness to give personal information is significantly higher in high power distance countries, in low uncertainty avoidance cultures, in collectivist cultures and in feminine cultures. Also the customers’ willingness to follow advice is significantly influenced by the cultural values of the country-group. The customers’ willingness to follow advice is higher in high power distance countries, in low uncertainty avoidance cultures, and in feminine cultures. These differences even prevail when controlling for relevant influencing factors, such as trust, general trust in the banking industry, satisfaction or intention to change. The cultural value that has the strongest effect on the customers’ motivation to co-produce is masculinity/femininity. Customers in feminine cultures have a considerably higher willingness both to follow advice and to disclose personal information than customers in masculine cultures.

An important managerial implication of this study pertains to the standardization of service offerings that may be higher in countries with a lower willingness to co-produce, i.e., in countries dominated by masculine values. While customers in feminine cultures accept to take a more active part in the service provision process, customers in more masculine cultures have the role expectation of being served by the provider and prefer to remain more passive. Managers of global providers of professional services should address these different role expectations and emphasize the value of individual achievement by pointing out that a higher customer contribution would lead to better results than other customers could achieve. References are available upon request.
FITTING IN: COGNITIVE COMMUNITY AND RETAIL CLOTHING SHOP PERFORMANCE IN BANGKOK CLOTHING CLUSTERS

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ABSTRACT

This paper studies shops competing as a cognitive community in Bangkok clothing clusters. Two community aspects—sense of belonging and comparison to cluster behaviors—are hypothesized to influence shop performance in the form of subjective performance, ROI, and probability of survival. Survey data from 285 retailers in 10 clusters are analyzed with OLS regression and hierarchical linear models. Results show sense of belonging and comparison to cluster behaviors strongly associated with performance, controlling for cluster age and size.

INTRODUCTION

Shoppers for women’s clothing in Bangkok visit a wide variety of stores, from upscale malls where shops sell highly differentiated luxury goods to open-air markets where shops sell products of near-homogeneous designs, qualities, and prices. At both extremes, shoppers enjoy the convenience of comparing products, prices, and services at a single location. Shoppers at Bangkok’s clothing clusters also enjoy the convenience of a dense concentration of shops. Each cluster is an agglomeration of shops in a common space; each produces a “cognitive community” (Porac et al. 1995) that influences shop owners’ behaviors and shop performance.

Our basic premise is that shop owner affiliation with a clothing cluster’s cognitive community is positively related to shop performance. Owners who feel a strong sense of belonging to their clothing cluster and who look to other shops in the cluster as social comparisons should have better financial performance than owners who feel and do otherwise. Many studies have examined how interactions and relationships in a cluster provide access to important knowledge and resources; however, little work has been done about how interactions and relationships influence success or failure of organizations in the cluster (Martin and Sunley 2003). Further, while much research has been done to understand small retailer performance, no such study has used a cognitive community perspective or a hierarchical analytical methodology (Runyan and Droge 2008).

LITERATURE REVIEW

Inevitably, neighbors in a spatially proximate cluster come to influence each other’s beliefs, norms, values, and behaviors. Thus, shops in a cluster tend to form a homogeneous group of organizations over time in the form of a cognitive community. In such a community, members exchange knowledge about competitors, customers, suppliers, products, innovations, and sources of labor and finance (Porter 1998). Members make social comparisons to identify strengths and weaknesses of their organizations and others, exploit market opportunities, and avoid market threats (Thomas and Pollock 1999). Comparisons help members to understand successes and failures of neighboring organizations, monitor and predict strategies of organizations in the cluster, and differentiate from competitors to create a competitive edge (Porac, Thomas, and Baden-Fuller 1989).

This study examines two aspects of cognitive communities, sense of belonging and comparison to cluster behaviors. Sense of belonging focuses on a person’s fit with his or her organization and its environment. In higher-education studies, “sense of belonging” is a feeling of “fitting in” or matching personally and socially with the institution (Nora 2004) and a sense of community including “perceptions of membership, influence, integration and fulfillment of needs, and shared emotional connection” (Berger 1997, p. 442). In urban studies, sense of community reflects shared emotional connections, neighborhood attachments, membership, influence, reinforcement, and sense of place (McMillan and Chavis 1986). Together, the definitions suggest that shop owners in a clothing cluster have a basic need to feel a part of or an affinity to their peers that in the end is worthwhile.

Comparison to cluster behaviors is a good way to collect information about one’s competence by observing relevant others (Festinger 1954). Such social comparisons do not require physical interactions with relevant others (Jones and Gerard 1967) but do require careful monitoring against relevant interorganizational benchmarks (Porac and Thomas 1988). However, comparison to cluster behaviors goes beyond just observing others. It indicates sensitivity to what others might think about one’s self and leads to behaviors that are influenced by others (Miniard and Cohen 1983). Individuals are likely to comply with community preferences or standards when rewards for compliance and punishments for non-compliance are perceptible (Asch 1952). Thus, shops in a cluster are expected to match prevalent cluster behaviors when owners see success as a reward and failure as a punishment. When owners recognize the mutual benefits of cooperative behaviors, “emergent” strategies arise. Emer-
gent strategies (in contrast to deliberate strategies) are “patterns or consistencies in firm behavior in the absence of intentions” (Dollinger 1990, p. 267). They are outcomes of owners’ mental models of competition where cooperating firms produce superior performance as compared to noncooperating firms.

Firm performance can be conceptualized and measured at three levels: financial, operational, and organizational (Venkatraman and Ramanujam 1986). Financial performance includes accounting concepts as ROI, ROS, and cash flow. Operational performance is broader, reflecting influences on financial performance, such as market share, product quality, and innovation. Organizational effectiveness is broader still, representing outcomes that are important to a firm’s several constituencies, such as shareholder value, customer satisfaction, and social responsibility. This study focuses on clothing shops’ financial performance as reported by shop owners. Three measures of financial performance are used – a multidimensional subjective assessment (profits, gross sales, sales growth, ROI, and overall success), a quantitative estimate of ROI, and a quantitative estimate of the probability of shop survival (this item included as a result of interviews with clothing shop owners).

**RESEARCH DESIGN AND DATA COLLECTION ACTIVITIES**

The study used a two-stage field survey to collect data from 285 retailers (from a population of approximately 2,000) operating in 10 clothing clusters (from a population of 22) in Bangkok. To begin the process, 15 in-depth interviews with clothing shop owners at two clothing clusters were conducted, averaging about 90 minutes in length. Interviews used a formal guide for consistency but allowed for probing and follow-up questions to clarify responses.

Results showed many similarities between the clusters. All owners believed that they must somehow differentiate themselves from competitors in their cluster and avoid price competition. All felt that performance of their shop depended greatly on the general performance of other shops in the cluster. All described merchandising strategies, operations management strategies, and customer service philosophies and practices, some in greater detail than others. Most described frequent cooperative behaviors and communications with other shops in the cluster. Communications often took place between clothing shop owners and owners of nearby shops selling accessories, handbags, and shoes. Most described the existence of a list of potential competitors, waiting for a space in the cluster to be vacated. A few differences surfaced. Clothing shop owners in the first cluster described competition as intense, a strong sense of belonging to the cluster, and a leveling of sales growth. Owners in the second cluster described competition as limited, little sense of cluster community, and a general decline in sales.

Observations of the interviewer during this data collection included: Clothing shops compete for a relatively homogeneous target segment with near-identical merchandise assortments. Competing shops are located within a few seconds or minutes walking distance away. Most shops have virtually identical physical areas and layouts with their direct competitors. Cluster capacity and shop areas are physically limited, with no possibility of expansion. Annual turnover rates among shops varied by cluster identity but were high. Helpful, courteous, and friendly shop owners indicated willingness and availability to complete a detailed questionnaire.

A seven-page, self-administered questionnaire was developed for the survey. Six sections in the questionnaire measured shop owners’ beliefs about cluster characteristics, identities of highly regarded competitors, beliefs about the clothing cluster community, beliefs about the owner’s retailing knowledge and skills, beliefs about shop resources, and beliefs about shop performance. Relevant to this study are 15 Likert statements and two fill-in questions, identified in Table 1. Items 1 and 3 for sense of belonging are adapted from Herche (1994). Item 1 for comparison to cluster behaviors is adapted from Park and Lessig (1997); items 2 through 4 are adapted from the ATSCI scale by Lennox and Wolfe (1984). Item 1 and items 3 through 5 for subjective performance are taken from Brown (2003). Responses to all Likert items were made on a seven-point agree/disagree scale, with higher values indicating greater agreement.

The questionnaire was written in English and translated into Thai by a bilingual, native Thai speaker. Two bilingual university lecturers in business translated the questionnaire back to English. Original and back-translated versions were examined for discrepancies and resolved during meetings with the translators. A cover page on University letterhead described study purpose as understanding clothing shop performance, confidentiality of responses, estimated completion time (15–20 minutes), and a telephone number to call for further information. The questionnaire was pretested on a sample of 16 clothing shop owners, judgmentally selected at two clothing clusters not chosen for final data collection. Owners were told to answer the questionnaire at their convenience and to identify instructions or measurement items that were confusing, unclear, or redundant. Completed questionnaires were collected the next day and any problems noted. This feedback and a descriptive statistical analysis of pretest data led to several changes in item content and elimination of one item in the comparison to cluster behaviors scale. Two-stage area sampling was used for the field survey, the first stage sampling clothing clusters.
and the second clothing shops. The operational definition of a clothing cluster is a spatially concentrated group of retailers in Bangkok who operate in a building and whose major product line is women’s clothing. The operational definition of a clothing shop in these clusters is that the shop is independently owned and operated and targets female customers between ages 18 to 35.

The first-stage sampling frame of 22 clusters was assembled from visits to identified clothing clusters in Bangkok. Names of clusters were obtained from advertisements, interviews with target customers, and personal experience of the first author. The frame included details about cluster location, opening hours and days, age, and number of shops. A simple random sampling procedure selected 10 clothing clusters. The second-stage sampling frame consisted of cluster maps obtained from property managers or drawn by the first author. From the maps, a systematic sample of 30 shops was selected for each cluster based on a 30/30 suggestion (Kreft 1996) for sizes of first-level/second-level samples. However, given population size at the second-level is only 22 clusters, the suggested sample size of 30 is reduced to 13 based on application of the finite population correction factor. The result is a disproportionate sample of shops, with higher power to detect effects at the shop level than at the cluster level. For shops, the realized sample has power greater than 0.80 to detect \( R \) values greater than 0.10 (alpha = .05, one-tailed). For clusters, power cannot be accurately estimated because of the finite population size. However, power is certainly much higher than that indicated by conventional calculations for infinite populations (0.54 to detect \( R \) values greater than 0.40, alpha = 0.10, one-tailed).

All 10 property managers agreed to cooperate in the study, often providing insight and assistance beyond expectations. Most clothing shops also agreed to cooperate (2% refusal rate). If a chosen shop refused, the closest similar shop was selected as a replacement. A small incentive and an offer to receive a summary of research results were used as incentives. The questionnaire was left with cooperating owners along with a request to complete the questionnaire in a day. Shops were visited the next day and completed questionnaires scanned for missing responses and extreme responses with the shop owner present. When prompted, shop owners would complete unanswered questions and explain extreme responses, often adjusting responses to more realistic values. Shops were visited on ensuing days until the questionnaire was completed or the owner refused. This procedure resulted in 285 completed questionnaires of the 300 distributed.

<table>
<thead>
<tr>
<th>Item</th>
<th>Item Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB1</td>
<td>I feel that I am part of the ______ “family.”</td>
</tr>
<tr>
<td>SB2</td>
<td>I feel like I belong at ______.</td>
</tr>
<tr>
<td>SB3</td>
<td>I am proud of being a part of ______.</td>
</tr>
<tr>
<td>SB4</td>
<td>For me, this clothing cluster is the right place to be.</td>
</tr>
<tr>
<td>SB5</td>
<td>I feel like I fit in well with all the shops here.</td>
</tr>
<tr>
<td>CCB1</td>
<td>In running my shop, I try to satisfy expectations of other clothing shops at ______.</td>
</tr>
<tr>
<td>CCB2</td>
<td>If I am unsure about a decision in my shop, I look to what other clothing shops at ______ are doing.</td>
</tr>
<tr>
<td>CCB3</td>
<td>I try to run my shop in a way that is consistent with other clothing shops at ______.</td>
</tr>
<tr>
<td>CCB4</td>
<td>A good way to do things in ______ often is to look to what other shops at ______ are doing.</td>
</tr>
<tr>
<td>CCB5</td>
<td>If other clothing shops at ______ behave in a certain way, this must be a good way for me to behave.</td>
</tr>
<tr>
<td>SP1</td>
<td>Compared to other shops at ______, my shop probably was more profitable in the last 12 months.</td>
</tr>
<tr>
<td>SP2</td>
<td>Compared to other shops at ______, my shop probably had higher sales in the last 12 months.</td>
</tr>
<tr>
<td>SP3</td>
<td>Compared to other shops at ______, my shop probably had higher sales growth in the last 12 months.</td>
</tr>
<tr>
<td>SP4</td>
<td>Compared to other shops at ______, my shop probably had higher ROI in the last 12 months.</td>
</tr>
<tr>
<td>SP5</td>
<td>Compared to other shops at ______, my shop probably was more successful in the last 12 months.</td>
</tr>
<tr>
<td>ROI</td>
<td>In the last 12 months, my shop had an ROI of about ______%. (For example, if you invested 100,000 baht in stock, displays, signage, and decorations to begin your shop and you made a profit of 14,000 baht, your ROI would be 14,000/100,000 or 14%).</td>
</tr>
<tr>
<td>POS</td>
<td>The probability of survival for my shop over the next three years is about ______%.</td>
</tr>
</tbody>
</table>

*Names of the clothing clusters appeared in the blanks, except for the ROI and POS items. |
ANALYSIS AND RESULTS

Raw data from returned questionnaires were entered into an SPSS data file. Fifty questionnaires were randomly selected to check responses against recorded data, with no data entry errors noted. All data then were checked for out of range values, again with no errors noted. Results for ROI indicated six outlier cases (more than three standard deviations above the mean) and these cases were removed from further analysis. Distributions for subjective performance, sense of belonging, and comparison to cluster behaviors are similar; distributions for all variables showed no serious departures from normality. Values of coefficient alpha for sense of belonging, comparison to cluster behaviors, and subjective performance are .84, .65, and .96, respectively.

Single-factor confirmatory factor analyses were run for sense of belonging, comparison to cluster behaviors, and subjective performance. Results showed acceptable fit for the three scales, with all GFI measures exceeding 0.97, all AGFI measures exceeding 0.88, and all SRMR measures less than 0.03. Average factor loadings for sense of belonging, comparison to cluster behaviors, and subjective performance were 0.71, 0.53, and 0.90, respectively. While model fit was good for all three factors, four items indicated either weak measurement or a source of bad fit and were considered for elimination. Eliminating SB5 would raise the average factor loading for sense of belonging to 0.79; eliminating CCB2 and CCB5 would raise the average factor loading for comparison to cluster behaviors to 0.62. Eliminating SB4 would improve model fit to the data to a p value of 0.23. Correlations among the five subjective performance items (0.75 < r < 0.88) indicated empirical under identification present in the CFA (condition index of 46.9) and suggesting that any subset of the five items could be used in following analyses. In the end, we kept all measures of the summated scales to better reflect the domain of item content.

Table 2 summarizes mean financial performance across the 10 clothing clusters. Subjective performance varies little across the clusters, in contrast to ROI and POS. The negative value for ROI shown for Cluster 10 is correct (Cluster 10 is the youngest cluster, open for only six months at the time of data collection). Table values show that ROI and POS for a clothing shop is partly a function of cluster identity, a result indicating the need for hierarchical linear models (HLMs).

Table 3 presents correlations among the five shop-level variables. Relevant also are correlations between cluster age and cluster size with performance measures aggregated to the cluster-level (n = 10). Correlations for cluster age with subjective performance, ROI, and POS are positive as expected, at .10, .32, and .55, respectively. Correlations for cluster size with subjective performance, ROI, and POS are .10, .17, and .25, respectively. The .55 value is significant at p < .05 (one-tailed) and .32 and .25 are significant at p < .18 and p < .24 (one-tailed), respectively.

Analysis continued with OLS regression and HLM analyses. The need for HLM analyses is indicated by the Intraclass Correlation Coefficient (ICC) whose values describe proportions of variance of clothing shop performance explained by cluster identity in “null” or intercepts-only models. For subjective performance, ROI, and POS, ICC values are 0.005, 0.177, and 0.105, respectively, with associated values for -2RLL at 1889.9, 2916.7, and 2628.3. The ICC value for subjective performance indicates that only about 0.5 percent of its variance is

<table>
<thead>
<tr>
<th>Cluster Identity</th>
<th>Cluster Size (N)</th>
<th>Sample Size (n)</th>
<th>Subjective Performance</th>
<th>ROI (percent)</th>
<th>POS (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>51</td>
<td>25</td>
<td>22.8</td>
<td>23.2</td>
<td>46.2</td>
</tr>
<tr>
<td>2</td>
<td>43</td>
<td>18</td>
<td>24.6</td>
<td>29.2</td>
<td>76.7</td>
</tr>
<tr>
<td>3</td>
<td>67</td>
<td>26</td>
<td>25.5</td>
<td>40.4</td>
<td>80.6</td>
</tr>
<tr>
<td>4</td>
<td>366</td>
<td>29</td>
<td>23.1</td>
<td>18.9</td>
<td>64.7</td>
</tr>
<tr>
<td>5</td>
<td>53</td>
<td>31</td>
<td>23.1</td>
<td>21.9</td>
<td>67.6</td>
</tr>
<tr>
<td>6</td>
<td>88</td>
<td>31</td>
<td>26.5</td>
<td>34.8</td>
<td>66.1</td>
</tr>
<tr>
<td>7</td>
<td>372</td>
<td>30</td>
<td>25.3</td>
<td>35.6</td>
<td>76.2</td>
</tr>
<tr>
<td>8</td>
<td>95</td>
<td>33</td>
<td>25.5</td>
<td>33.8</td>
<td>71.8</td>
</tr>
<tr>
<td>9</td>
<td>250</td>
<td>26</td>
<td>26.0</td>
<td>34.0</td>
<td>82.5</td>
</tr>
<tr>
<td>10</td>
<td>68</td>
<td>30</td>
<td>23.0</td>
<td>-35.3</td>
<td>63.9</td>
</tr>
</tbody>
</table>

Total 1453 279 24.6 23.2 69.4
explained by cluster identity. Thus, OLS regression can be used for this dependent variable, because cluster age and cluster size have almost no impact on shop performance. ICC values for ROI and POS at 17.7 and 10.5 percent, respectively, call for HLM analyses.

OLS regression equations for subjective performance (SP), sense of belonging (SB), and comparison to cluster behaviors (CCB) for clothing shop i are:

\[ SP_i = 15.3 + 0.37(SB_i) + e_i \] (1)

\[ SP_i = 16.1 + 0.39(CCB_i) + e_i \] (2)

with values for R of 0.31 and 0.30, respectively. Each slope coefficient is significant at p < .000 (one-tailed). If both independent variables are present in a single equation, the result is:

\[ SP_i = 13.3 + 0.24(SB_i) + 0.24(CCB_i) + e_i \] (3)

with a value for R of 0.35. Each slope coefficient in (3) is significant at p < .003 (one-tailed).

Analyses for ROI and POS followed a suggested sequence (Hox 1995, pp. 51–54) of increasing HLM complexity, beginning with intercepts-only models described earlier. The next model considered sense of belonging and comparison to cluster behaviors as fixed effects, yielding results for ROI at the clothing cluster level as:

\[ ROI_{ij} = -10.2 + 1.34(SB_{ij}) + (\beta_{0j} + 10.0) + r_{ij} \] (4)

\[ ROI_{ij} = 6.2 + 0.80(CCB_{ij}) + (\beta_{0j} - 6.2) + r_{ij} \] (5)

R values are calculated by a procedure recommended by Snijders and Bosker (1999, pp. 102–103) at 0.18 and 0.09, respectively. The symbol, \( \beta_{0j} \), denotes the intercept ROI for cluster j. Each slope coefficient is significant (p < .05, one-tailed). Intercept variances for both equations also are significant (p < .034), supporting the use of HLMs over OLS regression models. Values for -2RLL for (4) and (5) are 2907.2 and 2913.5, respectively. Equation (4) is a significant (p < .3) improvement over the comparable intercepts-only model reported earlier, while (5) approaches significance (p < .075). When both independent variables are present in a single equation as fixed effects, results are:

\[ ROI_{ij} = -10.0 + 1.35(SB_{ij}) - 0.03(CCB_{ij}) + (\beta_{0j} + 10.0) + r_{ij} \] (6)

\( R \) is 0.17. The slope coefficient for sense of belonging is significant (p < .006, one-tailed) while that for comparison to cluster behaviors is not. The –2RLL value for (6) is 2906.5, representing a significant (p < .007) improvement over the comparable intercepts-only model.

Results of fixed effects models for POS at the clothing cluster level are:

\[ POS_{ij} = 40.5 + 1.15(SB_{ij}) + (\beta_{0j} - 40.5) + r_{ij} \] (7)

\[ POS_{ij} = 66.3 + 0.15(CCB_{ij}) + (\beta_{0j} - 66.3) + r_{ij} \] (8)

R values are 0.27 and 0.00, respectively. The slope coefficient for sense of belonging is significant (p < .000, one-tailed), while that for comparison to cluster behaviors is not (p < .303, one-tailed). Intercept variances in each equation approach significance (p < .062), supporting the use of HLMs over OLS regression models. Values for -2RLL for (7) and (8) are 2609.8 and 2628.7, respectively. Thus, Equation (7) is a significant (p < .000) improvement over the comparable intercepts-only model but (8) is not. Because the slope coefficient for comparison to cluster

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sense of Belonging</th>
<th>Comparison to Cluster Behaviors</th>
<th>Subjective Performance</th>
<th>ROI</th>
<th>POS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sense of Belonging</td>
<td>1.00</td>
<td>57</td>
<td>31</td>
<td>18</td>
<td>27</td>
</tr>
<tr>
<td>Comparison to CBs</td>
<td>0.37</td>
<td>0.30</td>
<td>0.11</td>
<td>0.06</td>
<td></td>
</tr>
<tr>
<td>Subjective Performance</td>
<td>0.30</td>
<td>0.26</td>
<td>0.30</td>
<td>0.34</td>
<td>1.00</td>
</tr>
</tbody>
</table>

*Correlations that exceed 0.10 are significant at p < .05 (one-tailed); correlations that exceed 0.14 are significant at p < .01 (one-tailed).
behaviors is not significant, a model with both independent variables is not needed.

Random slope coefficient models for ROI and POS were fit using the same predictors. For ROI, estimates of fixed intercepts and slopes for sense of belonging and comparison to cluster behaviors are little changed from values in (4) and (5), with the slope coefficient for sense of belonging significant \((p < .041, \text{one-tailed})\) and for comparison to cluster behaviors not \((p < .157, \text{one-tailed})\). Values for -2RLL indicated that random slope equations are significant \((p < .05)\) improvements over comparable results for (4) and (5). However, slope variances for sense of belonging and comparison to cluster behaviors only approach significance \((p < .086 \text{ and } p < .095, \text{respectively})\). For POS, the random slope model for sense of belonging is a not significant \((p < .438)\) improvement over results for (7), with slope variance also not significant \((p < .392)\). The random slope model for comparison to cluster behaviors also is a not significant \((p < .228)\) improvement over results for (8), with slope variance again not significant \((p < .202)\). OLS slope coefficients were calculated for sense of belonging and comparison to cluster behaviors with ROI and POS for each individual cluster. Inspection of coefficients indicated that slope variances in random coefficient models are greatly influenced by values for Cluster 5. From a review of all HLM results reported to here, we chose to continue analysis using only fixed effects models. A last HLM was fit, adding fixed effects of cluster age and cluster size to models with fixed slopes for sense of belonging and comparison to cluster behaviors. Values and significance levels for fixed slope coefficients for sense of belonging and comparison to cluster behaviors are almost unchanged from results for Equations 4, 5, 7, and 8; intercept values change somewhat because of the addition of cluster age (CA) and cluster size (CS) as predictors. Complete equations for ROI and POS at the clothing cluster level are:

\[
\begin{align*}
\text{ROI}_i &= -20.4 + 0.41(\text{CA}_j) + 0.02(\text{CS}_j) + 1.33(\text{SB})_j + (\beta_{ij} + 20.4) + r_{ij} \quad (9) \\
\text{ROI}_i &= -4.6 + 0.42(\text{CA}_j) + 0.02(\text{CS}_j) + 0.79(\text{CCB})_j + (\beta_{ij} + 4.6) + r_{ij} \quad (10) \\
\text{POS}_i &= 33.0 + 0.53(\text{CA}_j) + 0.01(\text{CS}_j) + 1.14(\text{SB})_j + (\beta_{ij} + 33.0) + r_{ij} \quad (11) \\
\text{POS}_i &= 57.7 + 0.34(\text{CA}_j) + 0.02(\text{CS}_j) + 0.14(\text{CCB})_j + (\beta_{ij} + 57.7) + r_{ij} \quad (12)
\end{align*}
\]

Significance levels (one-tailed) for cluster age are about 0.13 in (9) and (10) and .03 in (11) and (12). Cluster size has no significant relationships in any of the four equations.

**DISCUSSION, FUTURE RESEARCH, AND CONCLUSION**

We begin discussion by noting again the limitation that significance tests for the two cluster level characteristics suffer from a lack of power based on the small sample of clothing clusters. Another limitation concerns weak measurement for comparison to cluster behaviors, resulting in attenuated relationships for this variable. Yet another limitation concerns common method variance in measures of independent and dependent variables, inflating estimates of study relationships.

To what degree are study relationships between sense of belonging, comparison to cluster behaviors, and shop performance causal? Intuitively, we argue that shop owners would not persist in behaviors that are not in a financial sense rewarding. Empirically, exploratory analyses for shops in two “young” (six months old) and two “old” (40 years old) clothing clusters are informative. For the 55 shops in the young clusters, correlations for sense of belonging and comparison to cluster behaviors with subjective performance and ROI average 0.23, compared to 0.38 for the 44 shops in the old clusters. However, correlations for sense of belonging and comparison to cluster behaviors with POS show an opposite pattern, averaging 0.28 for the young clusters and 0.11 for the old clusters. Thus, shops in the young clusters see the two independent variables strongly associated with the dependent variable of greater relevancy to them, POS. Shops in the old clusters see the two independent variables strongly associated with ROI and subjective performance, dependent variables of greater relevancy to them. This pattern of results suggests that relationships described earlier are causal.

What are processes by which sense of belonging and comparison to cluster behaviors influence shop performance? From our observations, we believe that physical proximity does not guarantee that a community of retail shops will exhibit strong financial performance. Rather, relationships for sense of belonging and comparison to cluster behaviors with shop performance are quite likely due to such mechanisms as shop owner interactions, individual and collaborative learning, perceptions of risk and reward, reciprocity behaviors, and commitment to their retailing ventures. Sense of belonging and comparison to cluster behaviors perhaps influence shop performance through a network based on trust and mutual respect among fellow competitors.

Further, we note that physical proximity is by itself no guarantee of a sense of belonging and comparison to cluster behaviors even arising: (Dollinger 1990). Cluster environments that are overly munificent or extremely lean
in terms of resources are thought to be less amenable to formation of cognitive communities, as are overly dynamic or very stable environments, and highly complex or very simple environments. And, we recognize that even if sense of belonging and comparison to cluster behaviors arise in a cluster, their effects on financial performance may be fleeting. That is, successful tactics and strategies at one shop often will be quickly recognized and copied by alert competitors as information spillover and produce what is termed a “Red Queen” form of competition (Barnett 2008). Finally, shop owners’ sense of belonging and comparison to cluster behaviors may not benefit consumers if the two activities lead to anticompetitive behaviors such as price fixing and collusion.

We see results easily extending to other retail clusters in Bangkok (selling clothing and nonclothing items) and, indeed, to retail clusters in the form of shopping malls in many other regions and countries. Results may extend more easily to cultures wherever collectivism is a prominent interpersonal orientation than to cultures where individualism predominates. Still, any such “generalizations across cultures/countries should proceed cautiously” (Runyan and Droge 2008, p. 88). A particular caution applies to extending results to chain as opposed to independently owned stores in these cultures and countries. Store managers employed by a retail chain almost certainly feel a greater sense of belonging to their chain than to their shopping mall. And, while store managers at chains quite likely compare their operations to those of nearby competitors and other stores on a regular basis, their abilities to change merchandise assortments, policies, and practices based on these comparisons will be greatly limited by chain management.

With above limitations and discussion in mind, what are implications of results for shop owners and property managers? For owners, sense of belonging and comparison to cluster behaviors are positively related with financial performance, implying that good relationships among members in a cluster community are rewarded. Because cluster age is positively related with shop performance; retail shop owners should try to locate in an older cluster rather than in a younger cluster. For managers, survival of the cluster depends on success of shops in the cluster. Hence, managers might motivate a sense of community among shop owners by fostering interactions among cluster members, individual and collaborative learning, and reciprocity behaviors. Future research on cognitive communities in retailing can take a variety of forms beyond replication or corroboration in different cultural settings. For example, the issue of causal relationships between sense of belonging and comparison to cluster behaviors with financial performance merits investigation, as do processes by which the first two constructs arise, develop, and diminish. We have suggested that trust and mutual respect may play a role in these processes and again note aspects of the environment thought to be influential—resource munificence, complexity, and dynamism. Future research in retailing might examine relationships of other characteristics of the cognitive community, whether stores are clustered or fragmented. These characteristics include knowledge spillover among direct competitors and other stores, cluster norms and values, social recognition among cluster members, recognition of mutual dependence among cluster members, and collusion activities. Future research might study the effects of cognitive community constructs on financial performance against those for constructs classified as store-, market-, and consumer characteristics (Reinartz and Kumar 1999). As conclusion, we find clothing shop owner beliefs about belonging to their resident cluster and about their comparison to behaviors of other shops in the cluster to be positively related to three measures of shop financial performance. This result offers opportunities to improve shop financial performance as well as to conduct future research in a wide variety of retail settings.

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THE MODERATING EFFECT OF CULTURAL ON INTER-GROUP ATTRIBUTION IN THE SERVICE ENVIRONMENT

Gary Daniel Futrell, Florida State University, Tallahassee

SUMMARY

In 2006, foreign-born workers accounted for over 15 percent of the civilian labor market and nearly one in every 10 counties in the United States had a population composed of at least fifty percent minority. By 2050, non-Hispanic Whites are expected to make up just half of the U.S. population. Hispanics will comprise approximately 25 percent of the population, followed by Blacks (15%) and Asians (8%). Additionally, it is expected that by 2030, 1-in-5 persons will be 65 years or older and the number of distinct organized religions is expected to exceed 15,000 – up from 11,000 in 2007. These facts provide clear evidence that both labor and consumer markets are becoming ever more diverse. This trend should be of particular interest to service organizations whose success or failure is largely based on its ability to interact (often one-on-one) with its customers.

Service organizations typically strive for error-free service delivery, however, mistakes in the service process are all but inevitable. Indeed, service failures are more likely to occur during inter-cultural service encounters. While significant attention has been given to service recovery efforts, little attention has been paid to understanding the nature of service failures. Extant literature suggests that not all service failures are created equally, and consequently, not all service recovery efforts should be managed in the same manner. This research extends our knowledge of service failures through the investigation of the customer attribution process during inter-cultural service encounters. The following research questions are specifically addressed: First, does the culture (or group membership status) of the service contact employee moderate attributions made by customers after a service failure? Second, do customers experience higher levels of satisfaction when a service failure is attributed to causes external of the service employee?

When service failures occur, customers will likely attempt to determine the cause of the failure and assign responsibility. In the service environment, the frontline service employee stands as the representative of the service provider whose actions are a reflection of the firm itself. The proximity of the service employee to the customer often makes service employees a prime target for the attribution of service failures. Thus, a disproportionate amount of the blame is often placed on frontline service workers. The attributions made following a service failure can affect customer recovery expectations and therefore dictate which recovery strategy should be used by the firm.

The ultimate attribution error suggests that “a systematic pattern of inter-group misattributions shaped in part by prejudice” will cause observers to overestimate internal motivations of out-group members. Social psychologists widely agree that individuals may vary in their endorsement of stereotype beliefs as well as behaviors resulting for them. However, research suggests that regardless of the level of agreement one has with stereotypes, these heuristic tools are automatically evoked when out-group membership is made salient.

As in general social situations, service customers are likely to adhere to the tenant of social identity theory, the ultimate attribution error and stereotyping during an inter-cultural service encounter. Thus, it is expected that after a service failure, customers will make internal attributions to a service employee belonging to an out-group. Formally hypothesized as follows:

H1a: Individuals are more likely to attribute service failure to internal causes if the service contact employee is a member of an out-group.

H1b: Individuals are more likely to attribute service failure to external causes if the service contact employee is a member of an in-group.

Previous research suggests that customer evaluation of service quality for the service organization is more favorable following a service failure when external causes deemed uncontrollable by the firm are responsible for the service failure. Applying this logic to individual (as opposed to organizational) attribution, it is suggested here that customers will experience higher levels of satisfaction when they attribute the service failure to factors external (therefore, uncontrollable) to the service contact employee.

H2: Individuals who make attributions external to the service employee will have higher levels of satisfaction.

A scenario-based survey instrument describing a common restaurant service failure (slow service) was administered to 86 undergraduate and graduate students...
from a large U.S. university. To manipulate the effects of group membership, participants were randomly assigned to one of two experimental treatments with different photographs of a waiter (a Black waiter and a White waiter). Identical measurement items were used for the dependent variables (attribution and service quality).

Hypothesis 1a and 1b are partially supported with significant differences in perceived locus of control and stability. The results suggest that the ultimate attribution error plays a role in the attribution process after a service failure. However, little support is found for hypothesis 2 regarding the customer’s satisfaction level and external attributions.

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SUMMARY

Customers and service providers are mutually involved in, and share responsibility for service outcomes (Grönroos 2000). For example, to help ensure a rich classroom discussion, marketing students and instructors must prepare prior to class by reading and contemplating the specific course content to be discussed. Sierra, Heiser, and McQuitty (2009) define shared responsibility as, “mutual dependence or accountability for the success of a service outcome, through verbal and physical efforts by the parties directly involved in the service exchange.”

Shared Responsibility and Student Learning

In academia, co-production of the educational process, via interaction and mutual accountability are inherent aspects of learning (Schuh 2003). Research suggests that shared responsibility strategies may be incorporated into teaching tactics and cerebral tasks, which can be used to increase student understanding of concepts and satisfaction toward their learning experience (McCollough and Gremler 1999). To offer insight into this service exchange component, this research examines how perceptions of shared responsibility for student learning affect students’ emotional, attitudinal, and behavioral responses toward their learning experience.

Theoretical Framework

The Affect Theory of Social Exchange (Lawler 2001) suggests that relationships formed within social exchanges are sources of emotions to associated parties dependent on the level of shared responsibility needed to complete an exchange. An associated idea, the Theory of Relational Cohesion (Lawler, Thye, and Yoon 2000), suggests that the emotions, resulting from a social exchange, can be attributed to the relationship between exchange participants who contribute to a mutually beneficial outcome.

Methodology

Data Collection Procedure. At the close of the semester, 213 undergraduate business students (mean age = 22, males = 65%, Whites = 82%) enrolled in a marketing course in a southwest U.S. university completed a questionnaire regarding their learning experience for the semester. To control for previous learning experiences, instructions indicated that the questionnaire pertained only to the education they received during the semester in the current course.

Results

Factor Structure. Principal components analysis with varimax rotation was used to assess factor structure of the 26 items that comprised the five scales (i.e., shared responsibility, emotional response, attitudinal response, intentions, and perceived image). Missing data were handled via pairwise deletion. The resulting five factor solution, in which each item loaded highly (i.e., > 0.578) on the appropriate factor and with no meaningful cross loadings (i.e., 0.433 or less), accounted for 71.62 percent of the variance. The reliabilities for the five scales ranged from $\alpha = 0.765$ - 0.924.

A measurement model was estimated with LISREL 8.50. The average variance extracted (AVE) for each construct, except shared responsibility (AVE = 48.1%), exceeds 50 percent. Also, the AVE for each construct, except shared responsibility and two values, is greater than the squared correlations between each construct and the other constructs. Estimation of the measurement model revealed marginal fit and the measures used to examine the studied constructs appear valid.

Structural Equation Model. The studied relationships were tested using a structural equation model with LISREL 8.50. A covariance matrix and maximum likelihood estimation were used to estimate model parameters. Model estimation revealed marginal fit. However, the statistical power associated with the RMSEA statistic is greater than 0.90 (MacCallum, Browne, and Sugawara 1996), so the goodness-of-fit statistics are assumed conservative (McQuitty 2004). Therefore, overall model fit is construed as satisfactory.

The $t$ statistics associated with the four path coefficients are significant at the $P < 0.01$ level. Specifically, student perceptions of shared responsibility for learning are positively related to: emotional responses toward the learning experience, attitudinal responses toward the learning experience, intentions to take additional classes with the same professor, and perceived image toward the learning experience.
Implications

Institutions could offer seminars and workshops that focus on tools and tasks (e.g., required synopsis of Podcast lectures) instructors may use to create perceptions of shared responsibility for learning between students and instructors. Also, because shared responsibility tactics (e.g., dialogue) in sales contexts lead to more successful sales encounters (Williams and Spiro 1985), marketing students should be made aware and be given opportunities to ameliorate these skills in their program of study.

Future Research Directions

The situational context may play a role in students sharing responsibility for their learning. For example, perceptions of shared responsibility may vary for students enrolled in an introductory marketing course compared to a capstone or Ph.D. seminar. Also, interpretive methods could be used to examine the effects of shared responsibility in a student learning context (Eveleth and Baker-Eveleth 2003).

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“PSST, ABOUT THAT PROF”: COLLEGE STUDENTS’ WORD-OF-MOUTH, INSTRUCTOR EVALUATION AND COURSE SELECTION

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ABSTRACT

Anecdotal evidence suggests that students share their class experiences and evaluations of instructors through word of mouth (WOM) and use these communications as the basis of their course-selection decisions. To examine how and why these behaviors occur, an empirical study is proposed to investigate the interactions of source, message and receiver characteristics, along with involvement and perceived risk, on students’ WOM behavior. Motivations for seeking and providing WOM will also be investigated.

INTRODUCTION

In the United States, the formal measure of teaching ability and effectiveness is primarily the student evaluation of teaching (SET), and for as long as they have been used, their validity has been questioned. A SET may indeed be, as some have suggested, measures of professors’ popularity (Wilson 1998), ease in grading (Bacon and Novotny 2002; Greenwald and Gillmore 1997; Maurer 2006) or even physical attractiveness (Lawson and Stephenson 2005; Riniolo et al. 2006). Whatever their criteria may be, students do indeed rate and evaluate courses and instructors and form judgments about their experiences – and then share those judgments through informal channels.

Students use their previous experiences, as well as those of their peers, to select courses and choose preferred instructors (Kerin et al. 1975; Lawson and Stephenson 2005; Wilhelm 2004; Wilhelm and Comegys 2004). For students, the selection of a course within their field of study is a high-involvement decision with a great degree of perceived risk (Babad et al. 1999). As such, research into consumer decision-making suggests that students will undertake an extensive information search effort (Bauer 1960; Bloch et al. 1986; Zaichkowsky 1985).

This information search may use a variety of sources, both formal and informal, some controllable by the university and some uncontrollable. Examples of sources within the control of the university include the course description in the university catalog, a published syllabus on the professor’s Web site or flyers posted on university-owned bulletin boards. While these controllable sources may provide some information used in the decision-making process, the marketing literature suggests that uncontrollable sources often carry more weight in consumer decision-making processes in service environments (Davis et al. 1979). Thus, students “rely on word of mouth from trusted others who might be familiar with the course or instructor” (Curran and Rosen 2006, p. 136).

This paper examines the mechanisms by which students use and disseminate information about courses and instructors. It proposes two research questions relating to word of mouth. First, what are the dimensions that students consider relevant to their decisions and seek information about? Second, how is this information sought and shared within the student population?

BACKGROUND AND HYPOTHESES

Evaluation of Courses and Instructors

Much of what we know about student evaluations comes from research into formal SETs. Ironically, most academics view the criteria that students use to evaluate courses as biases that should be eliminated, or at least accounted for (Baldwin and Blattner 2003). This is understandable, considering SETs are the primary (if not sole) method for evaluating teaching effectiveness at virtually every college or university in the United States (Yunker and Sterner 1988). However, as Wilhelm and Comegys (2004) note, although faculty and administrators are the primary consumers of SETs, students constitute a third set of stakeholders. Research suggests, though, that the information sought by students is quite different from that of faculty and administrators.

These factors may indeed be appropriate for evaluating quality of teaching for assessment of faculty teaching ability for the purposes of merit, tenure or promotion. However, research suggests that students do not find the typical dimensions of SETs particularly useful. On campuses where the results of SETs are not made public, students consider them to be potentially important sources of information for course selection. However, when SET reports are made public at universities, students perceive them as being less useful (Wilhelm and Comegys 2004).

The literature on student course selection provides some insight into the types of criteria that students use to evaluate professors and courses and make their class
selections. An early study (Kerin et al. 1975) found that the factors students considered in selecting courses were personal interest in subject area (38%), course content (26%), compatibility with major field (22%) and instructor (7%). Curran and Rosen (2006) found that course topic, course execution and instructor’s personality influence students’ selection of their classes. According to Wilhelm and Comegys (2004), the greatest influence on course selection were student perceptions of the amount of useful knowledge gained in the course and how leniently the instructor grades. Karns (2005) finds that undergraduate marketing students evaluate learning activities on three dimensions – the degree to which they are enjoyable, the level of challenge and perceived relevance to the “real world.”

The choice of instructor appears to be of significant interest to students, and indeed SET rankings are strongly affected by liking for the instructor – so much so that some (e.g., Greenwald and Gillmore 1997) consider the SET primarily a measure of professor’s popularity. A strong correlation has been found between the professor’s personality and student course evaluations (Clayson and Sheffet 2006). The evaluations appear to be influenced by the degree of the professor’s agreeableness, conscientiousness, stability, extroversion and creativity/openness.

Several studies have investigated the influence of instructor grading leniency and attractiveness, as well as the interactions of those traits on other criteria. Intuitively, many faculty see a link between course easiness/grading leniency and teaching evaluations – with one study showing that more than two-thirds believed students were biased toward easy courses (Marsh 1987). However, empirical research has suggested that there is no direct positive correlation between leniency and evaluations (e.g., Centra 2003; Greenwald and Gillmore 1997), and that there may be more of a U-shaped effect, although some conflicting studies suggest that easier professors do glean higher ratings (Lawson and Stephenson 2005).

Word of Mouth

WOM is defined as “informal person-to-person communication between a perceived noncommercial communicator and a consumer about ownership, or characteristics of a brand, a product, a service, an organization or a seller” (Ladhari 2007, p. 1093) In today’s electronic environment, word of mouth is more important than ever, and wealth of recent studies have examined the phenomenon, particularly in the context of online marketing (e.g., Dwyer 2007; Edwards 2007; Fong and Burton 2008; Lee et al. 2007). However, because the WOM behavior of students is a more generalized function that spans multiple contexts, this paper will use the classic model of communication and persuasion (Hovland and Janis 1959). The remainder of this section is divided into three parts, representing three of the model’s dimensions of communication characteristics – source characteristics, message characteristics and receiver characteristics.

Source Characteristics. The source is the individual or character who delivers a WOM message. For students seeking information about a course or instructor, sources may be face-to-face or direct WOM from friends, classmates, academic advisers or university faculty or staff. One study found that 62 percent of students listed friends as the most important source used for selecting their courses (Kerin et al. 1975). Today’s technology, however, provides unprecedented access to WOM outside immediate face-to-face interactions. Students can access WOM critiques of professors through Internet net sites such as RateMyProfessor.com and Pick-A-Prof.com, which allow students to post anonymous ratings and comments about professors and instructors.

Although faculty members are skeptical about the value and accuracy of the ratings – and some even consider them libelous – these ratings sites have millions of members throughout the United States (Angell 2007). While studies have shown some correlations between these ratings sites and formal SETs (Coladarci and Kornfield 2007), the items measured reflect the information-seeking behavior of their target audience – students – rather than those of SETs, which primarily measure items relevant to evaluations from the faculty and administration’s point of view. For instance, RateMyProfessors.com rates instructors on four dimensions – easiness, helpfulness, clarity, and rater interest, as well as a binary rating of “hot or not” measuring physical attractiveness.

The major source characteristics in the marketing literature are the credibility, meaningfulness, physical attractiveness and likeability of the source (Mowen and Minor 2001). In comparing face-to-face WOM with secondary WOM through sources such as RateMyProfessors.com, this study will focus on the first two characteristics, as the latter two characteristics may be indeterminate for the online sources. Credibility refers to “the perception of the degree of a source’s credence, based on the perception of the expertise and trustworthiness of the source” (Mowen and Minor 2001, p. 149). With course choice and instructor evaluation, direct face-to-face communications from known friends and classmates should be perceived as being more credible and meaningful than anonymous postings on Web sites. However, the extant literature suggests that consumer recommendations are considered more trustworthy than those of experts (Huang and Chen 2006). Thus, while face-to-face recommendations are preferred, students will perceive ratings Web sites as being more credible than measures of teaching performance from the university.
H1: WOM ratings of instructors from friends or classmates will be perceived as being (a) more credible and (b) more meaningful than WOM from ratings Web sites.

H2: WOM ratings of instructors from ratings Web sites will be perceived as being more credible than (a) official SETs or (b) university evaluations of teaching performance.

Another area of interest regarding source characteristics is the motivation of those providing WOM, regardless of whether they do so directly with the receiver or through an Internet ratings site. Some research suggests that the motivation for contributing WOM is to increase social interaction and the cohesion of a group (Dichter 1966). Other research suggests that consumers provide WOM communications based upon the expectation of future benefit; based upon the norm of reciprocity, they may eventually get information in return when they need it (Iacobucci and Hopkins 1992). For negative WOM there are additional motivations: catharsis (reducing anxiety by sharing the experience with others), vengeance (a desire to exact retribution on the offender) and altruism (preventing others from making the same mistake) (Richins 1983). For students providing negative WOM about instructors, we can expect similar motivations.

H3: When the valence of a WOM is positive, (a) social cohesion and (b) expectations of reciprocity will be ranked higher as motivators for senders than when the valence is negative.

H4: When the valence of a WOM is negative, (a) catharsis, (b) vengeance, and (c) altruism will be ranked higher as motivators for senders than when the valence is positive.

**Message Characteristics.** The two primary message attributes of WOM in the marketing literature are volume and valence (Anderson and Salisbury 2003; Bowman and Narayandas 2001; Liu 2006; Mizerski 1982). Volume is the total frequency or amount of WOM transactions, while valence refers to the actual nature of the message itself—usually measured as positive and negative. Studies have shown that the volume alone of WOM (regardless of valence) can increase sales (Godes and Mayzlin 2004) and improve diffusion rates of new products (Neelamegham and Chintagunta 1999), presumably by raising awareness of the product.

The effects of valence are less understood. In general, positive valence tends to improve attitudes toward a product or service and negative valence reduces them. However, the relationships are not so simple. Positive WOM usually comes in the form of a recommendation for a product, either direct or indirect. Negative WOM, on the other hand, includes complaining behavior, denigration of the product or service or rumor and innuendo (Liu 2006). Furthermore, research has suggested that while positive WOM affects attitudes only when the source is trusted, negative WOM damages attitudes regardless of source (Lee et al. 2007).

Students’ attitudes toward taking an instructor’s course may be affected by both the volume and valence of word of mouth. Attributes that may affect attitude toward enrolling in a class include grading leniency, likeability and usefulness of knowledge, and it is hypothesized that word of mouth regarding these attributes will influence the likelihood of a student enrolling in an instructor’s class. Furthermore, it can be expected that negative WOM information will have a larger impact on this likelihood than positive information.

H5: The level of positive (negative) valence of word of mouth about an instructor’s (a) grading leniency, (b) likeability, and (c) usefulness of knowledge will be positively (negatively) correlated with the likelihood of a student enrolling in that instructor’s class.

H6: The volume of positive (negative) word of mouth about an instructor’s (a) grading leniency, (b) likeability, and (c) usefulness of knowledge will be positively (negatively) correlated with the likelihood of a student enrolling in that instructor’s class.

H7: Negative word of mouth about an instructor’s (a) grading leniency, (b) likeability, and (c) usefulness of knowledge will have a larger effect than positive word of mouth on the likelihood of a student enrolling in that instructor’s class.

**Receiver Characteristics.** This paper is concerned with the receiver’s motivation — why a student seeks information about courses and instructors via WOM. In the marketing literature, consumers seek information because advertisements either do not provide the information they need, or they do not believe advertising messages. For students, published instructor ratings may not be publicly available or do not provide students with the information upon which they base their choice of courses (Wilhelm and Comegys 2004).

In addition, consumers are more likely to seek information about products when the level of involvement is high. Involvement is defined as the perceived importance or interest attached to the acquisition, consumption and disposition of a good, service or idea (Celsi and Olson 1988). For students, the involvement in course selection is situational; while administrators and faculty see measuring teaching quality as a high-involvement exercise in
continuous improvement (Freed 2005), students are concerned with choosing a course section that best satisfies their wants and needs.

Another motivation for seeking WOM about instructors is risk reduction. Marketers have long understood consumption behavior to be an exercise in risk taking (Bauer 1960), and word of mouth through interpersonal networks reduce the consumer’s perception of risk (Brooks 1957). Studies into ratings Web sites indicate that consumers seek information not to maximize information on various alternatives, but instead to reduce risk and save search effort (Dabholkar 2006). For students, risk will be perceived to be high when there are consequences of not passing a course (e.g., losing a scholarship, delaying graduation, academic probation or suspension).

H8: The student’s level of (a) involvement with the course choice and (b) perceived risk with the course choice will be positively correlated with the likelihood to seek information through WOM.

METHODOLOGY

This paper proposes an online survey to be conducted with a sample of business students at a large Southwestern university. Participants will be recruited through flyers posted in hallways, instructor announcements and offers of class credit. The university in which the study is set does not make SETs publicly available, so information ambiguity about instructors should be higher than at universities where such information is available.

The instrument will consist of three parts: a traditional survey using scale items to measure attitudes and behaviors, followed by two brief scenarios to measure attitudes and finally an experimental design using a manipulation to simulate the volume, valence and topic of evaluations. The first section will measure demographic information, ratings of credibility of WOM sources, volume of WOM sought/provided and motivations for providing WOM.

Next, all participants will then be provided with two brief scenarios and asked about their likelihood of seeking WOM about the instructor. In the first, a low-risk scenario will be presented in which the student is faced with a choice of non-required courses to complete a requirement of hours, with no consequences for passing/failing. In the second, a high-risk scenario will be presented in which the student is faced with a choice of instructors for an advanced-level required course. The participant’s graduation depends upon an A or B grade in the class. After each scenario, likelihood to seek WOM will be measured.

The final section of the survey will be a 2 (valence: negative/positive) x 2 (volume: low/high) x 3 (topic: grading leniency, likeability, usefulness of knowledge) between-subjects experimental design. Each participant will be randomly assigned to one of the 12 cells and presented with a simulation of ratings from RateMyProfessor.com. The manipulations will be accomplished through the content and quantity of comments. Following the exposure to the stimuli, participants will be measured on the likelihood of enrolling in the instructor’s course. To control for interactions with other influences mentioned in this paper, the participant’s involvement with the decision to enroll in the course will also be measured, as will his/her perceived risk of the decision.

IMPLICATIONS FOR TEACHING AND FUTURE RESEARCH

This study will contribute to the academic literature in higher education by providing an understanding of the process by which students evaluate instructors and share these evaluations through WOM. Although anecdotal evidence clearly suggests that students share instructor evaluations through informal communication channels, there have been no academic studies to date of the motivations and mechanisms for such dissemination of information. Though exploratory in nature, this study should provide interesting new directions for future research, as this is an unexamined aspect of the student communication process. Most of the extant research related to this study focuses on either the reliability and validity of formal SET instruments.

While several studies have examined instructor evaluation Web sites such as RateMyProfessor.com, their focus has been on either the correlation between these sites and formal SETs (Coladarci and Kornfield 2007) or the effect of instructor grading leniency and/or attractiveness (Lawson and Stephenson 2005; Riniolo et al. 2006). This is the first study to examine the motivations and mechanisms of WOM regarding class selection.

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NON-LINEAR GRADING: INVENTORY OF PRACTICES AND TEST OF EFFECTS

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SUMMARY

Does the traditional grading system do a great disservice to students? Have we neglected validity of grading? In the standard grading system, each graded component is “worth” a number of positive points that are ultimately summed and compared to cutoffs such as 93 percent for an “A.” This system is similar to the consumer evaluation linear multi-attribute model. If students in the course were the sole “consumers” to satisfy, this linear grading system could perhaps be justified; each student may possess an ideal point that reflects a desired combination of grade obtained, skill obtained, and effort expended. The student could “consume” the course in a manner that best reaches that ideal. However, employers also consume the product, and employers’ interests lie in the skills attribute rather than the other attributes. Given students and employers interests may differ, using a simple linear grading model may be unattractive. Essentially, students follow a grade system in a way that maximizes their utility, resulting in a consumption experience that fails to optimize utility for employers. A more attractive grading system might entail non-linear components, similar to non-linear compensation components often found in employment settings, such as salespeople who receive varying commission levels depending on whether they meet certain performance hurdles that benefit the organization.

The present research was undertaken with two objectives in mind, executed through two studies. In Study-1 we developed an inventory of non-linear grading practices, along with an understanding of why and when certain non-linear practices may be beneficially used. This inventory should be of considerable interest to marketing educators when developing grading schemes for their courses. Second, in Study-2 we then sought to evaluate the effects of some non-linear grading methods.

For Study–1 we emailed professors at other institutions, asking them to share ideas about grading methods they had personally used or were aware of through their knowledge of practices used by other professors. The sampling frame for this email was professors who serve on Editorial Review Boards for pedagogically oriented journals, selected because their involvement as reviewers makes them highly aware of pedagogical practices. Sixteen grading techniques were identified by respondents and were organized into three categories reflecting whether they focus on individual student performance, small group performance, or class performance through curving. Rationales used to support suggestions for grading techniques varied but were often rooted in locus of control.

For Study–2, a portion of non-linear grading techniques was selected for testing. All techniques selected for testing were compared by having subjects consider different grading systems that could be applied to a course, and then provide ratings for three perceptual criterion variables: (1) expected amount of time a student perceives they would allocate each week for out of class study in the course, (2) the perceived likelihood a student would recommend the course to a friend, and (3) assuming the role of an employer, the degree to which the student perceives they would hire someone who took the course. Data were obtained from 177 undergraduate student subjects. Results showed that grading techniques engendering high internal locus of control result in the lowest amount of expected study time, the highest likelihood of recommending the course to a friend, and the lowest likelihood of hiring a student from the course when considering the perspective of an employer. Across various tests, we found a strict-reversal occurs. For example, when considering recommending a course to a friend, the rank-order of scores completely reverses from scores associated with study time. The course most likely to be recommended to a friend is the course that involves the lowest expected study time and lowest likelihood of hiring. The course least likely to be recommended involves the highest expected study time and highest likelihood of hiring. Results are discussed and recommendations are provided that reflect both student learning issues and assessment issues.
SUMMARY

Customers are often not able to evaluate the quality of a product/service before purchase. In order to make a well-founded decision from the set of existing alternatives on the market, customers have to search for information. On the market there are normally other actors, in addition to the customers and sellers, that offer information about the product or service in question – e.g., consumer organizations, other (already experienced) customers, etc. These actors are so-called information intermediaries. However, it is still unclear under which conditions customers rely on such information. Thus, our goal is to acquire deeper insights into the determinants of a customer’s use of information from information intermediaries.

Conceptual Framework

A promising theoretical approach to work on the research question seems to be the economics of information theory, which explicitly deals with information processes on the market. From the relevant concepts within this theory we derived a conceptual model integrating three important perspectives on the use of information from information intermediaries: customer’s evaluation (i) of the benefits of the information, (ii) of characteristics of the information source itself, and (iii) of the product/service characteristic about which information is given. In (i) the benefits directly connected with the use of the piece of information are taken into account. While in (ii), e.g., the negative consequences for an information intermediary spreading incorrect information on his/her/its credibility are highlighted, in (iii) we concentrate on, e.g., the perceived degree of subjectivity of the evaluation; we assume that the less possible it is to judge quality along commonly accepted criteria, the less information from information intermediaries will be used by a customer. Within this basic framework, a series of causal hypotheses have been elaborated upon.

Empirical Investigation

To test the hypotheses, we conducted a world-wide online survey in the MBA market. The data were collected in a field study. The population consists of former, current, and future MBA students (as customers) who were asked about how they use information during their respective MBA/business school (as supplier) decision process. As information intermediaries ranking organizations, current business schools students or business school professors among others were integrated into the empirical investigation. In total, a sample of 700 respondents was achieved.

Results

The hypotheses were analyzed in a structural equation modeling approach with MPlus 5. The basic structural model integrating all direct effects provides very a good overall fit with a $X^2/df$ ratio of 159, CFI/TLI of .972/.968, SRMR of .045, and RMSEA of .029.

The findings on level of analysis (i) indicate that the degree to which quality uncertainty can be reduced depends on the informational benefits. On level of analysis (ii), it could be confirmed that the information intermediary’s credibility influences the informational benefits. Furthermore, it was shown that the information intermediary’s credibility is negatively influenced by the customer’s perception of how far the information intermediary can spread incorrect information unnoticed. However, with respect to the constructs which reflect the incentives of an information intermediary to provide correct information, no, or only a small, influence on credibility was detected. With the help of further analyses it became clear that the first determinant, positive consequences of the spreading of correct information, does constitute a driver of credibility when it is important for the information intermediary to stimulate future demand of her/his information. With respect to the negative consequences for information intermediaries of spreading incorrect information, we found that they constitute a necessary, but not sufficient, determinant of credibility. Within level of analysis (iii), three hypotheses were developed and tested. The degree of subjectivity in evaluation and the degree of customer’s integration in the ‘production’ process both influence the customer’s perception as to how far he/she can apply the information received to his/her decision situation. Surprisingly, no relationship between this last construct and the informational benefits could be observed.
Conclusion

First of all, it has been shown that information about any kind of characteristic of an MBA program is demanded by future MBA students. Whether the MBA characteristic’s nature makes it difficult to integrate information about it into one’s own purchase decision or not, does not influence the benefits derived by the information. From the perspective of, e.g., a ranking provider, this is very good news; since they can provide information about any MBA characteristic, they can expand their existing offer. However, the information provided should be as comprehensible as possible, and it should be made open for evaluation by as many actors on the MBA market as possible. This reduces future MBA students’ perception that the ranking provider can spread incorrect information unnoticed. Business schools, as suppliers, should integrate information from a wide range of external parties in their own communication strategies. What seems to be more important than “who” transfers the information is that information is spread at all and as widely as possible among future MBA students. References are available upon request.

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KEEPING AN EYE ON THE PRIZE: EGO-CONSERVATION AND RESTORATION IN THE GROCERY STORE

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ABSTRACT

During decision-intensive activities, consumers engage in a variety of self-control strategies that work to deplete valuable energy resources over a series of decisions. Researchers have termed this expenditure of energy ego-depletion and have shown its relationship to self-control failures. We believe individual consumers do not stand passively by as ego-depletion occurs. Instead, we argue that individuals incorporate strategies that work to conserve and even restore these energy resources. To that end, we define the concepts of ego-conservation and ego-restoration and offer a variety of propositions associated with each. Each concept has implications for research into self-control, ego-depletion, and impulse purchasing.

INTRODUCTION

When Al Pratt goes grocery shopping, he often takes a list with him which he dutifully follows as he moves through the grocery store. Upon entering the store, he tucks a basket into the crook of his elbow, unfolds his grocery list, and examines it for a moment before setting off in search of the first item on the list. He selects the item and places it into his basket, checking it off of his list with a pen he keeps in his free hand. After examining the list again, he moves to the location of the second item, repeating the cycle until he reaches the end of his list. Occasionally, he even finds himself backtracking over his own footsteps as he blazes a trail through the store, almost mechanically following the list he has produced, one item after another. After checking out, the only items he has purchased that are not on his list are a half-gallon of milk and a package of gum.

Ostensibly, Al uses his grocery list as an external memory aid for making planned purchases (Block and Morwitz 1999) which makes sense. He does not want to forget items that he wants to eat or that he needs for a particular recipe; however, Al also uses the grocery shopping list as a means by which he navigates the grocery store, using it as his map and his means for organizing the trip. Furthermore, it allows him to “keep an eye on the prize,” avoiding the various temptations that crop up as he travels through the grocery store. This prize he refers to includes several basic goals: avoiding waste, saving money, eating healthy, eating well, and various others. The grocery shopping list, essentially, is an externalized form of self-control which Al uses to manage his responses to various impulses.

Grocery shopping, as Al will attest, is a consumer activity that consists of a myriad of decisions piled on top of each other. Baumeister (2002) has argued that individuals who find themselves engaged in an activity that involves a series of decisions actually deplete their ability to avoid various temptations and maintain the same levels of self control. He refers to this phenomenon as ego-depletion and offers it as a possible antecedent to various consumer behaviors like impulsive and compulsive purchases and self-control failures. Baumeister, along with his various colleagues have explored various aspects of ego-depletion (Baumeister et al. 1998; Muraven, Tice, and Baumeister 1998); however, he and his colleagues have done little work in uncovering or understanding methods by which individuals will avoid ego-depletion in decision-intensive activities.

The following research explores possible strategies that individuals like Al use to stave off or manage ego-depletion as they navigate decision-intensive activities like grocery shopping. As such, we argue that individuals employ two distinct methods to manage and even replenish ego energies expended in these situations: ego-conservation and ego-restoration. To do so, in the next section, we provide a brief overview of the literature involving self-control and ego-depletion; and then, using qualitative data and existing literature, we present several propositions intended to outline the nature of these constructs. Afterwards, we set forth the implications involved with such propositions and potential research directions. First, however, we turn to self-control and ego-depletion.

SELF-CONTROL AND EGO-DEPLETION

In an attempt to explain how and why various episodes of consumer impulse buying occur, individuals have turned to the literature on self-control and self-regulation. Often, self-control is associated with the will-power to overcome impulses. Mukhopadhyay and Johar (2005), in an exploration of how lay theories of self-control impact actual self-control behaviors, view self-control as the exercise of will-power; and Hoch and Loewenstein (1991) view self-control problems as the conflict that arises between desires associated with short-term gratification and the willpower associated with long-term goals. Baumeister (2002), preferring the term self-
regulation, defines it as the individual’s “capacity to alter its own states and responses to it” (607), and as such, self-control is one’s ability to override a particular impulse, replacing it with another. Ultimately, self-control is the mechanism by which individuals regulate sudden impulses.

For example, an individual engaged in dieting goes to the grocery store to purchase that week’s groceries. While traveling up and down the aisles, the person is struck by the sudden urge to purchase a box of Twinkies or a carton of ice cream. The long-term goal is to remain on the diet for weight and health purposes; however, the short-term gratification urge rears its ugly head. Whether or not the individual actually gives in to the impulse or simply walks away is dictated by that person’s capacity for self-control.

The ability to achieve and maintain self-control depends on three basic elements: the standards or goals that one has set for him or herself, the individual’s ability to monitor or keep track of the relevant behavior, and the person’s capacity to alter one’s responses from a current to a desired state (Baumeister 2002; Baumeister, Heatherton, and Tice 1994; Vohs and Faber 2007). In other words, people can only maintain self-control if they have a set of goals that they wish to achieve (such as weight loss, saving money, etc.), pay attention to what it is they are doing in relation to those goals, and have some mechanism in place that will allow them to overcome or override any impulses that seek to deride the long-term goals. It is in this latter element, the capacity for change, that we locate our research interest.

Baumeister et al. (1994) outline three basic theories for understanding the mechanisms underlying the individual’s capacity to change. One involves cognitive processes where “self-control is essentially akin to a software program that can be loaded so as to direct the person’s behavior” (Baumeister 2002, p. 673); and another essentially relates to a skill that the individual possesses. The third, the one that Baumeister and colleagues tend to favor, deals with willpower or the individual’s strength of will as an underlying mechanism guiding the capacity to change. Similarly, Hoch and Loewenstein (1991) conceive of willpower as the strategies that individuals utilize to override their desires. It is this willpower that allows individuals the ability to manage self-control by drawing upon some “energy resource” (Baumeister et al. 1994) that allows the individual to overcome some sudden impulse.

Various experiments (e.g., Baumeister et al. 1998; Muraven, Tice, and Baumeister 1998) have borne out the notion that this energy resource is in fact finite and that individuals, when faced with the task of making a series of decisions, tend to use up that energy. Baumeister (2002) refers to this reduction of the energy that supports an individual’s capacity to maintain self-control as “ego depletion” and views it as a major cause of self-control failure in decision-intensive situations. For example, when an individual goes to the grocery store, he or she makes a wide variety of decisions and encounters a myriad of impulses as a path is beaten through the store aisles. Each decision, particularly in response to the various impulses, results in a reduction of the energy required to maintain self-control. As that energy dissipates, the individual then finds it more and more difficult to maintain self-control. By this reasoning, Baumeister (2002) holds that the many small decisions made during the grocery trip “will have depleted the person’s resources, and so self-control will be weakened while behavior (including buying) will be more impulsive” (p. 673).

Over the past decade, various researchers have explored ego-depletion and its relationship to various self-control failures. Baumeister et al. (1998) determined that self-control expenditures in two seemingly unrelated tasks could deplete the energy involved in maintaining self-control and that it is the act of responsible choice that caused the depletion and not enactment of the choice itself. Researchers have shown the impact of this depletion on a variety of behaviors including overeating among dieters (Vohs and Heatherton 2000), rational thinking and logical reasoning (Schmeichel, Vohs, and Baumeister 2003), and even the phenomenon known as the “extended now” where individuals become mentally stuck in the present and are unable to consider future states or goals (Vohs and Schmeichel 2003). Ego-depletion has even been linked to impulsive spending. Recently, Vohs and Faber (2007) demonstrated that individuals who had experienced ego-depletion felt stronger urges to buy impulsively, were willing to spend more on their purchases, and in fact did spend more when succumbing to the buying impulse.

Following Baumeister (2002) and his colleagues, it would seem logical that the consumer moving through the last few aisles of the grocery store would find the various impulses and marketing cues nearly irresistible. The energy resources would have been depleted so much by the various decisions and impulse-suppressions that occur in the first half to two-thirds of the grocery shopping trip that individuals would seemingly be powerless to override them. By way of analogy, as we digest a meal, food is converted into a finite amount of energy that we will eventually renew at the next meal. As we make our way through the day, we use that energy with normal, everyday tasks, but periodically, we might be called on to expend energy in sudden bursts. For instance, we might have to run to catch the bus or climb several sets of stairs because the elevator is out of order. As the day approaches its end and our energy stores are seriously reduced, it becomes...
more and more difficult to draw upon the resources required for those short bursts of energy, leaving us unable to perform the tasks at hand.

However, we are also quite aware that our physical energy is limited, and we take steps to avoid draining it completely. Some of us will conserve energy by resting for a period of time in the middle of the afternoon before the next meal provides us with the requisite energy to completely replenish our energy stores. Others will conserve energy by avoiding certain tasks that will require large bursts of energy, choosing instead smaller bursts and smaller tasks. Still others will seek to restore some of the lost energy through an afternoon snack of some sort that is designed to hold off energy-depletion and not replace the meal. In other words, individuals seek to restore and conserve their physical energy. By the same token, we believe that consumers engaged in decision-intensive activities are aware of ego-depletion and will seek to conserve and restore any depleted energy at points throughout those activities.

EGO-CONSERVATION AND EGO-RESTORATION

In the following section we define ego-conservation and ego-restoration, and we develop several propositions associated with each, based upon extant literature as well as qualitative data. The data were gathered via both observation and interview methods from twenty-four individuals who live alone and must perform their own grocery shopping tasks. As such, we use these data and the existing research to describe both ego-conservation and ego-restoration and present several propositions associated with each.

Ego-Conservation

We define ego-conservation as, simply, the minimization of ego-depletion. If, as Baumeister et al. (1998) argues, ego-depletion is the “temporary reduction in the self’s capacity or willingness to engage in volitional action (including controlling the environment, controlling the self, making choices, and initiating action) caused by prior exercise of volition” (p. 1253), then ego conservation slows down and even stops this process. Past research has shown evidence of ego-conservation in examining self-control strategies. The first strategy of note is precommitment, and the second is simply to avoid temptation.

Pre-Commitment. A wide range of research has examined the notion of pre-commitment (e.g., Ainslie 1975; Ariely and Wertenbroch 2002; Thaler and Shefrin 1981; Trope and Fishbach 2000) as a strategy for maintaining self-control. For consumers, pre-commitment involves the notion that individuals actually foresee the temptations involved with certain activities and that those individuals take pre-determined actions to prevent giving into the temptation (Wertenbroch, Vosgerau, and Bruyneel 2008). In other words, the individual is engaged in placing constraints on future behavior. An individual who only takes twenty dollars in cash to the grocery store while leaving his or her checkbook or credit cards at home is precommitting to only spending that twenty dollars on the needed items and nothing more. Likewise, the individual who sets his or her alarm clock across the room so that he or she must actually get out of bed to turn it off is ensuring that he or she will not be tempted to simply hit the snooze button.

One of the major forms of pre-commitment consumers use when they go to the grocery store is the shopping list which, ostensibly, is used as an external memory-cue (Block and Morwitz 1999), but is also used often as a deterrent for impulse purchasing. Ted Knight (28) discusses his justification for writing out a list, mentioning both the memory and self-control aspects of the activity. “Like, okay you know, I wanna make steak with asparagus,” he states, “because it’s . . . okay . . . I gotta remember, you know. Sometimes, I’ll kinda get off track too, so I’ll make up a list for that.” He wants to make sure that he does not get “off track” with his purchases, and neither does Jesse Chambers (p. 25) who does not want to end up “buying a hundred dollars worth of stuff.” Al Pratt (41) also uses his list in just such a way, stating:

Since I go to the same grocery store all the time, mostly, I have a map in my mind of the grocery store. I visualize going down each aisle and it’s just like okay do I need this or do I need that. That’s in that aisle or hey, I wouldn’t mind some of this this week. So I kind of prepare myself as far as where I’m going to go and what I’m going to get and what’s what.

Al, like Ted, Jesse, and others, uses his list to precommit to a plan of action, allowing him and others to prevent themselves from succumbing to the various impulses that they expect to encounter in the grocery store.

By planning out the trip beforehand, individuals make a number of decisions about the grocery shopping trip without actually being in the store. As such, they are not necessarily avoiding decisions but simply minimizing the number of decisions they need to make and the “severity” of those decisions. Block and Morwitz (1999) and Spiggle (1987) both note that a number of individuals simply put the product category on the shopping list, indicating the need for “cereal” but not stating “Kellogg’s Corn Flakes.” In other words, individuals will commit to a partial decision about the product category and will wait to make the final decision in the store. In so doing, they
will actually conserve the energy they would have otherwise used in the store. As such we offer the following proposition:

**Proposition A.** In an effort to conserve valuable energy resources that consumers would otherwise expend in decision-intensive activities like grocery shopping, they will pre-commit to a plan of action that allows them to minimize ego-depletion.

**Avoidance.** Research has also shown how individuals will maintain or attempt to maintain self-control by avoiding temptation altogether (Hoch and Loewenstein 1991; Karlsson 2003; Rook and Hoch 1985; Schiffer and Ajzen 1985). Rook and Hoch (1985) report that individuals will seek to steer clear of certain stores or walk away from certain impulses before they become overpowering. In short, individuals who are tempted by the lure of slot machines will avoid casinos and individuals who have difficulty resisting the temptation offered by alcohol may simply not go to a bar where alcohol is served. Essentially, as Hoch and Loewenstein (1991) note, avoidance is the best way for individuals to deal with “situations in which they are likely to experience increases in desire for previously rejected alternatives” (p. 499).

Though many individuals cannot avoid grocery shopping, they can avoid certain temptations by eschewing certain aisles in the grocery store. People will often do so by adopting either a Scouting or Trailblazing approach to store navigation. Author (2008) reports that individual will move through the grocery store by either touring the store where they travel up and down each aisle, by scouting the store where they move around the periphery and only go into the aisles that they need to go in to, or by trailblazing where they only move from one needed item to the next using their knowledge of the store to avoid impulse cues and pitfalls. Todd Rice (58) scouts only those aisles where he actually needs items, attempting to avoid the ice cream aisle because his goal is to “leave without ever buying ice cream.” Al Pratt (41) simply keeps his head down and follows his list from one item to the next so that he does not have to deal with the temptation of foods he likes and wants but, because he lives alone, feels like he cannot have. And Joan Dale (58) will avoid certain aisles because the items in that aisle are too expensive to match her fifty dollar a week budget.

By avoiding the temptation in the first place, individuals are not making the decisions that would normally deplete their reserves of energy; and by not making those decisions, they are conserving that energy for future decisions that must be made. In short, consumers will save themselves from ego-depletion by avoiding circumstances in which they are likely to be tempted, prompting the following proposition:

**Proposition B.** In an effort to conserve valuable energy resources that consumers would otherwise expend in decision-intensive activities like grocery shopping, they will avoid certain circumstances that allow them to avoid ego-depletion.

**Pre-Commitment and Avoidance.** Pre-committing to a plan of action, however, does not exclude the possibility of impulse purchasing in the grocery store. According to Block and Morwitz (1999), consumers only write down approximately forty percent of what is ultimately purchased, indicating that the creation of shopping lists may not prohibit unplanned or impulse purchases. Spiggle (1987) also indicates that only a quarter of the items on a shopping list are listed by product and brand name, indicating that only a portion of items are fully planned prior to entering the grocery store. In other words, regardless of the specificity of the list, individuals are still prone to impulse purchases or further unplanned purchases. Furthermore, individuals will not always be able to avoid situations where temptations will rear their ugly heads. For example, Helena Wayne (25) tries to avoid certain aisles where she can purchase brownie mix or other sweets; however, sometimes samples of said items are placed in different areas of the store or shelved at the end aisles where she simply cannot ignore them.

By themselves, pre-commitment and avoidance are effective methods of conserving energy resources; however, we believe that when these two self-control strategies are used in conjunction with one another, the amount of energy conserved is greater and, consequently, the amount of impulse purchasing is minimized. For example, Pieter Cross (33) has pre-committed himself to a plan of action but still ends up purchasing nearly three hundred dollars worth of food during each grocery shopping excursion because he goes up and down every aisle. Conversely, Al Pratt (41) takes trailblazing to its zenith by following his list to the letter and avoiding locations in the grocery store where his self-control would be tested. He walks out of the grocery store with only two unplanned purchases on his grocery receipt while Pieter Cross walks out of the grocery store with a myriad of unplanned purchases. To that end, we offer the following proposition:

**Proposition C.** Consumers who combine pre-commitment and avoidance strategies for conserving valuable energy will demonstrate less ego-depletion than those individuals who engage in each strategy separately.

**Ego-Restoration**

In addition, we believe that individuals will also seek to restore the energy lost through decision-intensive activities. Unlike ego-conservation which simply seeks to
minimize the ego-depletion resulting from a series of decisions, ego-restoration actually seeks to reverse ego-depletion by replenishing the energy resources individuals draw on to maintain self-control. We believe that individuals do this in two distinct ways: they will seek a respite from the activity or they will give in to a minor impulse that allows them to add energy to help stave off a major impulse. Much like the person who’s batteries are draining in the late afternoon but does not want to ruin dinner, he or she might take a quick nap or eat a light snack in order to regain some of the lost energy.

*The “Respite.”* In his dissertation study, Author (2008) found that some individuals locate an oasis somewhere in the grocery store, a place where they could take a breather from the shopping excursion to collect their thoughts and rest for a moment before continuing. For Jennifer Pierce (29), that oasis is an area of the store that contains health and beauty products where, she claims, “I’ll stop and look at stuff just because I love beauty products but I generally don’t buy anything.” She simply stops and browses through the various cosmetics to see if there is anything new or anything she might like to try at some point, allowing her to take her mind off the other task at hand for a few moments and recharge her batteries and offering her, as she puts it, “a breather.” Carter Hall (31) and Wesley Dodds (63) both make sure to check out the electronics section of Sam’s Club to refuel their engines, and others talk about looking at magazines or other non-grocery items within the grocery store just to take a breather from the activity itself. As such, we offer the following proposition:

*Proposition D.* In an effort to replenish valuable energy resources consumers have already expended in decision-intensive activities like grocery shopping, they will seek a respite from the decision-intensive activity before continuing with that activity.

*The “Snack.”* Additionally, just as individuals may have an apple or a small peanut butter sandwich to stave off hunger and replenish their energy before dinner, we believe that individuals will also seek to “snack” on something to replenish their energy resources. Essentially, the individual will engage in a small, *planned* impulse purchase that allows them to stave off the larger unplanned impulse purchase. Mick and DeMoss (1990) noted that individuals will sometimes purchase a gift for the self in exchange for some achievement or as some kind of reward. We believe a planned impulse purchase will work in much the same way. Also, Wertenbroch (1998) noted that individuals will seek to purchase smaller quantities of vice products, forgoing any price savings, so that they might avoid over consumption. In essence, they allow themselves a small vice in favor of staving a much larger vice. In the same manner, individuals will allow a small impulse in favor of avoiding the much larger impulses that could cause problems. For example, Jennifer Pierce (29) always allows herself one impulse that is not on her grocery shopping list, and Al Pratt (41) does make a small impulse purchase of gum or some dessert when he goes to the grocery store. Others will need to get cereal, but let the brand choice come on impulse while standing in the cereal aisle. Essentially, individuals allow themselves a “treat” (Miller 1998) that serves to replenish the energy stores and ward off future impulses, prompting the following proposition.

*Proposition E.* In an effort to replenish valuable energy resources that consumers have already expended in decision-intensive activities like grocery shopping, they will provide themselves with a “snack” or a minor planned lapse in self-control that prevents larger unplanned lapses in self control.

**IMPLICATIONS AND FUTURE RESEARCH**

In summary, we believe that individuals do not stand idly by as the energy that allows them to maintain self-control is depleted over the course of a series of decisions. In fact, we believe that individuals are quite aware of this ego-depletion and, hence, will adopt or develop strategies that allow them to conserve and restore those energy resources. We term these strategies ego-conservation and ego-restoration, and we provide several propositions associated with these terms. Future research should further investigate these propositions, developing and testing them further both in experimental settings as well as in natural contexts such as in the grocery store or other decision-intensive settings.

In so doing, we contribute to the self-control literature by providing additional insight into how and why individuals maintain self-control, and we also add to the ego-depletion literature by proposing that individuals actually seek to minimize this depletion. Much of the literature that investigates self-control in relation to various impulses seems to do so under the assumption that individuals are somewhat passive in the face of a series of impulses, that though they may be actively resisting urges, the ego-depletion eventually erodes their capacity for self-control and creates self-control failures. Our research proposes that individuals are not passive in the face of ego-depletion and, in fact, actively seek to conserve and restore ego energies. Future research should take into account the active nature of some individuals and explore how they go about avoiding or reversing ego-depletion.

We also contribute to the impulse purchasing literature in marketing by suggesting, somewhat ironically, that planned impulse purchasing may actually help consumers to avoid unplanned impulse purchasing. Impulse pur-
Purchases are often considered to be contrary to various long-term goals that the individual might have (Hoch and Loewenstein 1991; Rook 1987); however, individuals might also give in to the impulse to purchase in order to maintain certain long-term goals, especially in a context like food-shopping where all or none is simply not possible. We have to remember that consumers often have multiple goals when engaging in certain activities such as grocery shopping. They wish to eat healthy, eat well, save money, not waste resources, etc. At times, some of these goals may actually come in conflict with other goals. An impulse purchase in the grocery may not only work to restore or conserve energy but it also might serve to enact the individual’s long-term goal of maintain their own mental health (Gentry, Commuri, and Baruchashvili 2008). In other words, future research may need to rethink what an impulse purchase is and researchers may need to rethink their judgment of it.

Ultimately, we have provided a basic understanding of ego-conservation and restoration. Both strategies allow individuals to keep their eyes on the prize which is to maintain self-control in the face of purchasing urges or, for that matter, impulses of any type. Future research should also investigate if there are other methods in which individuals seek to minimize ego-depletion in situations where they must make a number of decisions.

REFERENCES


MARKETING OF RISKY PRODUCTS: THE INFLUENCE OF REGULATORY FIT AND THE ROLE OF SOCIAL IDENTIFICATION

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SUMMARY

This study examines the effect of the fit between communication messages and an individual’s regulatory focus on consumer attitudes and purchase intentions with regard to products involving risk, such as, for example, genetically modified (GM) foods (Gaskell et al. 2000; Klerck and Sweeney 2007; Magnusson and Hursti 2002). The influence of social identification on the relationship between regulatory fit and attitudes and behavioral intentions is also investigated.

According to regulatory focus theory, individuals with a so-called “promotion focus” will focus their behaviors toward positive outcomes, while those with a “prevention focus” will regulate their behaviors away from negative outcomes (Higgins 1997; Aaker and Lee 2001). Marketing or other informational messages can be framed to match either a promotion or prevention focus. For example, a message regarding GM foods can focus on the positive results of adopting GM technologies, thus matching a promotion focus, or it can focus on the negative consequences that the adoption of GM technologies can prevent, thus matching a prevention focus. Past studies demonstrate that a fit between a message’s frame and regulatory focus positively affects consumer attitudes and behavioral intentions (e.g., Aaker and Lee 2001; Higgins 2000; Lee and Aaker 2004; Fransen, Fennis, and Pruyn 2007). This study hypothesizes that the impact of a message on consumer attitudes toward and intentions to buy GM foods is stronger when the message is framed in congruence with that consumer’s regulatory focus. Past studies demonstrate that a fit between a message’s frame and regulatory focus positively affects consumer attitudes and behavioral intentions (e.g., Aaker and Lee 2001; Higgins 2000; Lee and Aaker 2004; Fransen, Fennis, and Pruyn 2007). This study hypothesizes that the impact of a message on consumer attitudes toward and intentions to buy GM foods is stronger when the message is framed in congruence with that consumer’s regulatory focus. In addition, the extent to which a consumer’s social identification with others who consume GM foods appears to be a largely unexplored research topic. Social identity theory (SIT) posits that people who feel connected with a certain group will also describe themselves in terms of the characteristics of that group (Tajfel 1972; Tajfel and Turner 1979; Robinson 1996). Furthermore, individuals tend to have relatively favorable attitudes and behavioral intentions toward products when they strongly identify with the group that uses or produces those products (Madrigal 2001; Ahearne et al. 2005). Based on related literature, we assume that a person identifies more strongly with consumers of GM foods when they are exposed to a marketing message that is congruent with his/her regulatory focus.

As such, we hypothesize that this interaction effect between consumer regulatory focus and the message frame on consumer attitudes and behavioral intentions is mediated by social identification.

Method

To test these hypotheses, we used a 2 x 2 between-subjects design (n = 111; 32 male and 79 female), plotting promotion versus prevention regulatory focus along one axis against promotion- versus prevention-based message framing. Participants were exposed to a message regarding GM foods that was framed either in promotion-related terms or prevention-related terms. They then completed a questionnaire that included the following scales: regulatory focus (Higgins et al. 2001), social identification (Ellemers, Kortekaas, and Ouwerkerk 1999; Bagozzi and Lee 2002), attitudes towards GM foods (Van den Berg et al. 2005) and intentions to buy GM foods. Participants were classified as promotion- or prevention-focused by utilizing a median split using the regulatory focus scale.

Results

We conducted an ANOVA to test the proposed positive effect of regulatory fit on attitudes, behavioral intentions, and social identification. No main effects were observed for regulatory focus or message framing. However, the results revealed the expected interaction effect between regulatory focus and message framing (F(1, 107) = 6.49, p < .05 for attitude towards GM foods and F(1, 107) = 5.51, p < .05 for behavioral intentions to buy GM foods). Analysis of the means demonstrated that participants with a promotion (or prevention) focus had a more positive attitude toward and a greater intention to buy GM foods when they were presented with a promotion-based (or prevention-based) message framing. Analysis of the means demonstrated that participants with a promotion (or prevention) focus had a more positive attitude toward and a greater intention to buy GM foods when they were presented with a promotion-based (or prevention-based) message framing. Next, a significant interaction between regulatory focus and message framing on social identification was observed (F(1, 107) = 4.79, p < .05). Examination of the means revealed that participants with a promotion (or prevention) focus identified more strongly with consumers of GM foods when they were exposed to a promotion-based (or prevention-based) message than when they were exposed to a prevention-based (or promotion-based) message.
tion-based) message. Furthermore, when social identification and the interaction between regulatory focus and message framing were both taken into account as predictors of GM consumer food attitudes and intentions to buy GM foods, the interaction between regulatory focus and message framing dropped became insignificant, whereas the effect of social identification was significant, suggesting full mediation. Sobel (1982) tests provided further support for this proposed mediation effect.

Discussion

The results of this study confirm the proposed effects. Consumers with a promotion (or prevention) regulatory focus demonstrated more positive attitudes and greater willingness to buy GM foods when they were presented with a message emphasizing the attainment of gains (or the prevention of losses) than when presented with a message emphasizing the prevention of losses (or the attainment of gains). Moreover, they were also more likely to identify more strongly with consumers of GM foods. The present study demonstrates that products regarded as risky and/or morally wrong can become more appealing when marketing messages about these products are framed in a way congruent with regulatory focus. Moreover, in the present study, social identification also was enhanced when messages about GM foods were framed to match consumer regulatory focus. Therefore, marketers could use feelings of identification with other consumers who share promotion or prevention ideas in order to develop more persuasive marketing messages regarding risky or negatively-evaluated products. References are available upon request.

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THE EFFECT OF AGING AND TIME HORIZON PERSPECTIVE ON CONSUMERS’ RESPONSE TO PROMOTION VERSUS PREVENTION FOCUS APPEALS

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SUMMARY

Older adults constitute a rapidly growing demographic segment due to the aging of Baby Boomers, increasing life expectancy, and declining birth rates (Rowe and Kahn 1998). Researchers more and more recognize the growing size and economic importance of the older (age 60 and over) customer segment (see Cole and Gaeth 1990; Yoon 1997). However, there has been surprisingly limited academic research focusing on older consumers and much of this research has focused on generating important insights with respect to older adults in cognitive domains (for a review, see Roedder-John and Cole 1984; Yoon 2005). Although progress has been made with regard to understanding adults’ cognition, a great deal more research is needed to understand the effects of aging on more downstream consequences such as persuasion and decision making (see Yoon et al. 2005). Thus, the purpose of the present research is twofold. First, we examine the influence of aging on responses to advertisements using promotion versus prevention focus appeals. Second, we investigate how time horizon perspective moderates the effect of aging on preference for promotion versus prevention appeals.

Theoretical Background

Regulatory focus theory (Higgins 1997) has emerged as a powerful new theory for predicting how advertising persuasion might depend on an individual’s “regulatory focus,” which could be promotion or prevention. Promotion goals relate to attaining positive outcomes such as accomplishments and aspirations and prevention goals relate to avoiding negative outcomes such as responsibilities, obligations, and security (Higgins 1997).

Research shows that older consumers report more personal projects aimed at avoiding the loss of their current positive circumstances (Ogilvie et al. 2001) than do younger adults. Research also shows that older consumers are more persuaded by emotional appeals focusing on avoiding negative emotions versus appeals focusing on realizing positive emotions (Williams and Drolet 2005). Thus, we posit:

H1: Older adults will express more positive ad attitudes (H1a) and greater persuasiveness (H1b) when exposed to a prevention focus versus a promotion focus appeal.

H2: Younger adults will express more positive ad attitudes (H2a) and greater persuasiveness (H2b) when exposed to a promotion focus versus a prevention focus appeal.

Time horizon perspective should moderate this above-mentioned effect of age on appeal preference. Young adults seem to view time as expansive, whereas older adults view time as limited (Fung et al. 1999). However, such perceptions can also be manipulated. Williams and Drolet (2005) show that consumers who viewed time as limited (expansive) were more motivated by appeals that focused on avoiding negative emotion (vs. achieving positive emotion). Thus, we expect:

H3: Older adults that view time as expansive (versus limited) will express more positive ad attitudes (H3a) and greater persuasiveness (H3b) when exposed to a promotion focus versus a prevention focus appeal.

H4: Younger adults that view time as limited (versus expansive) will express more positive ad attitudes (H4a) and greater persuasiveness (H4b) when exposed to a prevention focus versus a promotion focus appeal.

Method

One hundred forty-one undergraduate students (53.6% females, median age = 20, age range 18–28) and 96 older customers (66.7% female, median age = 70, age range 60–88) participated in the research study. Participants were randomly assigned to one of the six experimental conditions: 2 (message’s regulatory focus: promotion versus prevention) X 3 (time horizon perspective: limited vs. expansive vs. control). Chocolate was chosen as the product in advertisements because it is approximately equal in terms of its relevance to young and older consumers.

The message’s regulatory focus was manipulated by placing the emphasis on the approach (for promotion focus appeals) versus avoidance (for prevention focus appeals) oriented strategies. Time horizon perspective
was manipulating by using either the statement “Life is Long” (that best evokes perceptions of time horizon as expansive) or “Life is Short” (that best evokes perceptions of time horizon as limited).

Results

The message’s regulatory focus and the time horizon perspective manipulations were successful. Also, advertisements were perceived as having similar relevance and credibility across conditions.

In the absence of time horizon perspective manipulation, the prevention (versus promotion) focus message generated more positive attitudes and greater persuasiveness for older adults. For the young participants, there was no difference between the promotion and prevention focus messages with regard to ad attitude and ad persuasiveness.

In the time horizon expansive condition, both younger and older adults perceived the promotion (vs. prevention) appeal to be more persuasive and more likable. However, in the time horizon limited condition, both younger and older adults perceived the prevention (vs. promotion) appeal to be more persuasive and more likable.

Conclusions and Managerial Implications

The results show that older adults had more favorable reactions to prevention versus promotion focus appeals in general and when they were asked to think about time as limited. However, when older adults were asked to think about time as expansive, they had better liking of the promotion focus appeal. Young adults preferred the promotion (versus prevention) focus appeal in the time horizon expansive condition, but the prevention (vs. promotion) focus appeal in the time horizon limited condition.

The implications for marketers of the present findings are significant. Williams and Drolet (2005) attribute age-related differences in ad responses to age-related differences in motivation states and goals (see also Drolet, William, and Lau-Gesk 2007). Indeed, the results highlight the importance of understanding the motivational differences between older and young adults that underlie the effect of aging on persuasion. The effects related to time horizon perspective manipulation indicate that differences in motivational goals rather than cognitive ability (the focus of most of the past research) cause differences in preferences for promotion versus prevention focus appeals. References are available upon request.

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THE FIT BETWEEN BRAND PERSONALITY AND CONSUMERS’ SELF: THE IMPORTANCE OF ACTUAL VERSUS IDEAL SELF FOR BRAND PERFORMANCE

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SUMMARY

This paper addresses the question how a brand’s personality relates to that of the consumer. In other words, how does the interaction between the brand’s and the consumer’s personality affect brand performance? In relation to brand personality, the consumer can make a statement about himself or herself by buying a brand which she/he regards as similar to his or her actual (current) personality or his ideal (intended) personality resulting in self-congruence (e.g., Aaker 1999; Austin, Siguaw, and Mattila 2003). This match between a consumer’s personality and the brand’s personality may have important performance implications.

However, only few studies have empirically examined the performance implications of this interaction between brand personality and consumer personality (e.g., Aaker 1999; Helgeson and Supphellen 2004; Kressmann et al. 2006). Thus, a number of important issues are still left open. First, prior studies have focused on traditional indicators of brand performance such as brand attitude (Aaker 1999) or brand loyalty (Kressmann et al. 2006). However, emotional aspects of consumer relationships are gaining academic and practitioner interest (Sheth and Parvatiyar 1995). Understanding what determines the strength of emotional brand attachment may enable more durable relationships with consumers and enhance brand equity. It is our contention that the congruence between brand and consumer personality plays a key role in determining the strength of consumers’ emotional attachment to the brand. Second, there is little evidence with regard to which self of the consumer (ideal vs. actual) is relevant in particular situations. Should the brand be related to aspirations (i.e., tailor to the ideal self of consumers), or pertain to the real self of consumers? Third, a key question is whether there may be certain types of consumers among whom self-congruence plays an especially important role for brand performance.

Based on these research gaps, the objectives of our study are the following: Most importantly, we examine the impact of the congruence between brand personality and consumer personality (i.e., self-congruence) on brand performance. Our first objective is to examine the effects of actual and ideal self-congruence on emotional brand attachment, brand attitude, and brand equity. As a second objective, we intend to show that the performance implications of self-congruence are complex and differ by type of self-congruence (actual versus ideal) and type of consumer (characterized by need for emotion/cognition).

Results and Implications

Our study demonstrated that the concept of self-congruence is a complex phenomenon. We were able to show that self-congruence has different implications for brand performance – depending on which type of self-congruence is taken into consideration (ideal versus actual self-congruence) and depending on which consumers we look at (consumers with low need for cognition/need for emotion versus consumers with high need for cognition/need for emotion). First, our results indicated a positive effect of actual self-congruence on emotional brand attachment leading to a more positive brand attitude and stronger brand equity. In contrast, ideal self-congruence did not have a significant direct effect on emotional brand attachment. Second, we found that need for emotion positively moderated the relationship between actual self-congruence and brand attachment. Third, need for cognition did not have a significant moderating effect on the relationship between ideal self-congruence and brand attachment. However, our results indicated that among consumers with a low need for cognition, ideal self-congruence negatively affected brand attachment. In the case of high need for cognition, ideal self-congruence had a positive effect on brand attachment. The change from a negative to a positive effect as a result of the level of need for cognition may explain the non-existence of a general direct effect of ideal self-congruence on brand attachment.

Future researchers may want to consider the type of self-congruence (actual versus ideal self-congruence) in order to better understand the effects of self-congruence. Our findings suggest, that the distinction between actual and ideal self-congruence has important consequences for the brand performance implications of self-congruence.
ence. Future research might also consider other moderators of the relationship between self-congruence and brand performance – such as the consumer’s self-monitoring (Snyder 1974) or self-esteem (e.g., Long-Tolbert and Suri 2007). Finally, future research might examine other performance dimensions such as brand awareness, brand trust, or brand loyalty in order to find out which type of self-congruence (e.g., ideal versus actual) is more relevant for these brand performance dimensions.

Our results can provide guidance for managers with regard to the creation and positioning of a brand (and its intended personality). Since actual self-congruence has a stronger effect on brand attachment than ideal self-congruence, we can provide support for the superiority of “authentic branding.” Thus, brand managers should position their brand closer to real-life consumers’ personalities rather than trying to create a brand personality which aims at consumers’ dreams and ideals. Ideal self-congruence in general did not have a significant effect on brand attachment – it only becomes important among consumers with a high need for cognition and/or a low need for emotion. Therefore, managers should rethink brand personality positionings that aim at consumers’ dreams and ideals – especially if the targeted customers show a rather low need for cognition and high need for emotion. References are available upon request.
SUMMARY

Leading online retailers such as Amazon.com have enabled consumers to submit product reviews for many years. The presence of customer reviews on a website has been shown to attract consumer visits, increase the time spent on the site, create a sense of community among frequent shoppers, and increase satisfaction and sales (Chen and Xie 2005; Chevalier and Mayzlin 2006). Yet as the availability of customer reviews becomes widespread, simply including customer reviews is no longer sufficient. Instead, the quality or helpfulness of customer reviews becomes paramount. Amazon.com asks, “Was this review helpful to you?” and positions the most helpful reviews prominently. Sites such as eOpinions and Amazon.com have even provided guidelines for writing helpful reviews. While many online retailers include customer reviews, little research has been done to determine what attributes of a review are most important in facilitating the purchase process.

This research question is especially relevant given recent evidence that U.S. consumers say they trust their peers more than experts for information about a company or products (Voight 2007).

An online customer review can be defined as a peer-generated product evaluation posted on a company or third party website. Websites offer consumers the opportunity to post product reviews containing content in the form of star ratings (usually ranging from 1 to 5 stars) and open-ended customer-authored comments about the product. Given the strategic potential of customer reviews, our research objective is to contribute to the development of theory to describe and explain how consumers respond to online customer reviews. We draw on elaboration likelihood theory and the paradigm of search and experience goods to develop a conceptual understanding of online customer reviews, develop testable research propositions, and discuss the research and managerial implications of the research.

Consumers routinely make purchase decisions with incomplete information on product quality, seller quality, and the available alternatives. Seeking this information, however, is costly and time consuming. Further, consumers who are exposed to online customer reviews differ in their level and likelihood of elaboration. With a low likelihood of elaboration, consumers can be expected to rely on peripheral cues such as numerical ratings, while consumers with a high likelihood of elaboration can be expected to rely more on the content of the comments of a review. The search and experience good paradigm (Klein 1998; Nelson 1970, 1974) is highly relevant to this context. We draw on this existing theory base and prior studies (Pavlou and Dimoka 2006; Smith, Menon, and Sivakumar 2005) to develop a series of hypotheses regarding the relative influence of the numerical star rating and review text on consumer attitudes and behavioral intentions. We also hypothesize that the type of product (search or experience) moderates the effect of star ratings and open-ended comments on consumer attitudes and behavioral intentions.

We expect:

- The magnitude of the star rating of a search good has a greater effect than the magnitude of the star rating of an experience good.
- The type of product (search or experience) moderates the effect of open-ended comments in online customer reviews on consumer attitudes and behavioral intentions.
- The length of comments, the balance of the negative and positive comments, and the extent of the inclusion of a personal use context are likely to be more influential on consumer attitudes and behavioral intentions for a search good than for an experience good.

Testing our model requires a multi-method approach to data collection and analysis. Online retailers such as Amazon.com can provide the raw data, as both star ratings and open-ended comments can be retrieved directly from the site. This rich data set can be used for both quantitative analysis by looking at characteristics of the review such as review length and star rating, and qualitative analysis through a content analysis of the reviews’ text. In addition, controlled experiments can allow finer manipulation of the characteristics identified in the model as potentially significant.

By identifying the reasons consumers value reviews by their peers, this research can encourage managers to more substantively assess how to improve the quality of 

AN ELABORATION LIKELIHOOD PERSPECTIVE ON ONLINE CUSTOMER REVIEWS

Susan M. Mudambi, Temple University, Philadelphia
David Schuff, Temple University, Philadelphia
customer reviews. Given the expanding environment in which consumer-to-consumer communication is actively encouraged, and the effects of online consumer word-of-mouth are well documented, additional strategic thinking and academic research on online customer reviews is important to the success of any online retailer. References are available upon request.

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CONSUMERS AS RESELLERS IN ONLINE SECONDARY MARKETS: TAXONOMY AND MOTIVATIONS

Hsunchi Chu, MingDao University, Taiwan
Shuling Liao, Yuan Ze University, Taiwan

ABSTRACT

From consumer interviews, we identified four primary motivations for consumers to resell online: profit-driven monetary motives, utilitarian trade-up motives, emotional/social motives, and house-grooming motives. We also found consumer resale behavior is differently than that of retailers and consumer resale foresight appears as a prelude to consumer purchase behavior.

INTRODUCTION

Consumer participation in online resale has become a prevalent, suggesting that consumer behavior is no longer the same as the traditional consumer behavior of purchase and consumption only. By reselling, consumers exercise a quasi-retailer function and play the dual role of both consumer and reseller. Although the consumer online resale market is booming, knowledge about the specificity and meaning of various types of consumer online reselling behaviors remain primitive. In particular, there has been little investigation into the motives for online resale and how they correspond to different types of online reselling or to the possible backward influence of an online resale plan on “offline” decision-making. One of the possibilities is that consumers may feel less risk in purchasing high-priced products offline if they are equipped with the skills to resell these products later via online auction. In this case, goods no longer represent unrecoverable costs but can be considered as liquid assets or an alternative cash account to consumers who master online reselling. The product value or benefit of an offline purchase would be viewed differently when the owner is contemplating the possibility of reselling.

In view of the popularity of consumer-to-consumer (C2C) e-commerce, further inquiry to the behavior of C2C resellers is necessary in order to obtain better understanding of the consumer online resale phenomenon. The present study aims to explore consumer online resale behavior, first, by focusing on C2C resale behavior, rather than bidding behavior of buyers. Second, we investigate consumer behavior from the perspective of the interaction between online and offline behavior, rather than treating them separately as different domains. Third, we explore consumer online resale behavior and the link between the disposition and acquisition phases, rather than focusing on only one or the other.

While a vast amount of prior research has concentrated on online buying behavior or auction mechanisms such as bidding strategies and web assurance (Ariely and Simonson 2003; Brown and Morgan 2006; Jap 2003; Koufaris 2002; Liu, Fang, Dixon and Murphy 2002), we investigate the other pivotal function of the C2C secondary market as a channel through which to sell unwanted goods and the underlying resale behavior. We first review the literature and identify the background of consumer resale situations in order to elucidate our research questions for the nature and representation of consumer resale behavior in the C2C online secondary market and the possible implications for academics and marketers. Next, by conceptually defining and specifying types of consumer online resale behavior in a taxonomy, we propose the possible motivations for online resale. We then conduct a series of consumer interviews to explore the plausibility of the proposed motivations further. Finally, we present the conclusions and implications of the research.

The target subjects we study are primarily consumers, not retailers, and we focus on amateurism consumers as resellers, not on professional resellers who rely on online auctions as a way to make a living. The motivations of the consumers we study here to purchase and resell products is to satisfy their personal needs, not to buy and sell goods for business profits.

LITERATURE REVIEW

Consumer Disposition

Consumers are those who purchase or who are involved in the purchase, consumption and deposition process, and consumer purchases are for personal use or use as a gift, not for production or resell for profit (Mullen and Johnson 1990; Walters and Bergiels 1989). As most past research in consumer behavior has focused on the acquisition phase, the disposition process has received very limited attention (Mowen 1995; Lastovicka and Fernandez 2005; Rassuli and Harrell 1990).

In the early research on consumer disposition, Jacoby, Berning, and Dietvorst (1977) developed a conceptual taxonomy to describe consumer disposition behavior and classified resale as one of the disposition choices, although consumer disposition patterns would vary and change over time. Following Jacoby’s research, Hanson...
(1980) developed an explanatory model of several salient factors involved in the disposition decision process. Later, Harrell and McConocha (1992) conducted a field study to discover how consumer characteristics are related to the selection of important disposition options, reporting that, other than giving away or throwing away unwanted items, consumers could resell goods in flea markets, garage sales or consignment stores. With the availability of C2C e-commerce in the Internet era, the resale patterns of consumer disposition have become more significant, and resale behavior has become much more sophisticated as consumers have gained more options with which to dispose of unwanted possessions (Cameron and Galloway 2005; Paden and Stell 2005).

Consumer Resale Outlets and Resale Motivations

Consumer sellers in garage sales and flea markets have a wide range of styles and motivations, from periodic housecleaning and socializing to profit-making and cash generation (Belk 1988; Cameron and Galloway 2005; Herrmann 1997; Herrmann and Soiffer 1984). Herrmann and Soiffer (1984) classified sellers in garage sales into ten types. “Dabblers” are trying out the garage sale experience for the first time, seeing reselling of unwanted items in a garage sale as fun and enjoying the social contacts it creates. “Regulars” regularly dispose of unneeded household items in this way. The largest group of sellers is “housecleaners,” who use garage sales to dispose of unwanted items that clutter their homes. Herrmann and Soiffer also categorized “spring housecleaners” as individuals with growing children who need to create space, and “life-passage sellers” who dispose of items in order to mark a particular life passage, such as when their youngest children reach certain ages. In another study, Coulter and Ligas (2003) classified consumers into two types: “Packrats,” people who have difficulty disposing of things because of emotional attachments to products or because they believe they may reuse them sooner or later; and “purgers,” who are typically willing to dispose of products once they are no longer needed. Purgers see themselves as neat and organized and prefer to get rid of things to keep their spaces clean. They attach less meaning to products and engage in a variety of disposition strategies.

Consumer Product Attachment and the Endowment Effect

Owners attach meaning to their possessions to define and maintain their own identities (Belk 1988; Wallendorf and Arnould 1988). Disposition is the process of detaching and ultimately severing the relationship between possessor and possession (Roster 2001; Young and Wallendorf 1989). In addition to product attachment, Thaler (1980) suggested the “endowment effect,” the phenomenon that people often demand much more in payment to give up a possession than they would be willing to pay to acquire it, reflecting the fact that the possession item has been tagged or “endowed” with additional value. Such an effect may seem unreasonable, but it has been confirmed in a number of experiments (Nayakankuppam and Mishra 2005; Strahilevitz and Loewenstein 1998; Kahneman et al. 1990). However, some scholars question whether the effect can be observed when goods are purchased for exchange (Kahneman 1992), or if it appears only when traders are uncertain of future exchange prices (van-Dijk and van-Knippenberg 1996). Although when the endowment effect disappears remains uncertain, the notions of attachment and the endowment effect illustrate that affection toward possessions plays a crucial role in guiding consumer resale behavior.

Online Consumer Behavior and Offline Consumer Behavior

According to Nunes and Cespedes (2003), as many as half of today’s customers shop for information using one channel, then switch from that channel to another when it comes time to make the actual purchase. Brown and Goolsbee (2002) investigated the impact of Internet comparison shopping on the offline life insurance market and reported that the growth of online comparison sites reduces life insurance prices by 8 percent to 15 percent. The study demonstrated the Internet’s potential for shifting a benefit from an industry to private households. A great number of consumers use the Internet to gather product information but make their purchases offline or shop offline so they can see products “in person,” then buy them online, where they’re cheaper. Thus, it is necessary to look further into the effects of the conjunction of online and offline consumer purchase behavior.

TAXONOMY OF CONSUMER ONLINE RESALE BEHAVIOR

By excluding professional full-time sellers or retailers on auction sites, we revised the consumer resale taxonomy developed by Chu and Liao (2007), which classified consumers’ online resale behavior into four categories based on the two dimensions: “planned resale” vs. “unplanned resale” and “reselling unused products” vs. “reselling used products.” For our purposes, we defined the first dimension as “planned resale,” the condition under which consumers consider before purchase that they have both the ability and the intention to resell the target product after using it for a period of time. We proposed the second dimension as whether the products – whether used or unused when purchased – are used or not used before online resale. Table 1 presents the four types of consumer online resale behavior.
Type 1: Resale of Extra Purchase

The type 1 condition occurs when consumers sell unused goods with a plan to resell, as when consumers buy extra units of the same product over and above those purchased for personal use with the intention of reselling the extra.

Type 2: Resale after Temporary Ownership

This type of consumer seller is usually undertaken by sophisticated consumers and heavy auction site users who have plentiful experience in reselling used goods on online auction sites. To them, products are liquid assets which can be easily traded for cash at low transaction costs. Having expertise to resell, they are knowledgeable of the possible resale price as well as the risk of a failed resale. For instance, resellers may know they can sell a Nokia 5500 cellular phone for 70 percent of the price they paid after six months of use.

Type 3: Unintentional Resale

This type of behavior occurs when consumers use the Internet to resell unused goods they had no initial intention to resell when they bought or received the products. Unintentional resale is made mostly as a result of impulse buying, mis-purchase, and reception of unwanted gifts. Online C2C buyers can sometimes purchase new products of good quality at a much lower price from type 3 consumers.

Type 4: Disposition

This type of behavior, which has been well discussed in the existing literature, occurs when consumers dispose of their used products to a secondary market. Prior research about consumers disposing of used goods has suggested that this can be done after complete use or incomplete use.

Complete Use. A universal definition of “complete use” for every consumer, given that each individual consumer has his or her own managing principles, is elusive. This study defines “complete use” as the condition under which the consumer thinks the value of product has been fully exploited. For example, to many consumers, the value of a movie video is exploited after they have watched it, or the value of a pair of shoes has been exploited when they have been worn for two years. Consumers will resell products that have this kind of “complete use” to avoid waste, clear out clutter, and for reasons related to environmental protection.

Incomplete Use. “Incomplete use” occurs when consumers stop using products even though those products are still in usable and workable condition because the consumers are unsatisfied with the products, want a new product, want to write off an old product’s book value (Okada 2001; Purohit 1995), or are undergoing certain life passages so the products are no longer needed (Herrmann and Soiffer 1984).

CONSUMER MOTIVATIONS FOR ONLINE RESALE

Based on the literature review and the constructed taxonomy of consumer online resale behavior, there are four major motives that drive consumers to resell products. Table 2 shows the relationships between consumer resale type and motivations.

Profit-Driven Monetary Motives. When consumers resell online to make a living, they fall outside the scope of our research. However, amateurs who purchase for personal use are included in the “extra purchase” type of resale behavior in our study. Through the practice of value creation which includes sourcing objects, displaying objects and transforming and re-using objects, consumers can turn rubbish into durable goods. By reselling, consumers can generate money either for recovering part of

<table>
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<th>TABLE 1</th>
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<tbody>
<tr>
<td>Taxonomy of Consumer Online Resale Behavior</td>
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<table>
<thead>
<tr>
<th>UNUSED PRODUCTS</th>
<th>USED PRODUCTS</th>
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<tbody>
<tr>
<td>Resale of extra purchase</td>
<td>Resale after temporary ownership</td>
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<tr>
<th>UNPLANNED RESALE</th>
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<tr>
<td>Unintentional resale due to</td>
</tr>
<tr>
<td>1. Impulse buying</td>
</tr>
<tr>
<td>2. Mis-purchase</td>
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<tr>
<td>3. Unwanted gifts</td>
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<tr>
<th>Disposition after</th>
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<tbody>
<tr>
<td>1. Complete use</td>
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<tr>
<td>2. Incomplete use</td>
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purchase costs or for profit. When making a profit is the main reason, consumers resell online with straightforward monetary motivations.

**Utilitarian Trade-Up Motives.** When the resale is strongly linked to trade for another consumption, consumers conduct a “utilitarian trade-up motivation” resale. This kind of resale is a way to amass money for a specific subsequent purchase or to compensate for excessive earlier spending. Although momentary return by resale is a goal, the key motivation driving the consumer to resell is the unfulfilled consumption desire. For example, students may resell durable goods for tuition before a college semester starts, or they may resell because they need to counteract a significant or unexpected financial loss.

**Emotional/Social Motives.** Most consumer resale is due to emotional and social motivations, not to making a profit. Avoiding waste (Herrmann and Soiffer 1984; Jacoby et al. 1977; Okada 2001), environmental protection (Herrmann and Soiffer 1984), socializing (Belk 1988; Cameron and Galloway 2005; Herrmann and Soiffer 1984; Herrmann 2006; Rafaeli and Noy 2002), achievement and entertainment (Herrmann and Soiffer 1984) are all emotional motivations for reselling. Thus, consumer resale need not involve sophisticated profit-and-loss calculations.

**House-Grooming Motives.** To many consumers, both money and space are valuable resources. Consumers with limited living space have to get rid of some belongings to keep the house organized and clean, whether the goods are in good condition or not. Herrmann and Soiffer (1984) found “house cleaners” to be the largest group that engages in garage sales in the U.S. These consumers become sellers in the wake of growing children who need more space or as a result of relocation, when they are eager to dump extra stored goods so they don’t have to be moved. Coulter and Ligas (2003) also reported that the “purger” type of consumer disposes of goods in order to keep living spaces tidy.

**CONSUMER INTERVIEWS**

We conducted consumer interviews to collect information regarding consumer purchase decisions, experience and propensity of online resale behavior, and the motivations to resell online and to evaluate how well the proposed motivations and the interview results correspond. Using a snowballing process, we acquired a sample of 105 online resale transactions from fifteen participants who had previous successful experience with each providing about 7 online resale cases.

At the beginning of the snowball process, five students with online resale experience volunteered to be interviewed. Before each formal interview, we first asked several questions to check the qualifications of the participant, with the result that one professional retailer who sold computer components online was screened out. At the end of each interview, we asked the participant to nominate qualified candidates among their friends or relatives for our next interviews and requested that participants contact the candidates they nominated to ascertain their willingness to participate. We avoided including more students in our study in order to expand the variety of our sample.

Intensive interviews lasting about an hour were conducted using a conversational, semi-structured, exploratory interview style, guided by participants’ stories of their shopping and online resale experiences. As shown in Table 3, participants ranged in age from 22 to 42, with an average age of 28, and were university students or employees in a variety of jobs. They had 4 to 15 years of

<table>
<thead>
<tr>
<th>TABLE 2</th>
<th>Consumer Online Resale Behavior and Motivations</th>
</tr>
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<tbody>
<tr>
<td>RESALE TYPE</td>
<td>1. Profit-driven monetary motives</td>
</tr>
<tr>
<td>Type 1: Resale of extra purchase</td>
<td>2. Emotional/social motives</td>
</tr>
<tr>
<td>Type 2: Resale after temporary ownership</td>
<td>1. Utilitarian trade-up motives</td>
</tr>
<tr>
<td>Type 3: Unintentional resale</td>
<td>2. Emotional/social motives</td>
</tr>
<tr>
<td>Type 4: Disposition</td>
<td>1. Utilitarian trade-up motives</td>
</tr>
<tr>
<td></td>
<td>2. Emotional/social motives</td>
</tr>
<tr>
<td></td>
<td>3. House-grooming motives</td>
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experience with computer usage and 2 to 8 years of online purchase and 1 to 6 years of online resale experience. Almost 95% of their resale experience was through global online C2C auction websites affiliated in Taiwan, such as Yahoo Auction or eBay Auction. Eleven interviews were recorded for further analysis and interpretation (Spiggle 1994). During the qualitative research process, the data collection and analyses were processed simultaneously, and results of any data analysis led to further data collection (Glaser 1992; Spiggle 1994; Strauss and Cobin 1990). We continued the interviews until we could no longer distinguish significant resale motivation patterns from newer interviewees.

**FINDINGS**

From the literature review and consumer in-depth interviews, we identified four primary motivations for consumers to resell online: profit, utilitarian trade-up, emotional/social, and house-grooming.

**Profit-Driven Monetary Motives**

In our interviews, three participants had experiences in “extra purchase” resale. When finding products a bargain or less expensive than market price, they bought extra for resale. Ivy (F, 25): “When traveling in Italy, I found that a Prada bag is much cheaper there. I purchased one for myself and one for my sister as a gift. But after returning home, my sister told me that she didn’t like the style. I ended up listing the bag on Yahoo and made a surprising windfall of NT$5,000 (approximately US$150). After that experience, I pay special attention to products with large price gaps around the world.”

**Utilitarian Trade-Up Motives**

Nine of fifteen participants said they had experience in reselling one product for another product or to support other planned consumption. When consumers are in need of something for their own consumption but happen to be short of cash, they resell their used possessions or obsolete items to buy more of other products.

Ann (F, 23): “I had experiences before in reselling my used mobile phone, shoes and PC monitors in order to cover a shortage of NT$10,000 needed for a new laptop computer.”

Howard (M, 22): “I love to change my aftermarket car parts by myself and have purchased lots of components to install on my car. Because these replaced

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<tr>
<th>Name</th>
<th>Gender</th>
<th>Age</th>
<th>Occupation</th>
<th>Total Resale Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kevin</td>
<td>M</td>
<td>32</td>
<td>Marketing Planner</td>
<td>60</td>
</tr>
<tr>
<td>Ivy</td>
<td>F</td>
<td>25</td>
<td>Realtor</td>
<td>150</td>
</tr>
<tr>
<td>Ann</td>
<td>F</td>
<td>23</td>
<td>Teacher</td>
<td>50</td>
</tr>
<tr>
<td>Alex</td>
<td>M</td>
<td>40</td>
<td>Driver</td>
<td>12</td>
</tr>
<tr>
<td>Chen</td>
<td>M</td>
<td>35</td>
<td>MIS Engineer</td>
<td>3</td>
</tr>
<tr>
<td>Wang</td>
<td>M</td>
<td>26</td>
<td>Telemarketing Sales</td>
<td>200</td>
</tr>
<tr>
<td>Vicky</td>
<td>F</td>
<td>32</td>
<td>Nurse</td>
<td>50</td>
</tr>
<tr>
<td>Lisa</td>
<td>F</td>
<td>23</td>
<td>Student</td>
<td>60</td>
</tr>
<tr>
<td>Tony</td>
<td>M</td>
<td>22</td>
<td>Student</td>
<td>5</td>
</tr>
<tr>
<td>Yang</td>
<td>M</td>
<td>22</td>
<td>Student</td>
<td>30</td>
</tr>
<tr>
<td>Ying</td>
<td>F</td>
<td>22</td>
<td>Student</td>
<td>4</td>
</tr>
<tr>
<td>Howard</td>
<td>M</td>
<td>22</td>
<td>Student</td>
<td>20</td>
</tr>
<tr>
<td>Lisa</td>
<td>F</td>
<td>29</td>
<td>Secretary</td>
<td>50</td>
</tr>
<tr>
<td>Mandy</td>
<td>F</td>
<td>32</td>
<td>Housewife</td>
<td>100</td>
</tr>
<tr>
<td>Kelly</td>
<td>F</td>
<td>42</td>
<td>Housewife</td>
<td>40</td>
</tr>
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components are usually usable and have value, I resell them on auction sites to get money for more purchases.”

**Wang (M, 26):** “I am a lover of electronic products and always use the newest models of digital cameras, TV games, PDAs and computers. Because electronic products are quickly replaced by new models and I can’t afford all these items, I deal with the problem by reselling them. I always keep all packaging, receipts, and guarantee certificates to support my resale. Once I start using new products, I list them on Yahoo auctions at the same time. Therefore, I have enough time and a higher chance of selling them at high price. Usually, I can resell them within three months at 95 percent of my original price. It’s a good deal for me because I can enjoy using the latest models at a very low cost and risk. Of course, sometimes I will buy a new model before reselling the old one.”

**Yang (M, 22):** “On one occasion, I sold my sets of English course material because I spent too much traveling during summer vacation. I had to do this or I wouldn’t have enough money for support.”

**Emotional/Social Motives.** We found that waste avoidance is an important emotional motivation, and most participants believe that resale gives them a sense of achievement as well as some entertainment. Keeping useless goods or discarding them is a waste when consumers are aware of the possibility to trade them online; the process of turning trash into cash is also seen as an achievement and a source of entertainment. Items traded by consumers are usually products related to their hobbies, which makes trading goods with people who have the same hobbies more interesting and an opportunity for socializing.

**Tony (M, 22):** “I spend lots of money on online games. A few months ago I became tired of playing online games and wanted to quit. I sold these virtual weapons and treasures on auctions for NTS20,000” (Emotional motives: avoidance of wasting).

**Lisa (F, 23):** “Reselling on an auction site is like playing a game because every time you sell a thing successfully, you receive positive feedback. Some friendly buyers even leave very sweet and encouraging comments on your pages that always make me feel happy and thankful” (Emotional motives: achievement).

**Kevin (M, 32):** “I can’t believe I am actually doing ‘international trading’ by importing collectible military medals from overseas on eBay and selling them in Taiwan. It’s great and I am proud to tell stories about these medals to buyers and my friends” (Emotional motives: achievement; socializing motives).

**Ivy (F, 25):** “Of course, you need expertise to resell. In the beginning, my products were traded at a lower price. Now I realize the product photos are the most important part of a successful resale, because the photos can talk when you are trading online. Besides photos, a complete product introduction, good service and timely answering of customer questions are also key elements for good resale. In addition, purchasing brands with a better resale price is also important. I feel the process is challenging and interesting” (Emotional motives: achievement and entertainment).

**Ann (F, 23):** “A buyer who purchased my comic books expressed her gratification to me because he had tried to find these comic books for several years. We talked happily about comic books online via email and MSN and later became good friends” (Socializing motives).

**House-Grooming Motives.** Half of the participants said that their online resales are related to house-grooming. When this is the main motive, some consumers don’t really care how much money they get, but retiring unwanted goods at acceptable prices is satisfying. Space-consuming and low-value products are at the top of the list of items to be resold by consumers who desire a neat and tidy living space. Therefore, consumer resale behavior for this type of seller is subject to their attitude toward their living space.

**Alex (M, 40):** “I do not have enough room to keep my children’s clothes, toys and baby care items. Reselling these items can make lots of money and create more space in my house.”

**Mandy (F, 32):** “Books lose their value after I’ve read them. Therefore, I’d like to resell them to create more space.”

**Kelly (F, 42):** “I regularly get rid of unwanted stuff to make my space neat and tidy. I am not concerned about the resale price. I believe keeping useless goods is a waste of space, just like a waste of money.”

**Product Attachment and Endowment Effect**

The interview findings indicate that the respondents have emotional attachment to certain products that they are not inclined to resell. However, once they have made up their minds to resell these products, they detach themselves from the possessions and offer a reasonable resale price without being impeded by their personal emotions.
However, we failed to discover obvious endowment effects among the respondents we interviewed.

Howard (M, 22): “I never considered selling my first motorbike, even though I hadn’t ridden it for several years. I keep it in good condition and know it could be sold at good price, but it brought me many good memories and I don’t want to lose it.”

Ann (F, 23): “The first thing I will do is to check the possible resale price if you give me a mug I don’t like. Then I hope to sell it as quickly as possible because I have too many mugs and have no room to keep it.”

CONCLUSIONS AND DISCUSSION

Our study revealed that utilitarian trade-up is a prominent motive for consumers to resell online. Consumers with resale skills treat goods as liquid assets and an alternative cash account, both of which allow them to trade up for other products by selling the old ones. Moreover, emotional motives outweighed monetary drivers for consumer resale because online resale offers consumers the psychological benefits of fun and a sense of achievement.

The results of our interviews do not entirely verify our speculation about the less social relationships involved in online consumer resale, as compared to the transactions made in the face-to-face secondary markets such as garage sales. In fact, the participants in our study revealed a strong socializing motive in reselling online. In spite of the lack of face-to-face contact, the Internet facilitates the development of interpersonal relationships across national and cultural boundaries; consumers worldwide can exchange information instantly at a lower cost by email, MSN messenger, chat rooms, or Internet phone programs, and those with shared interests can interact online to share their hobbies without geographic and time constraints.

Our study was unable to identify a case of the endowment effect, although consumer attachment to products was found. One possible reason is that these consumer resellers mentally remove the endowment effect before they decide to resell. This finding conforms to the previous research that the endowment effect has not been observed when goods are for exchange (Kahneman 1992). The other possibility is that people with strong endowment tendency may be less likely to become online resellers and so are not included in our study sample. Nonetheless, we believe that product attachment, the endowment effect, and other emotional factors still serve important roles in determining if consumers will resell their belongings.

Our findings may indicate that a consumer’s resale plan tends to influence product choice at the time of purchase. In the pre-purchase phase, our respondents with the intention to resell searched for product resale information and placed more value on products that suited secondary market preferences. For example, they may have preferred brands offering a longer guarantee period because it will be a benefit in the resale. Consumers who are willing to resell and capable of reselling might also perceive lower risks associated with purchase than those who solely buy and use. Thus, future study could investigate whether the online secondary market can reduce consumer post-purchase dissatisfaction by allowing consumers to recover some acquisition costs via reselling. Furthermore, consumers’ knowledge about the resale price on the secondary market may also directly affect their attitudes toward and their perceived value of a brand, regardless of any intention to resell. In the post-purchase phase, consumer satisfaction with a brand may also be heavily altered by the resale results. Further, it is possible that consumers may be less likely to purchase a new product if they cannot make “complete use” of it without being able to resell it. Under this circumstance, consumer online resale could help to ease the psychological dissonance arising from a mis-purchase or incomplete use of products (Okada 2001).

By adding consumer resale notions to traditional consumer behavior perspectives, we expand the consumer decision process to include the resale stages in a conceptual model, as shown in Figure 1. Although the model proposes a relationship between purchase and resale, not all consumers with online resale intentions may go through this process; however, we propose that the generalized post-purchase phase should include phases of pre-resale and post-resale. This grants the prospective research potential to examine consumer post-purchase behavior in a broader perspective. Similarly, a study of consumer resale behavior should include both pre-purchase and post-purchase linkages.

While the speculated cannibalization effect (Ghose et al. 2005) predicts that the C2C online auction market may steal some sales from retailers, online auction sites may actually lead to more new product sales from retailers (Paden and Stell 2005). Consumer online resale brings them cash to recover part of the original purchase payment, which could encourage them to buy more from retailers (Paden and Stell 2005) and thereby increase retail sales. Furthermore, online reselling can act as a useful risk-reliever; buyers can dispose of used goods to the secondary market, which allows consumers to spend less time searching product information and to purchase products they previously could not afford or about which they are hesitant.

With the growth in user population and the development of the Internet infrastructure, there is little doubt that the phenomenon of consumers as resellers will prolifer-
ate. Given its potential impact on changing consumer purchase and consumption patterns, online consumer resale behavior should be extensively addressed and studied. Even though a large portion of consumers have not participated in the online secondary market, the impact of C2C e-commerce is intensifying, with more selling agents and online resale consignment stores emerging daily (Paden and Stell 2005). The more efficient the information flow on the Internet and the lower the cost to resell products online, the faster consumer behavior will change and the more useful will be the study of consumer online resale behavior.

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PRIVACY, E-COMMERCE, AND VIRTUAL PROPERTY: OUTLINING A LOCKEAN THEORY OF INTERNET CONSUMER RIGHTS

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ABSTRACT

E-commerce and technologically assisted marketing techniques present many opportunities for marketers to interact with consumers. The internet not only provides a flexible platform for exchange, but given its interactive interface and potential for data surveillance, its manifestation within e-commerce raises complex questions about privacy and consumer rights. In the paper, I consider the issue of internet privacy from a normative marketing ethics perspective and outline a Lockeian theory of internet consumer rights. I argue, in particular, that the surveillance of consumer internet activity without proper consent is a violation of a consumer’s “virtual property rights.”

Key Words: digital information, e-commerce, intellectual property, John Locke, labor theory of private property, privacy, social contract theory.

INTRODUCTION

The rapid advance of information technology in e-commerce raises complex ethical questions about consumer rights and end-user internet privacy. The techniques of data surveillance to emerge within the last decade range on a scale from novel and creative to intrusive and Orwellian. My focus in this short paper is to outline a normative justification of internet consumer rights that is based upon a labor theory of private property. Using John Locke’s classic social contract theory as a backdrop, I argue that an end-user’s activity on the internet, such as clickstream data and the input of personal identity information, are a recognizable form of labor-activity which underlie a meaningful notion of “virtual property.”

CONSUMER PRIVACY AND NORMATIVE MARKETING ETHICS

As an ethical notion, “privacy” tends to be a fuzzy, if not prickly, concept. There is considerable debate, both historically and in contemporary ethical discourse, about whether privacy is a fundamental human right or if it is just a human interest that only potentially has moral significance. Critics of privacy typically present one of two basic objections (DeCew 2006). The first assumes a Reductionist’s strategy. On this view, privacy turns out to be nothing more than a name or placeholder for a cluster of security concerns that involve an individual’s health, property, or plans for the future. Privacy is nothing in-itself; it is just a shorthand way of talking about something else that may or may not have moral import. A second typical type of skeptical challenge to privacy is to deny its place or meaning within a moral community. Stated simply, this alternative view says “if you’re not doing anything wrong, you have nothing to hide, and you should have no rational interest in preserving your privacy.” Privacy rights, it is argued here, are simply a way to disguise and protect the oppressive and exploitive behavior of a hegemonic authority. On this view, privacy is less of something to preserve than it is something to guard against.

Proponents of privacy, in contrast, maintain its critics are too quick to look past those features of human experience that make privacy important. Some ethicists argue, for example, that privacy is a precondition for intimacy which (itself) is a fundamental human need (Fried 1970; Cohen 2002). Insofar as human beings require intimate relationships for a meaningful and happy life, privacy is regarded as a basic human right. Others argue additionally that respect for one’s privacy follows from a more general ethical duty to preserve human dignity (Bloustein 1964). The idea here is that since human beings are by nature vulnerable to errors in judgment and decision making, privacy for the individual is necessary to protect against embarrassment and society’s ridicule. Although these positive theories of ethical privacy could prove relevant for a discussion of e-commerce and marketing ethics, my approach here in this paper will pursue a slightly different course.

In the legal and public policy realm, the term “privacy” has a much clearer designation. As a citizen and member of society, the concern for privacy is justified by the desire to preserve an individual’s sovereignty against the collective power of a group, such as government or special interest. In historical terms, the far more destructive and systematic threat to personal well-being within society has not been the individual, acting as an individual, but rather government. As the political philosopher John Hopers, notes: “unlike individual criminals, government has the power to arrest and try; unlike individual criminals, it can surround and encompass a person totally, dominating every aspect of one’s life…” (Hospers 2004 [1974], p. 27). From a legislative perspective, therefore, privacy laws are presumably created to preserve a citizen’s anonymity, insofar as anonymity serves as a measure of security from societal threats.
From a marketing ethics standpoint, however, it is prima facie unclear what exactly the correct understanding of “consumer privacy” entails. From a traditional transactional marketing perspective, for example, it is difficult to see how any claim to a “right to privacy” within the marketplace is justified (Norberg and Horne 2006). That is to say, if you really want to retain anonymity in the marketplace, it is something you should have to pay for (either in terms of hiring a purchasing agent to advance your concealed interests or in your willingness to accept an un-negotiated price from the seller). Consumer privacy, at least in the traditional sense, appears illegitimate. Entering a marketplace is almost by definition a public and social activity; if you want to retain your privacy, you simply need to stay home.

From a more contemporary perspective, it might be argued that the concern for consumer privacy is motivated by a suspected collapse between the social identity concepts of “citizen” and “consumer.” This sort of thesis is reminiscent of Max Horkheimer and type of the social criticism that surfaced during the mid twentieth century from the Frankfurt School in Germany (Horkheimer 1974; Schmidt 1996). The claim here is that within advanced capitalism boundaries between the state, family, and market blur and intersect. Since there is no meaningful difference between the “self-as-citizen” and the “self-as-consumer,” the threat of harm from market institutions should be perceived as just as real as those from political institutions. In modern day capitalist democracies, the possible existence of a clandestine alliance between multi-national corporations and government is certainly not hard to imagine. Given the wealth of information that results from a marketer’s segmenting of consumer populations, there is little question that politicians and those seeking public office could benefit from such information.

Now whether the political and consumer realms of society have in fact collapsed, or they are about to collapse, or they are far from ever collapsing, are a set of concerns I want to bracket and set to the side. Although perhaps a fascinating philosophical question about how the world is, or how the world is becoming, my concern here in this paper involves a normative ethical question. In more precise terms, my primary focus is with the question of how best to justify consumer privacy within e-commerce.

There is little question among technology experts that there has been an explosion of innovation in data surveillance recently that allow firms to survey end-user internet activity for the purposes of channeling products and services. Modern day techniques of data collection utilize a sophisticated form of behavioral and location profiling that potentially compromises consumer privacy. But rather than pursue a strategy of consumer rights that emphasizes protection from special interest or government, I recommend a Lockean consumer autonomy theory where consumer virtual property stands preeminent for defining e-commerce consumer rights.

LOEKE’S “STATE OF NATURE,” THE LABOR THEORY OF PRIVATE PROPERTY, AND THE INTERNET

Using social contract theory as a framework within normative marketing ethics is certainly not new. Several projects in recent years have considered the relevance of social contract theory for understanding the fundamentals of the exchange-concept within the context of marketing research. Donaldson (1982), for example, examines the relevance of a Hobbesian (self-interest based) paradigm for exploring the dynamic relations of a corporation “as a productive organization.” Dunfee, Smith, and Ross (1999) go further to outline an “Integrative Social Contracts Theory” (ISCT) and its specific application to the issue of bribery within consumer markets. My attempt here to use a Lockean construct for consumer rights on the internet, therefore, should not appear exceptionally novel.

There are three basic theoretical components to classical social contract theory. First is the concept of a “state of nature,” second is the “social contract” itself (or the agreement that is formed between consenting individuals in a problem dynamic), and third is the role of law or authority in a just agreement/society. Intuitively, the social contract theory of Thomas Hobbes seems to have the most plausible application to business, and specifically, the type of exchange present in international transactional marketing. In Hobbes’ state of nature, for example, the absence of a formal authority allows for free and unfettered competition among nature’s inhabitants. However, according to Hobbes, the state of nature inevitably becomes a state of fierce competition, complicated by conditions of scarcity and limited resources. Self-interest and the innate desire for self preservation lead to a “state of war” of “every man against every man.” For Hobbes, the natural discontent that prevails within the state of nature compels those within it to seek the protection and dominance of an all-powerful monarch. It is only by the direct transfer of one’s natural rights to all-powerful authority that natural inhabitants enter a civil society of law and order.

Locke’s social contract theory contrasts with Hobbes’ in that the initial conditions upon which natural inhabitants find themselves are remarkably different. In Locke’s state of nature, although natural inhabitants are faced with scarcity and limited resources, their sympathy and rational abilities enable relative peaceful transactions to take place. Although there is no guarantee to peace or a mechanism for grievance, societal harmony and individual production are at least possible. Another important
yet subtle difference between Locke and Hobbes’ conception of the state of nature is how Locke seems to revere the state of nature, not as a period of human social-anthropological development, but rather as a relational construct that ranges over certain types of human relationships. So for example, on Locke’s theory, if the right type of governing body is in place and those abiding by the law interact, any and all exchanges that take place, take place outside of the state of nature. At the same time, however, under Locke’s theory, it also possible for the very same people in a different context, far removed from legitimate regulative authority, to be outside the state of nature if the nature of their exchange is removed from the sight and reach of legitimate authority. For Locke, therefore, civil society is established relationally between individuals and groups who participate in the right kind of consensual agreement.

Although it is reasonable to be cautious of any effort that extends Locke’s seventeenth century conception of political society to an aspect of our contemporary day business society, such as e-commerce, I do believe that there is a something very compelling about doing so. For Locke, inhabitants in the state of nature are all equal (in that each person has equal opportunity to use and consume the bounty nature affords). For Locke, nature is a gift of a divine maker and serves as a commons to all who inhabit it. Although Locke’s language is antiquated and his repeated references to God are not particularly germane, I urge there is a fairly tight analogy between the internet, on one hand, and Locke’s state of nature, on the other. The rational architecture of nested communities on the internet, it could be argued, entails equality in the sense all cyber-inhabitants have equal access to use and access information for their own luxury and convenience.

Now central to Locke’s theory of justice is the idea that you can harm another person by undermining their claim to property or taking without consent what another has procured for herself. The right to property, which is closely connected to the right to life for Locke, stands at the heart of his social contract theory of justice. Yet how exactly private property comes about in the state of nature poses somewhat of a vexing problem, both philosophically and for Locke. After all, how does a state of complete equality allow any one person to own anything, when everything is held in common? Put slightly differently, how in a context of no private ownership can the concept of property come into existence? Locke’s answer: the labor theory of property.

Locke’s labor theory of property is comprised of two basic theses. The first is that each and every person has ownership of his/her body and life and second is that each and every person retains ownership over the things that result from personal labor. Locke believes that in mixing one’s effort/work with the natural environment to obtain a particular sought-after-benefit, the result of such labor results in the production of private property. The crucial passage, from Chapter V of his Second Treatise of Government, reads as follows:

> Though the earth, and all inferior creatures, be common to all men, yet every man has a property in his own person: this nobody has any right to but himself. The labor of his body, and the work of his hands, we may say, are properly his. Whatevsoever then he removes out of the state of nature hath provided, and left it in, he hath mixed his labor with, and joined to it something that is his own, and thereby makes his property. It being by him removed from the common state nature hath placed it in, it hath by this labor something annexed to it that excludes the common right of other men (Locke 2003 [1690], p. 111–112).

The example Locke gives when illustrating his labor theory of property involves the gathering of acorns and apples. Insofar as the inhabitant of nature uses her industry and effort to locate the right tree and safely procure its fruit, the activity of this labor is the basis upon which the fruit becomes her legitimate possession.

An important corollary to Locke’s labor theory of property involves two stipulations about how private property should be justly acquired. The first is essentially an anti-harm principle which cautions against invading or taking another’s fruit of labor without consent; and the second is a beneficence principle that requires the labor performed and property subsequently acquired not to unnecessarily detract from the bounty and goodness of the commons, so that others can participate in a labor-property producing process.

Locke’s mixing-metaphor (i.e., the idea that labor is combined with elements of common nature), can arguably be applied to a discussion of privacy and internet consumer rights. Although the mixing-metaphor proves to be the source of much debate among Lockean scholars, its application to the world of business, and specifically e-commerce, is relatively unproblematic. It is not the case, for example, that our use of the mixing-metaphor in this paper is intended to serve as a justification for property in general or how the fair distribution of wealth in society should proceed. Although these are interesting questions, no doubt, our focus here is with the question of how to justify a particular type of property within e-commerce. Put simply, both property and labor are fundamental concepts of capitalism and the modern business world, so the application of Locke’s mixing-metaphor should appear rather seamless in a discussion of ecommerce and consumer privacy.

The central notion of my account of a Lockean theory of internet consumer rights is “virtual property.” Briefly
defined, virtual property is the result of a computer end-user’s activity on the internet and involves three basic types of labor-activities: (1) clickstream data; (2) the input of syntactically complete data; and (3) the input of personal identity information.

Clickstream data is the product of a computer end-user’s activity, once she has entered a particular web platform (or URL address) and a historical record of the links visited are recorded on the end-user’s local memory/hard drive. In fact, it is often the case that the end-user’s “temporary internet files” or locally stored “cookies” are what serves as a primary source of data surveillance. More recently, the development of *java script* and *flash-cookies* has made both the recording of clickstream data much easier to procure and the monitoring technology harder to remove from an end-user’s machine.

The input of syntactically complete data differs slightly from clickstream data, although it is certainly possible that a given instance of an end-user’s internet activity could count as both. A paradigm example of inputting syntactically complete data is after an end-user learns the existence and location of a particular website and physically types its URL address into his/her browser. The information that is physically inputted requires a minimum level of syntactic correctness, in order to bring about the end-user’s goal of obtaining certain information. In this particular context, an end-user’s IP address, controlled by an end-user’s web-browser navigation, is potentially vulnerable to an unintended compromise of end-user anonymity. Although certainly a form of clickstream data, syntactically complete data requires an increased degree of user competence and real world knowledge.

The input of personal identity information is perhaps the most labor-intensive of an enduser’s internet labor-activity. It also tends to be the most sensitive information that is vulnerable to exploitation. Familiar to anyone who has ever had to fill out an on-line job application, request for housing, or credit contract, the time and labor commitment is relatively significant. Personal identity information may include one’s name, occupation, date of birth, address, contact information, phone numbers, and email address. Differing slightly from the two other forms of internet labor-activities, personal identify information has actual labor underlying it. That is to say, it is all the sorts of things in the real world that make an internet end-user’s cyber identity possible: the economic stability to operate a computer, retain a place of residence, a communication device, etc.

Virtual property is the basis for consumer internet rights. Insofar as an end-user’s internet activity is a deliberate and creative effort to bring about an intentional experience that relates to an end-user’s interests and preferences, any record of clickstream history remains the end-user’s own virtual property. Important for our purposes, therefore, is recognizing the actual physical labor that is involved in an end-users internet activity. Virtual property differs sharply from intellectual property where the product of one’s labor is often intangible. In one important respect, virtual property has a foot in the real world; the physical clicks of the mouse, strokes of a keyboard, and the labor necessary to sustaining one’s life all qualify for Locke’s mixing metaphor. If the notion of virtual property rights is plausible within a discussion of internet consumer rights, it appears a firm’s marketing strategy is therefore obligated to respect the virtual property rights of end-users.

In practical terms, a firm’s respect of end-user virtual property requires that whenever a firm desires access to information about an end-user’s activity, fair and adequate reparation must be provided. Any clandestine access or non-consented-to use of an end-user’s clickstream data, represents an unjustified violation of end-user property rights. Examples of how e-commerce firms might compensate for the trade of virtual property data might include free internet wireless access (as provided by *Google* in some public areas, such as airports and train stations) as well as subsidize certain hardware components. In 1998, for example, when *Tivo* (the television recording service) was preparing its marketing strategy it actually considered a product line where physical hardware would be provided free in exchange for unrestricted use of consumer viewing behavior and preferences *(Wathieu and Zoglio 2005).* Ultimately, however, the company opted for a pricing scheme where consumers pay for both the service and hardware component as well as relinquish viewing behavior information only to *Tivo.*

**DEFENDING INTERNET CONSUMER PRIVACY FROM A PROPERTY RIGHTS PERSPECTIVE**

At first glance, defending internet consumer rights from a property rights perspective, might appear to be a monumental task. After all, Locke’s labor theory of property is not unequivocal (particularly as a general theory of societal economic justice). Yet for our purposes here, it is important to recall that the central task is not to justify the economic foundation of property in general, but rather identify the normative justification for consumer rights within e-commerce. Property and ownership are fundamental concepts of value that underlie a notion of exchange within business. Arguably, these concepts of value are what makes equitable exchange in a capitalist society possible. Property, ownership, and consent are the bedrock to a functional system of commercial exchange.

In order to outline fully the type of normative justification for internet consumer rights I have in mind, it is perhaps necessary to address two worries or objections. The first involves understanding the ontological reality of
virtual property, as such. If, for example, “virtual” is synonymous with “not real” or “only apparent,” then it is unclear what real justification a Lockean labor theory will have for consumer rights on the internet. That is to say, if there is nothing real produced from the labor activity of the end-user, then it is unclear what real basis there is for equitable exchange. The second worry has to do with the competing worth or value of virtual property possessed by firm-side marketers. Very briefly, the objection here is that the labor and complex analysis which goes into the latest data surveillance techniques are far superior to anything that is produced by an end-user’s clickstream data. That is to say, the intellectual objects and virtual property produced by firms require an extensive amount of planning, investment, research, and development. End-user production, in contrast, is often unplanned, impulsive and non-goal directed.

The first objection, having to do with how exactly the reality or substance of virtual property is understood is arguably a version of a problem that sometimes arises in discussions of intellectual property (Spinello 2002; Spinello 2006). In his discussion of Locke and intellectual property rights, for example, Herman Tavani notes: “physical objects and intellectual objects are qualitatively different kinds of things, at least with respect to relevant characteristics pertaining to property rights” (Tavani 2005, p. 88). The central contention is that virtual property is not real in the sense that allows for a genuine exchange of something in the real world. The mere process of copying digital data is not in line with the traditional model of a transactional commercial exchange. End-user virtual property never leaves its local hard drive even after its “recycled” or “trashed” from its accessor operational memory. In this respect, digital information is neither created nor destroyed: it just sits idle or disorganized until a computer assisted reading protocol can make sense of it.

The reply to this objection requires a quick reminder about the three kinds of end-user labor-activities outlined above. Recall, in addition to clickstream data and syntactically complete data, there is personal identity information and the underlying reality which sustains it. One’s physical address, the ability to pay bills, and all the rational capacities required to be a competitor end-user, turns out to be the ontological foundation of one’s virtual property. So, unlike intellectual objects that have a more ethereal nature, virtual property is exempt from a standard objection against intellectual property.

The reply to the second objection presented above, which concerns the apparent discrepancy between the relative value of firm-side and end-user virtual property, involves inquiring into why firms are ultimately so interested in end-user activity (in the first place). It is not simply the potential end-user’s click stream data represent for business and firms. A consumer’s self-segmenting and self-revealing preferences are information that firms are actually willing to pay for. Recall the set of examples presented at the close of the previous section. Both Google and Tivo, each at different times, have presented compensatory schemes where consumers could be remediated just by revealing their personal preferences. Therefore, the reply to the objection involving a relative discrepancy between firm side and end-user virtual property is simply to reference how firms (themselves) interpret “value” within a firm’s marketing production chain.

**SUMMARY AND AGENDA FOR FURTHER RESEARCH**

Privacy concerns undoubtedly have a cultural, historical, and sociological dimension. From the objective lens of a marketing researcher, the concern for privacy might reasonably be identified as a subjective preference of the consumer. Yet one of the more important philosophical questions to emerge from a marketing ethics perspective is how internet privacy should be weighed and protected. At a minimum, the transformation of internet and computer technology forces society to reevaluate itself and rethink individual identity. As Dan Palmer (2005) writes: [modern internet marketing technologies] ultimately turn upon question of technique and the way in which technologies can transform the fundamental means by which relationships are established and maintained with a social environment (Palmer 2005, p. 271). There is no question that issues involving consumer’s wants and needs on the internet must be considered within a broader context of fair-exchange within our evolving social environment. What I have attempted to argue here in this paper is that consumer rights on the internet should be evaluated in terms of an end-user’s labor-activity and possession of virtual property. Using John Locke’s classic social contact theory as a backdrop, I believe we can inform our understanding of consent, consumer autonomy, and the legitimate separation of societal powers.

To conclude, I will mention briefly two areas of further research that relate to a Lockean analysis of internet privacy and consumer rights. The first involves the broad issue of consent and what, at least in theory, would count as genuine consensual release of an end-user’s virtual property. Although a difficult question, a potentially fertile related area to consider is work conducted within the area of consumer rights and fair lending practices. For example, the different techniques within the credit card industry of informing consumers of loan features provides an interesting parallel with which to compare virtual property rights. As is so often the case, even if a firm or business provides disclosure in terms of a written legal document, is that (in-and-of-itself) sufficient from a consumer standpoint to grant consent? And what exactly counts as consumer comprehension of such disclosure?
A second area of further research involves the construction of competency requirements for on-line consumers to pass in order to gain full autonomy within e-commerce. One possible avenue, for example, is to construct a model of competency testing similar to the IRB (Institutional Review Board), the organization that oversees the ethical treatment of human and animal test-subjects at colleges and universities. In some cases, the IRB requires interested researchers to complete an on-line tutorial as a means of certification. Thus if both businesses and consumers were forced to engage in a competency testing interface before fully communicating, then there may be some way to guarantee real and proper consent. Ultimately, however, any such measure would be precautionary and contingent on the decision of business to remain transparent and disclose to the consumer exactly how information is being collected and for what use. To this end, appealing to a notion of “virtual property” might be the first step in establishing this ethical standard.

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THIRD-PERSON EFFECT AND ONLINE SOCIAL NETWORKING: IMPLICATIONS FOR VIRAL MARKETING, WORD-OF-MOUTH BRAND COMMUNICATIONS, AND CONSUMER BEHAVIOR IN USER-GENERATED CONTEXT

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SUMMARY

This study is the first to link the third-person effect theory to online social media. The survey results of a college student sample (N = 245) support the notion that people perceived others to be more strongly affected by social networking Websites than themselves. This finding held true for various types of others: female friends, most college women, and most college men. However, male friends, siblings, and important other, due to close social distance to self, were not perceived to be more influenced by the media. Also, the findings indicate that media types and level of involvement with SNWs influence the magnitude of third-person effect. Interestingly, regressions reveal that the behavioral consequences decrease as the third-person effect increases. Based on the results, implications for viral marketing, word-of-mouth communications, and consumer behavior in online social networking are discussed. Additionally, we provide the theoretical contribution of this study as well as future research suggestions.

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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 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).

The reasons why retailers engage in CSR initiatives are not only rooted in laws, accounting regulations or ideological/ethic motives. Retailers are also aware that their customers are evaluating them more and more based on their socially responsible behavior. Thus, the issue of whether or not to behave in a socially responsible, is both ideological and economic in nature (Smith 2003). Retail companies have learned that “not only is ‘doing good’ ‘the right thing to do,’ but it also leads to ‘doing better’ through its positive effects on key stakeholder groups” (Bhattacharya and Sen 2004, p. 9). The leading U.S. retailing magazine Chain Store Age, thus labeled corporate social responsibility as “the defining issue of our time” (Wilson 2008).

With our study we contribute to the knowledge on the impact of CSR activities on retailers’ performance. Using a comprehensive conceptualization of CSR, we show both from the retailers’ and the consumers’ perspectives not only that CSR has positive performance implications but also which CSR dimensions are important to focus on to improve corporate performance and consumers’ purchasing behavior. We also highlight the impact of CSR communication activities for company success both in terms of general communication to the stakeholders and regarding in-store communications and show the importance of the credibility of retailers’ CSR activities.

Our conceptual model (see Figure 1) is based primarily on stakeholder theory which implies that companies...
are managed with consideration of the legitimate interests of all appropriate stakeholders (Donaldson and Preston 1995). The basic premise is that CSR helps to improve the company’s relationships with the relevant stakeholder groups by establishing mutual trust, which, in turn, reduces certain risks in the relationship. CSR thus promotes cooperation and loyalty between the company and its stakeholders.

In order to test the hypotheses, an empirical study was conducted by means of a written survey of 500 randomly selected retail companies in the German-speaking countries. Ninety-one questionnaires were returned (response rate: 18.2%). Measurement validation and model testing were conducted using SmartPLS (Partial Least Squares).

The results of our study on the impact of CSR on the success of retail companies is in line with research that generally suggests that even though CSR activities are associated with (in some cases high) expenses, the influence on market performance is positive, both in terms of affecting non-monetary aspects such as customer satisfaction and loyalty and of augmenting company financial performance. This is reaffirmed for the retailing industry.

While we found less support of a direct impact of CSR activities on financial performance than expected, given the previous research, the results indicate that CSR is an important area for retailers to focus on in order to improve non-monetary performance dimensions that lead indirectly to an improvement in financial performance. In this context, it is not only important that companies act in a socially responsive and sustainable manner, but also that they communicate to their customers and to society that they engage in CSR, as these communication efforts impact company success. Retail companies report that they feel pressured – and the present study confirms that they are indeed – by external actors to engage in CSR. Also, the study indicates that CSR communication activities are of considerable importance for company success. References are available upon request.

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IDENTICAL CSR STRATEGIES, DIFFERENT MARKETING OUTCOMES

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SUMMARY

Previous research has focused upon how organizations can work with corporate social responsibility (CSR) inside their organization (e.g., Weaver, Treviño, and Cochran 1999). Since CSR has been regarded as difficult to define, especially for corporate managers, it has been concluded that managers preferably should work with CSR as a response to various stakeholders (Carroll 1979; Frederick 1994; Wood 1991). Yet, it is not clear why some corporations are positioned as socially responsible while others are regarded as socially irresponsible. It has been suggested that corporations become positioned as socially irresponsible because managers are immoral and amoral (Carroll 1991), or that managers simply do not understand what CSR is and how it is connected to their daily practices (Maignan, Ferrell, and Ferrell 2005). In our study, we have investigated why some corporations become positioned as socially responsible and others as irresponsible. For this we have studied how managers in their everyday work give meaning to CSR. We have also studied how corporate stakeholders interpret CSR.

In this study we draw on insights from critical discourse analysis (e.g., Bloomaert 2005; Fairclough 1995; Wodak 2001), studying texts in three different levels; (1) close studies in texts for description; (2) analysis of how texts are produced, interpreted, and consumed; (3) analysis of the socio-cultural context where texts are practiced (connection to social theories like “globalization” to explain specific events). Within critical discourse analysis, the assumption is that certain social practices are given meaning in the interplay between various social actors. In sum, we have studied 369 texts produced and distributed by various organizations. A first study of CSR as constructed within organizations included 21 interviews with managers within one British and one Swedish leading retail organization. Results from this study led us to extend the study to also include different stakeholder organizations (competitors, governments, non-governmental organizations, and collaborative organizations) in Britain and in Sweden. In this extended study we analyzed documents distributed on organizational web pages with the help of the three-dimensional framework for critical discourse analysis as described above.

Results from the intra-organizational study indicated that corporations integrate CSR with marketing strategies in order to reach a position as socially responsible, preferably connected to corporate or product brands as a response to consumer demands on CSR. Yet, although the two studied retailer organizations applied similar strategies, they faced different outcomes in relation to how they were evaluated by stakeholders. Whereas the British organization was evaluated as socially responsible, the Swedish organization was defined as rather irresponsible from a CSR perspective. However, while the British organization faced a quite homogeneous CSR debate in their local environment, the Swedish organization found itself facing a much more heterogeneous CSR debate.

Our conclusion from the study is that corporations try to integrate CSR with various marketing strategies inside their own organization. However, this is not always visible for relevant constituents outside the corporation working with CSR. By focusing on CSR as a response to different market actors (stakeholders), CSR is approached in a market driven fashion. Actually, a position as a socially responsible corporation is not only dependent upon how CSR is worked with inside the own organization, but is also dependent upon how CSR is constructed in the context where corporations work. Consequently, CSR is constructed across organizations, requesting corporations not only to respond to stakeholders, but to actually to participate, e.g., in CSR debates, taking part in how CSR is constructed and given meaning in different contexts. Thereby corporations can be seen as not solely responding to stakeholder demands on CSR, but actually to be a stakeholder themselves in CSR debates. Although it may seem as logical that stakeholders should define what is socially responsible, it is at the same time questionable if this responsibility should be left to consumers as suggested by participants in our study. Seeing late modernity as characterized by a knowledge economy often also includes corporations being regarded as an institution of knowledge. It is reasonable to assume that corporate actors like managers have more insights into the social consequences of their business activities than what can be expected from individual consumers. If marketing should inform knowledge on CSR, we suggest exploring marketing in its full potential, and rather than drawing on ideas like market driven approaches, students of CSR could use perspectives suggesting corporations as potentials of knowledge regarding the role of business in society. This has been made, e.g., from perspectives on social marketing, where social responsibility of corporations is not left to the individual consumer but rather made in cooperation between expert organizations (e.g., corpo-
This offers new perspectives on investigations and exploration of factors for success and lack of success in CSR, and opens up for reconsidering what success in CSR would mean from a societal perspective. References are available upon request.

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IS CARBON LABELING EFFECTIVE? THE IMPACT OF CARBON LABELS ON CONSUMER PERCEPTIONS AND PURCHASE INTENTIONS

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SUMMARY

The average American is responsible for 10 tons of CO2 emissions annually through the direct energy used at home, driving, and flying; couple this with the energy used to produce the consumer goods they purchase and that number increases to 23 tons (Carbonfund.org 2007). With heightened environmental concern over the emission of greenhouse gases and climate change, consumers have become more aware of the environmental impact caused by their consumption behaviors. A recent survey conducted by AccountAbility, a non-profit sustainability business consulting company, showed that nearly half of U.S. and British consumers reported they want to know which products cause the least environmental harm. As a result of this and other consumer demands, many consumer packaged goods companies are in the initial stages of implementing what is called “eco-labeling” for many of their products (Green and Capell 2008). The purpose of eco-labels is to inform consumers of the environmental impact of products, so that environmentally concerned consumers can use this knowledge to express themselves in the market, through purchases or identity-related expression (Tang, Fryxell, and Chow 2004).

While eco-labeling is not an entirely new phenomenon, it is taking form in novel ways. Most recently, U.S. companies are beginning to use eco-labels to declare their products as “carbon-neutral.” One way companies can make this declaration in advertisements and product packaging is through the purchase of carbon offsets equal to the amount of carbon produced during the manufacture and transportation of their goods (Elgin 2007). Regardless of the controversies surrounding the use of carbon offsets, they have become one of the most widely used forms of environmental marketing by consumer goods manufacturers. Indicative of their new-found popularity are estimates showing that the market for carbon offsets in the U.S. could be as high as $100 million, up from nothing just a couple of years ago (Elgin 2007). Therefore, how consumers view these specific carbon-neutral labels is of both conceptual and practical interest.

Experiment

In a 2(product) X 2(label) X 3(information) mixed-experimental design the authors examine how consumers view the credibility and environmental concern of companies who use these labels in their ads. Product category (environmentally neutral vs. environmentally hazardous) was a within-subjects factor; the presence/absence of the carbon-neutral label and information (positive/negative/control) were both manipulated between-subjects factors. Study participants were 148 junior and senior students (53% male) enrolled at a major southern university who received extra credit for their involvement in the experiment. The products used in the ads were pretested to determine perceptions of their environmental impact. The information conditions were also pretested to ensure the information conditions were perceived as significantly different from each other.

Results of our analyses show that the presence of a carbon-neutral label in an advertisement, regardless of the type of product, leads to more favorable perceptions of company environmental concern. The presence of the label alone does not appear to have an effect on either company credibility or purchase intentions. The presence of the carbon-neutral label leads to a more pronounced increase in consumer perceptions of company environmental concern for an environmentally hazardous product than for an environmentally neutral product.

Discussion

Results suggest that manufacturers and advertisers contemplating the inclusion of an eco-label should consider how consumers perceive the environmental impact of their products when evaluating the cost-benefit trade-off. Results also indicate that any increased cost might be justified for environmentally hazardous products because the increase in consumer perceptions is greater than for less hazardous products.

Because the type of information given to participants impacted their perceptions differentially, advertisers also need to strategically provide consumers with both the label and information regarding its meaning. Participants that viewed the label and received no information regarding its meaning rated company environmental concern as low as the participants who received negative information about the label. This finding stresses the importance of the information accompanying and clarifying the display of the label. Advertisers should consider employing educa-
tional campaigns upon initial use of an eco-label in order to provide consumers with positive information regarding the label’s meaning. Finally, it might also be beneficial to include print ad disclosures and, when possible, disclosures on product packaging. References are available upon request.

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MEASURING AND MAXIMIZING DONOR LIFETIME VALUE USING DONOR SELECTION AND RESOURCE ALLOCATION STRATEGIES

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SUMMARY

Charitable giving to nonprofit organizations has grown steadily over the past decade. In 2006 alone, charitable organizations received approximately $1 trillion dollars, with close to $223 billion resulting just from individual gifts (private donors) – up more than two times the amount received in 1996. However, in addition to the growth in the amount of donations, the number of nonprofit organizations also increased by around 30 percent in the same time frame. With government backed support of nonprofit organizations decreasing year after year along with steady increases in management fees, the level of competition between nonprofit organizations has increased dramatically. Many nonprofit organizations are fighting for the same donor money. And, the money they are able to raise from the same donors year after year is usually just to keep the same budget at the same level as the previous year. Thus, it is becoming necessary for nonprofit organizations to become more strategic in their methods of marketing to potential donors and in their methods of retaining their current donors so that they can continue to be successful fund-raises in an extremely competitive market of nonprofit organizations.

To this point there has been a dearth of marketing literature on different customer metrics to measure customer value, e.g., Customer Lifetime Value (CLV). However, we cannot necessarily directly apply what we have learned about how customers behave when exposed to economically-oriented marketing in a case where we have donors that behave in a context of social marketing initiatives. In most cases donors make decisions that tend to be more socially, rather than economically motivated. Thus, we cannot directly apply what we have learned in the context of customer value metrics to measuring donor value for optimal donor selection. Donors are not directly purchasing a product or a service as are customers. Donors are giving money to nonprofit organizations for cause-related reasons. For the actual nonprofit organization, the goal in selecting donors is to identify those donors – who in most cases have already chosen to donate to a nonprofit organization – to select a specific nonprofit organization as the destination for the donation.

Thus, the main contribution of this study is four-fold. This study is the first to do the following:

1. Use a cross-sectional, time-series sample of actual donor behavior (not intentions), donation characteristics, and marketing information.
2. Identify the behavioral and demographic drivers of donation likelihood and donation amounts.
3. Use the drivers of donation likelihood and donation amount to measure Donor Lifetime Value (DLV).
4. Offer guidelines for using the results of this study to informed donor selection and resource allocation in strategic marketing initiatives to maximize DLV.

The data used for this study comes from a nonprofit foundation at a public university in the United States. The main purpose of this nonprofit foundation is to support programs beyond the scope of the general budget of the university, whether educational, research, or athletic in nature. We obtained two sample cohorts from this university foundation, one of which includes donors that made their first donation in 2004 and one that includes donors that made their first donation in 2005. In both cases the data includes donation characteristics, donor profiles (demographic information), and marketing data relating to each cohort of donors.

We were able to successfully predict donation occurrence by each of the donors in the holdout sample. For Cohort 1 (2004) we were able to predict with 96 percent accuracy when either a donation or no donation occurred. For Cohort 2 (2005) we were able to predict with 95 percent accuracy when either a donation or no donation occurred. We were able to accurately predict donation value by each of the donors in the holdout sample. For Cohort 1 (2004), the prediction of the value of the donation in a given time period had a mean absolute deviation (MAD) of $794 or a mean absolute percent error (MAPE) of about 18 percent. For Cohort 2 (2005), the prediction of the value of the donation in a given time period had a MAD of $1,764 and a MAPE of about 20 percent. Finally, we used the predictions of donation likelihood, donation value, and past marketing costs to compute the donor lifetime values for both cohorts of donors. We found that the mean DLV for each donor in Cohort 1 (2004) is $165.31 and the mean DLV for each donor in Cohort 2 (2005) is $457.33. We were able to accurately predict...
each donor’s actual value to the organization since the MAD’s for each cohort were $34.96 and $111.31 and the MAPE’s for each cohort were around 21 percent and 24 percent respectively.

While it is the main goal of for-profit firms to maximize profits to please shareholders of the organization, it is also important for nonprofit organizations to maximize the donations from donors to continue support of causes that benefit society as a whole. The implications of this study are not only for nonprofit organizations to determine the drivers of donation likelihood and donation likelihood or to compute DLV for each donor. The implications of this study are also to help nonprofit organizations develop effective marketing strategies to increase return on marketing investment and maximize donations from donors by selecting and allocating resources to the “best” donors.

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A CASE ANALYSIS OF ENTREPRENEURIAL DEVELOPMENT IN CUBA

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SUMMARY

Little is known about how Cuban self-employed workers have fared over time. Since 1993, wide-scale private-sector employment is legal even though it has captured less than two percent of the economically active labor force. Building on Schumpeter and Drucker, I argue that entrepreneurs are distinct from small business owner/managers and are distinct in terms of their entrepreneurial ventures compared to small firms. In the case of Cuba, small private businesses do not exist, further highlighting the unique role of this class of workers. Since their legalization in 1993 under a highly regulated setting, they have been subject to policies and legal maneuvers that make their operations somewhat precarious.

The reasons for the decrease in cuentapropistas (self-employed workers, literally those who work on their own account) are well established. Cuban authorities have frequently changed licensing criteria, leading to confusion and fear about starting businesses. The national newspapers frequently denounce business infractions in examples of theft, hording, or robbery from state companies. In 1994, private income taxes were also instituted for the first time in the history of socialist Cuba. Although many were able to pay their licensing fees to the Ministry of Finances and Prices at the first of each month, end-of-year taxes proved a formidable barrier for many. Another reason is that periodic sweeps by inspectors in 1996, 2002, and 2005 who found “infractions” led to hefty fines and business closures. In 2005, the Cuban government ceased issuing self-employment licenses for 40 job categories that ranged from auto-body repair to computer programming. Evidence shows there is little transparency of norms. Costly prospective licensing fees and the inability to procure wholesale goods make distribution and retailing difficult for solo entrepreneurs. Because only single-person operations are legal in Cuba – with the exception of family-run restaurants – entrance into more than 150 legalized trades has been highly uneven since their inception.

This paper examines attributes and perceptions of a sample of these entrepreneurs in 1998 and 2008. In both years, informants report that shakedowns and kickbacks are not major obstacles to their performance despite the regional pattern in Latin America and the Caribbean. Workers in 2008 were older, better educated, and paid more taxes. Both samples indicate that procuring inputs at wholesale prices remains the most important challenge. Cuban entrepreneurs in 2008 had more formal schooling (14.5 vs. 12 years for the 1998 sample) and had higher net revenues in absolute and relative terms even though they paid more taxes than entrepreneurs did a decade earlier. A conventional interpretation would be that in light of the smaller overall size of this labor force (220,000 in 1998, about 105,000 in 2008), it appears that the private retail and service market has shaken loose those unable to adapt to such a highly regulated market. Such a filtering process indicates that a learning curve about coping with supply chains, taxes, inspectors, and customer base has developed.

Emerging markets can be monitored by the length of time it takes to establish businesses, the stage and penetration of entering new sectors and licensing obstacles, among other criteria. Cuba’s business culture is unfolding unevenly, and the challenges of solo-entrepreneurs appear to be daunting. However, there is considerable business acumen and risk-taking on the island, and the seeds of entrepreneurship in this emerging market are taking hold.

Comparative research about post-socialist eastern European markets highlights the importance of making retailing accessible by foot, despite the growth of shopping centers at the outskirts of towns and cities. Post-socialist policy recommendations should support neighborhood versus big-box retailing given (1) Cuba’s reliance on public transportation since the 1959 revolution, (2) the importance that entrepreneurship holds in Cuba today, despite the modest profit-making nature of the work, and (3) the existing market structure already in place.

Both in the public and in private sectors, transparency in Cuban accounting, banking, and taxation will be paramount if organized crime and public corruption is to be eliminated. The implementation of such business practices as accounting controls, developments of budgets for government agencies, and the training and education of certified public accounts will be necessary in Cuba if corruption and attendant market distortions unfold in a post-Castro era. So-called “free-market” trade without the necessary institutional support would be disastrous.

For this private retailing sector to flourish in Cuba, supply chains must be established that draw on wholesale (versus retail) pricing; if small and medium firms are to prosper in a post-Castro era, a time when the size of government will probably fall dramatically, this will be of paramount importance. Buying in bulk – whether it is
flour, salt, oil, metal, or plastic pellets – is a principal concern of the entrepreneurs sampled. Incremental efforts to permit wholesaling should lead to scale economies and allow private retailers to satisfy basic consumer needs.

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CROSS-CULTURAL DIFFERENCES IN THE EFFECT OF WORD-OF-MOUTH IN RELATIONAL SERVICE EXCHANGE: THE MODERATING EFFECT OF UNCERTAINTY AVOIDANCE

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SUMMARY

Word-of-mouth referral (WOM) is of major importance for the development of trust in business relations (Doney and Cannon 1997; Morgan and Hunt 1994), especially in service relationships (Berry and Parasuraman 1991). For this reason, service companies make substantial investments in programs fostering customer referral and communication among their existing customers. Due to an increasing internationalization of services (WTO 2006), more and more service providers need to develop strategies for these programs that fit target groups in different countries. This would be a challenge for global service providers if the impact of WOM differed across countries and thus, referral increasing activities yielded varying levels of return. First evidence for such differences exists, showing for example country differences in the number of consulted referral sources in the decision for a service provider (e.g., Fong and Burton 2008; Mangold, Miller, and Brockway 1999; Money, Gilly, and Graham 1998). Although the topic has recently gained increased research interest (for a review on cross-cultural services research see Zhang, Beatty, and Walsh 2008), we still need to understand much better how these referral sources influence the customers’ evaluation of their service provider. The present paper contributes to existing research in two ways. First, we examine the effect of WOM on the customers’ relational satisfaction, service quality perceptions, and customer trust. Second, we explore country differences in the effect of WOM on the relational outcomes. We suggest that differences in the Hofstede (1980) value of uncertainty avoidance can explain these different effects of WOM.

We chose retail banking services as a research setting, since, banking services are one of the most strongly internationalized service industries (Zeithaml and Bitner 1996). Moreover, banking services are relatively comparable in nature across different countries (Malhotra et al. 2004). Survey data were collected from 2433 business students from major universities in the U.S., Mexico, Australia, China, Hong Kong, Thailand, India, Germany, the Netherlands, Poland, and Russia which represent different cultural areas (Hofstede and Hofstede 2005).

The results of our study make at least four contributions to marketing theory and practice. First, we show that WOM has a strong positive effect on different aspects of the evaluation of a B2C service provider in the context of banking, including satisfaction, service quality perceptions and customer trust. Second, our results show that the effect of WOM is also valid in ongoing service relationships. Despite the fact that the customers have made their own experience with the service provider, WOM has a significant impact on the evaluation of the service provider. Third, we show differences in the effect of WOM between customers in different cultures. In line with our hypotheses, these differences are explained by the cultural value of uncertainty avoidance in the given target groups. WOM has a significantly stronger effect on the relational satisfaction, service quality perceptions, and customer trust in high uncertainty avoidance cultures than in low uncertainty avoidance cultures. Fourth, we extend prior research on the relevance of WOM by testing the moderating effect of uncertainty avoidance against other cultural values that have been discussed to moderate the influence of WOM.

Services marketing managers need to take these results into account when planning their marketing strategy across different cultures to allocate their resources most effectively. Although our findings were obtained in
a cross-cultural setting, they should also apply to differences in the cultural values of different target groups within a country. Customers from different societal milieus can differ strongly in their cultural values. Service managers should therefore analyze the value system of your target group to understand to what extent their service evaluation is affected by WOM. References are available upon request.

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CULTURE’S CONSEQUENCES ON FOREIGN MARKET ENTRY: ARE THEY THE SAME FOR U.S. FIRMS AND FIRMS FROM EMERGING COUNTRIES?

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SUMMARY

The world is becoming “flat,” and thus international commerce and culture are increasingly becoming intertwined. Worldwide demand for goods, the relaxation of entry barriers, and the increasing movement of people across the globe have caused increased international marketing activities on the part of multinational firms. Multinational firms’ market entry strategies have become an important ingredient in the study of globalization in general and firms’ international marketing strategies in particular.

Several researchers have studied the impact of cultural distance on firms’ internationalization behavior (e.g., Dow 2000; Ellis 2008; Engwall and Wallenstal 1988; Johanson and Weidersheim-Paul 1975; O’Grady and Lane 1996; Mitra and Golder 2002; Rothaermel, Kotha, and Steensma 2006; Slangen and Hennart 2008). A review of studies in this domain shows that empirical evidence of the impact of cultural distance on firms’ internationalization behavior is mixed (Ellis 2008). For example, whereas some studies find a significant impact of cultural distance (Dow 2000; Johanson and Weidersheim-Paul 1975; Rothaermel, Kotha, and Steensma 2006; Slangen and Hennart 2008), others do not (Benito and Gripsrud 1992; Engwall and Wallenstal 1988; Mitra and Golder 2002).

Therefore, debate still exists on the role of cultural distance on firms’ internationalization behavior. In addition, with a few exceptions (Ellis 2008; this study too was limited in scope because it focused only on Chinese firms), most of the preceding studies have examined the internationalization behavior of firms from developed countries, which limits the generalizability of the findings. Furthermore, to the best of our knowledge, no comparative analysis exists of firms’ internationalization behavior from both developed and developing countries.

We address these gaps in the literature. Specifically, we ask whether the effect of culture on foreign market entry is moderated by the market potential of the target country. International market entry decisions are often influenced by market size, and we contend that if the market size of a target country is high, the firms are likely to overlook the importance of cultural distance. Thus, the variability in the extant empirical results may be explained by a moderating factor. We study these relationships on a large data set of cross-border acquisitions (CBAs) of firms from 18 emerging countries and firms from the United States. Specifically, do firms from emerging countries behave similarly to U.S. firms? Are the results from firms from developed countries generalizable to those from emerging countries? Answers to these questions are important to both academics and senior managers for making appropriate decisions on foreign market entry.

We selected the United States as the developed country for this study because the existing research focus and findings are primarily related to the United States and it is the leading country in terms of the number of CBAs. The 18 emerging countries selected were the most active in carrying out CBAs, and the quantum of activities (e.g., number of acquisitions, dollar value) is comparable in magnitude to the United States. Furthermore, the United States represents early and mature entry activities, and emerging countries represent comparatively newer forays. References are available upon request.

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INCORPORATING THEORY IN INTERNATIONAL MARKETING RESEARCH

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SUMMARY

Scholars in the field of marketing often borrow theories from other academic disciplines such as economics, sociology, and psychology to conduct research due to the lack of an encompassing marketing theory. Other times, however, scholars conduct research without drawing from any particular theory. Instead, they solely use the findings from previous empirical studies as their study’s conceptual background. As a result, there is a need for more theoretically robust research in the field.

Agency theory, industrial organization (IO), resource-based view (RBV) of the firm, and transaction cost analysis (TCA) are four important theoretical perspectives that have different arguments, units of analysis, and assumptions, but can all be employed to conduct research in international marketing. Drawing from these four theories, the purpose of this paper is to provide interesting research questions to guide future research endeavors in the area of international marketing.

Agency Theory

Agency theory is relevant in situations where contracting problems can emerge due to goal conflicts and incomplete information among the parties involved. Cross-cultural differences magnify these problems, and as a result, efficient principal-agent relationships are much more difficult to attain in multinational markets (Bergen, Dutta, and Walker 1992). Research in international marketing employing this theory, can provide insight in three main research streams: foreign market entry, channel development and management, and sales management. It would also be interesting to employ agency theory to examine which is the most efficient contract for each entry mode given certain conditions, such as the economic development and the culture of the country.

Transaction Cost Analysis

Drawing from TCA, it would be interesting to conduct a historical analysis to assess how the economic development of emerging markets has changed environmental and behavioral uncertainty over time and whether or not this has had an impact on the governance form. One could argue that as the economic development of a country improves, these types of uncertainty should go down, as it should be easier, for example, to enforce compliance with a specified agreement. As a result, transaction costs would go down, and there would be a greater proportion of market governance (i.e., outsourcing) relative to hierarchy. Further, research employing TCA could assess the factors that influence opportunism of partners abroad. By conducting a multilevel analysis, one could determine how much is explained by country, industry, firm, and individual factors.

Resource-Based View of the Firm

The most natural direction for the RBV in international marketing research would be to examine global marketing resources and their effect on different performance measures. Another area that can be further examined by using the RBV framework is the integration between headquarters and subsidiaries. This integration can lead to knowledge transfer of best practices, competitive benchmarking, and new product development ideas and projects, which can translate into superior global performance. Cross-border mergers and acquisitions (M&A) can also be studied from a different perspective when employing the RBV framework.

Industrial Organization

Consistent with previous studies, IO should be used in combination with firm-level theories to study international marketing. Research focusing on new products can greatly benefit from this integration of theories. More specifically, future research can examine the factors that affect cross-national diffusion of products, as well as, the global survival of products. In addition, a multilevel analysis can be conducted to assess the relative importance of different levels of analysis such as the country, the industry, the firm, and the strategic business unit in determining the success and failure of new products. In this case, IO theory could be used to determine the potential industry-level factors that affect the performance of new products.

Conclusion

Despite increasing interest and recent advances in international marketing research, there are still many unknowns. This paper focused on four important theories that can be used to study such unknowns. Agency theory,
industrial organization theory, resource-based view of the firm, and transaction cost analysis can be applied to answer interesting questions in the areas of foreign market entry, new products, global marketing resources, cross-border mergers and acquisitions, among others. Answers to these questions will uncover many of the existing unknowns that will help advance the field of international marketing. References are available upon request.

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SUMMARY

Service quality has a long tradition in the marketing literature as a key driver of consumer intentions. Zeithaml and Parasuraman (2004) suggest that “...service excellence (is) one of the key marketing tools for achieving competitive differentiation and fostering customer loyalty.” This focus on service quality can be seen in recent academic and practitioner trends focusing on customer relationship management (CRM) and the importance of service quality in creating valued customer relationships (Berry 1995; Boulding et al. 2005; Palmatier 2008). Despite the vast literature on service quality, there is a lack of empirical research on the relationship between service quality and firm performance. Hesktett et al. (1994) describe the service profit chain, which highlights the links from service quality to customer satisfaction and loyalty, resulting in increased financial outcomes for the firm. However, extant research has mostly examined the impact of perceptual measures of service quality on behavioral intentions. Thus, empirical evidence is generally limited to the link between service quality and intent to repurchase (e.g., Cronin and Taylor 1992) and willingness to recommend (e.g., Boulding et al. 1993; Parasuraman et al. 1988). Similarly, Zeithaml et al. (1996) found a positive correlation between consumer service quality perceptions and multiple behavioral intentions, including loyalty, propensity to switch, willingness to pay more, and external complaints. While all these studies have implications for the relationship between service quality and financial outcomes, they rely on subjective evaluations as inputs, and behavioral intentions as outputs to the service profit chain. Given the preponderance of empirical work linking perceptions to intentions, we agree with Rust et al. (2002, 1995) who suggest that linking actual service processes to financial outcomes is critical to gaining a better understanding of the return to quality investments. Therefore, in this research we hypothesize and empirically investigate the dynamic impact of actual service quality process on firm sales.

While there is a lack of empirical evidence supporting a direct effect of service quality on financial outcomes, the same cannot be said for the relationship between advertising and firm sales. There are numerous studies which support the premise that advertising positively affects sales (for a review, see Stewart and Kamins 2006). Importantly, it has been shown that multiple marketing communications can have synergistic effects on sales (Naik and Raman 2003; Smith et al. 2006), and that a failure to capture these synergies can result in suboptimal marketing allocations (Mantrala et al. 1992; Naik et al. 2005). Research studies on the share-maintenance versus sales-building role of advertising (e.g., Lodish 1974) imply that simultaneous investments in targeted advertising and service quality over time may result in negative interplay. Specifically, as service quality increases in competitive environments, targeted advertising may serve less as a sales builder and more as a market share maintenance tool. However, no prior work has conceptualized and empirically examined the dynamic interactive effects of advertising and service quality. Therefore, we hypothesize a negative interaction between advertising and service quality processes.

We selected the pizza restaurant industry for this research. This is a very appropriate setting to test the proposed hypotheses since this industry typically engages in large amounts of frequent targeted advertising, and (at least within this franchise company) has a strong focus on order resolution time as a key indicator of service quality. Our sample consists of five stores within the same Mid-west city, all of which have been operating for more than 20 years. We collected weekly measures of targeted direct mail advertising (measured in $—did we use the dollar measure here?) which is sent out to existing customers from within each store’s database, weekly average order resolution time (measured in minutes) and weekly sales per store. In total our sample consisted of 223 weeks per store for a total n of 1115. Because of the expectation of temporal effects of advertising (Berndt et al. 1995; Little 1979), and the expectation that service performance would also include delayed effects, we created stock variables that captured current and lagged effects for both advertising and service performance.

To test the hypotheses, account for the multilevel structure of the data (sales, advertising and service performance nested within stores) and model unobserved heterogeneity, we utilized a random-parameters model (Greene 2008), which allows for between and within-store effects. Thus, this method enables us to capture the effects of the hypothesized variables on sales by modeling parameter heterogeneity. Overall, the proposed model provides support for all of the hypothesized relationships. We find a positive effect of service performance on sales, along with the expected positive impact of advertising on sales. We also find a significant negative interaction of
advertising and service performance on sales demonstrating that as service performance improves, advertising becomes less effective. To obtain the net effect of advertising on sales, we performed a Wald test, which revealed that the effect of advertising ranges from 0.10 \( (p < 0.001) \) when service quality is high (+2 standard deviations or 97th percentile of observed service delivery times in the sample) to 0.17 \( (p < 0.001) \) when service quality is low (-2 standard deviations or 3rd percentile of observed service delivery times in the sample), which constitutes a 70 percent increase in the impact. Alternatively, the effect of service quality on sales ranges from no effect (coefficient = .003, ns) when advertising is high (+2 standard deviations) to 0.05 \( (p < 0.001) \) when advertising is low (-2 standard deviations). Overall, this pattern of results is indicative of trade-off effects in the joint influence of targeted advertising and service quality on sales. Overall, the findings do not suggest a naive increase in either advertising spending or service quality improvements and reductions in the other, but rather that a detailed understanding of the dynamic interplay of advertising and service quality has critical consequences for financial returns and success. References are available upon request.

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THE EFFECTS OF ENVIRONMENTAL ANTECEDENTS AND PERCEIVED MARKET GROWTH ON ENTREPRENEURIAL PROCLIVITY AND GROWTH LEADERSHIP

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SUMMARY

Entrepreneurial management process is not an exclusive domain to those newly created organizations. An incumbent firm too may find itself in a potential misfit with the environments and recognizes the process necessary for its survival and growth. Though previous empirical results provide mixed support for the linkage between entrepreneurial proclivity and a wide range of business performance measures, relevant marketing performance measures for entrepreneurial organization must allow the managers to: (1) verify the degree of success and failure of proactive risk-taking and innovation in the marketplace, (2) validate the appropriateness of continuation of such actions, and (3) project the future growth and survival of the business. For this study, we focus on those critical growth criteria for entrepreneurially inclined organizations.

Prior literature has also investigated the relationship between environmental elements and firm’s entrepreneurial tendency on the basis of strategic choice view. The adaptation mechanism through strategic choice implies a mediating role of entrepreneurial proclivity between environmental factors and business performance, because a firm’s interpretation of the environment needs to be acted on entrepreneurially to achieve a desired outcome. We, therefore, suggest that environmental dynamism manifests itself in the perceived risk side of the mechanism, whereas the munificence of the environment approximates the potential reward side of the equation. We investigate the adaptive mechanism by assessing the interactive effect of environmental dynamism and munificence on the entrepreneurial proclivity-performance relationship. Our formal hypotheses are provided below:

$H_1$: Environmental dynamism is positively related to entrepreneurial proclivity.

$H_2$: The perceived market growth rate moderates the relationship between environmental dynamism and entrepreneurial proclivity.

$H_3$: The entrepreneurial proclivity is positively related to growth leadership.

$H_4$: The perceived market growth rate is directly and positively related to growth leadership.

To test the conceptual framework and the hypotheses, we conducted a survey on a list of the largest 1,000 Japanese manufacturing companies, including both publicly traded and privately-held companies. For each company, a pair of one marketing executive and one R&D executive from the same SBU was invited to participate in our study, resulted in 207 pair-responses (pair-wise response rate at 20.7%).

We formed a new item for each measure by averaging the responses from the two executives of each SBU. Except for the growth leadership (GLEAD), we adopted the measures of perceived market growth and environmental dynamism (ENVI) from Homburg, Workman, and Krohmer (1999) and entrepreneurial proclivity (ENTRE) from Matsuno, Mentzer, and Ozsomer (2002). For GLEAD we developed a 4-item scale, a subjective measure to assess the firm’s current and prospective growth relative to its major rivals: growth rate of relative market share, new customer acquisition, current percentage of new product sales, and current customer satisfaction. After the three multi-item latent constructs (ENVI, ENTRE, GLEAD) were examined in a CFA measurement model with satisfactory fit statistics, the hypotheses were tested by structural equation modeling. The model yielded acceptable fit statistics [$\chi^2_{(157)} = 221.296, p < .01; \text{RMSEA} = .048; \text{GFI} = .894; \text{NFI} = .857; \text{CFI} = .953$].

$H_1$ was supported with the significant standardized path coefficient (.22). For $H_2$, the standardized path coefficient (.25) for the interactive effect was found significant, providing support for the hypothesis. $H_3$ was also supported: an SBU’s entrepreneurial proclivity has a significant influence on its growth leadership (.46). $H_4$ was supported with the significant path coefficient (.28) between the perceived market growth and growth leadership.

We proposed that environment dynamism and perceived market growth rate as two distinct and interactive environmental facets and these two factors jointly represent a risk-reward mechanism for firms to be entrepre-
neurial. We further hypothesized that both the current market growth and a firm’s entrepreneurial posture can directly contribute to the business growth. The present study overall provides strong support for our theoretical propositions.

Our results suggest that businesses seem to adopt different levels of entrepreneurial posture by balancing the environmental dynamism and growth prospect, rationally select (or reject) a business ecological arena to dwell in, and calibrate their entrepreneurial proclivity to achieve the growth leadership. While a risky and unstable environment necessitates strategic openness for change and innovation, the high-growth of the market serves as a positive signal that sweetens the prospect of the potential reward and further encourages the risk-taking postures. Under the risk-reward incentive mechanism, entrepreneurial proclivity is most likely to be found in high-growth but uncertain business environment.

Second, regarding the growth leadership, the robust relationship patterns we found in this study render strong support for our argument that growth leadership, a manifestation of the future and longer-term consequences of business, is an appropriate, if not even preferred, performance measure for entrepreneurial proclivity. Since entrepreneurial proclivity often draws substantial short-term financial investment but bears far-reaching effect on business performance outlook, more forward-looking metrics of marketing behaviors like ours should be useful for future research.

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SUMMARY

The link between marketing and finance receives growing research attention (Ambler 2003; Bolton 2004; Doyle 2000; O’Sullivan and Abela 2007; Srivastava and Reibstein 2005; Ward 2004). However, surprisingly little is known about how marketing, sales, and finance units actually work together within organizations. At such a nascent stage of insight into an organizational phenomenon, qualitative research approaches are particularly suited (Edmondson and McManus 2007; Gephardt 2004).

Finance-Related Key Interaction Fields and Role of Each Function in the MSF-Triangle

Drawing on 78 face-to-face interviews with managers from marketing, sales, and finance in 42 companies, we explore eight finance-related key interaction fields and decision areas in the marketing-sales-finance triangle (MSF-triangle): (1) Plans & Budgets, (2) Reports & Analyses, (3) Cost Optimization, (4) Calculations & Investment Management, (5) Financial Accounting, (6) Debtor Management, (7) Compliance & Risk Management, and (8) Pricing. We describe the cooperation between marketing, sales, and finance in each field and intensely discuss the individual contributions of each marketing, sales, and finance actor to that interaction field and decision area in the MSF-triangle. On the basis of these interaction field specific insights we develop a more general picture on the role of each function in the MSF-triangle.

Specifically, we learn that finance’s role in the MSF-triangle is not limited to providing transparency with regard to performance, cost, and risk issues. Instead, finance is expected by marketing and sales to participate in managing those issues. In addition, finance makes and standardizes policies and tools to ensure company wide compliance and comparability. Another part of finance’s role is to consult top management, marketing, and sales on performance assessment and decision making. Finance must also ensure cost consciousness and cost discipline of marketing and sales and hence must challenge the budgets that are submitted by marketing and sales as well as their spending. Finance serves as commercial conscience of the firm by demanding a positive ROI, quick paybacks, price enhancements, and reasonable impact estimates with regard to optional marketing and sales activities.

An important part of marketing’s role in the MSF-triangle is to proactively justify marketing spending and investments ex ante and ex post of specific marketing activities. Also, marketing is expected to explain performance and cost figures to finance and sales. In addition, marketing must anticipate market developments such as threats or risks and must ensure that entrepreneurial market opportunities are seized. Marketing challenges financial bureaucracy and critically assesses the impact of company actions on marketing strategy, customer attitudes, and customer behavior. In addition, marketing proposes specific improvement actions and makes an important contribution in pricing by balancing capital market requirements (high margins) and customer market requirements (attractive prices).

One component of sales’ role in the MSF-triangle is to justify its spending and investments. Sales is also expected to explain salient performance and cost developments. Sales adds value to the MSF-triangle in forecasting market data and developments. In addition, sales ensures that entrepreneurial market opportunities are seized and that threats and risks are identified as early as possible. Sales provides crucial customer feedback on the competitiveness of own products, services, and prices. Also, sales has an important role in challenging financial bureaucracy, marketing spending, product costs, and the company’s cost allocation system. Sales critically assesses the impact of the company’s actions on customer satisfaction and customer behavior. Finally, sales champions competitive prices, terms and conditions, and price promotions to generate sales revenues for the company.

Implications

Our study addresses important research gaps in the literature on the marketing-finance interface. We have interviewed 78 managers from marketing, sales, and finance in 42 companies to develop a better understanding of the organizational link between marketing, sales, and finance units. We have introduced the idea of the marketing-sales-finance-triangle and have explored the key interaction fields and decision areas in the MSF-triangle. In addition, we have identified the specific contributions of each function in the MSF-triangle.
The findings of our research are also of high relevance for business practice. First, this study helps managers to develop a better understanding of each actor’s objectives, activities, and contributions in the MSF-triangle. Second, practitioners can compare the interactions that are performed in their own MSF-triangle with our research findings. In doing so they might identify neglected interaction areas. Third, managers can check whether each MSF-actor’s role is being played adequately and can take action to account for possible deficiencies. Only when each MSF-actor fulfills its destined role, the balance between functional and corporate interests is kept. Companies that reach this balance will be able to achieve both, its short-term and its long-term objectives.

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A TALE OF TWO STORIES: THE IMPACTS OF CUSTOMER SATISFACTION WITH ONLINE RETAILERS’ CUSTOMER SERVICE AND CONTENT ON SALES PERFORMANCE

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SUMMARY

Although E-retailers recognize that customer satisfaction plays an important role in a successful business strategy, how online satisfaction should be managed, and whether managerial efforts aimed at increasing satisfaction lead to higher sales are not very clear. Many recent research efforts have examined the direct effects of various online strategies on customer satisfaction and loyalty; but their indirect effects have been left unexplored for the most part. E-retailers, in general, invest heavily in the implementation of IT-enabled tools to enhance their online service and Web site interactivity. Among the essential tools that most retail Web sites deployed are content management (CM) systems and customer service management (CSM) systems. According to the literature in this area, these CM and CSM systems supposedly help motivate the consumers to purchase and return to the retail sites in the future. However, it is unclear how and in what ways these two systems actually improve the customer satisfaction, which then leads to improved overall sales performance.

In this study, we aim to provide empirical evidence that describes the direct as well as indirect effects of the CM and CSM features on online retail sales performance. Specifically, we examine the mediating effects of customer satisfaction while analyzing the impact that customer service and content management features have on consumer decision to purchase and repeat their visit to retail Web sites. Using data on the top performing Web retailers in terms of their online annual sales, we show that the extent of retailers’ efforts in customer service and content management is positively linked to customer satisfaction, which in turn is positively related to the retailers’ online sales performance. However, there are two sides to this story: on the one hand the customer service management influences the sales performance via the average ticket amount whereas on the other hand, the content management impacts the sales via the repeat visit.

This research has implications for Web retailers trying to create customer satisfaction through service and convenience. An integral step in building service-based as well as content-based customer satisfaction is to employ innovative strategies through use of modern information technologies. The findings suggest that the presence of IT-enabled customer service and content management features and functionalities creates a positive shopping environment for customers as reflected in their decision to spend more and frequent their visits. The findings further suggest that customer satisfaction is an important step for retailers to increase their sales performance.

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CUSTOMER REFERRAL PROGRAMS AND CUSTOMER RETENTION: DO REWARDS UNDERMINE THE RETENTION EFFECT?

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SUMMARY

Services marketing literature widely accepts the notion that word-of-mouth (WOM) plays an important role in shaping recipients’ attitudes and intentions (Brown and Reingen 1987; Harrison-Walker 2001). Most studies investigate effects of WOM on the recipient, emphasizing its potential for new customer acquisition (Chevalier and Mayzlin 2006; Godes and Mayzlin 2004) and firm profitability. Thus, encouraging customers to engage in positive WOM is an effective marketing tool (Godes et al. 2005). Customer referral programs (CRP) are an active approach to foster positive WOM (Chen and Shi 2004; Godes et al. 2005; Ryu and Feick 2007). In CRP, the firm offers customers a reward for persuading others to also become customers.

In addition to contributing to new customer acquisition, CRP might also improve retention among current customers. This effect can be explained by public commitment of the sender of WOM. Publicly voicing a recommendation leads to a form of commitment that takes into account possible consequences exerted by the committed individual’s peer group (DeLeon and Fuqua 1995). This reasoning is supported by studies showing that people tend to behave consistently with their publicly voiced commitments (Cialdini 2001). Hence, articulating WOM might have a positive impact on a sender’s future behavior toward the recommended service provider.

As shown by Ryu and Feick (2007) as well as Wirtz and Chew (2002), offering a reward is an effective way to motivate satisfied customers to recommend a service provider. While satisfaction may be a necessary condition to trigger positive WOM, offering incentives might provide the sufficient condition (Wirtz and Chew 2002). However, the presence of a reward might diminish the retention effect on senders because it is not only the satisfaction with the service provider that led to the referral, but also the reward offered by the service firm. Receiving a reward might attenuate the perception of a public commitment. Hence, we raise the following research question: Does rewarding a referral undermine the positive effect articulating positive WOM has on senders’ retention?

We chose a scenario-based experimental design to investigate our research question and used cellular telecommunication services as setting. We conducted a 2 x 3 factorial design and manipulated WOM (WOM, no WOM) by only exposing the treatment group to a situation in which WOM had to be articulated. Furthermore, we manipulated the reception of a reward for a referral on three levels (no reward, small reward, large reward). In total, 323 business students from a German public university participated in the study.

Study results demonstrate that giving WOM can increase retention and that the offered reward can moderate this relationship depending on the size of the reward. Our study confirms a moderating effect of a small reward. In case a small reward is received, the retention effect of a referral is weaker than in case no reward is received. However, we could not detect an effect of a large reward on the relationship between articulation of WOM and sender retention, large reward situations equal no reward situations. These findings are interesting for two reasons.

First, the results show that positive WOM should not only be considered as effective in influencing recipients, but also in bonding current customers. Voicing a referral has a positive effect on senders’ retention and, hence, serves to bond senders to the recommended service firm. We explain this effect by referring to public commitment which results from voicing a referral. So far, research and practice hardly take into account this side of positive WOM, thereby omitting one of the positive aspects of CRP.

Second, the results also pinpoint a negative aspect of CRP. As we found, the positive effect of voicing a referral on retention is contingent on the reward that is being offered for the recommendation and, more specifically, on the size of that reward. In some situations, being paid a reward decreases the measured effect, such being the case if the reward is only small. Service providers aiming at retaining their current customers by motivating them to articulate a referral should therefore ensure that the offered reward is sufficiently large and does not insult the potential sender. It should be borne in mind though, that also in the small reward-situation, we still find a positive
effect of voicing a referral on retention; this effect is only weaker. Overall, articulation of WOM leads to a positive effect on senders’ retention and CRP can therefore be interpreted as a marketing instrument that supports customer bonding. References are available upon request.

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THE IMPACT OF STEERING MEASURES ON CUSTOMER CHANNEL MIGRATION AND CUSTOMER SATISFACTION

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SUMMARY

Multichannel distribution becomes increasingly relevant for companies due to its association with higher customer profitability (Venkatesan, Kumar, and Ravishanker 2007) and expanding purchase and communication options (Ansari, Mela, and Neslin 2008). One advantage for customers is the opportunity to choose different channels depending on their respective situation and requirements (Schoenbachler and Gordon 2002). As a consequence the new field of multichannel customer management has emerged, including the design, deployment, coordination, and evaluation of channels in order to enhance customer value (Neslin et al. 2006). An increasing number of authors see customer steering as an appropriate instrument in multichannel strategies (e.g., Myers, Pickersgill, and Van Metre 2004; Boehm and Gensler 2006; Ansari, Mela, and Neslin 2008).

Customer Steering in Multichannel Distribution

Customer steering is perceived as a process triggered by the company to direct customers into a certain channel (Thomas and Sullivan 2005). Therefore all efforts aiming to migrate customers into an economically attractive channel which satisfies customers’ needs are referred to as steering measures (Montoya-Weiss, Voss, and Grewal 2003). Although Myers, Pickersgill, and Van Metre (2004) assumed a relationship between customer steering and success based on longitudinal surveys and cross-sector case studies, to our best knowledge there are no empirical investigations which examine the impact of steering measures in multichannel systems.

Consequently, our study aims to develop an explanatory model of customer steering in a multichannel environment, following Ansari, Mela, and Neslin’s (2008) recommendation of investigating the effects of steering measures with a controlled experiment. With regard to customers’ migration to new service providers, Bansal, Tayler, and James (2005) pointed out the relevance of the push-/pull-paradigm of human migration movements. Push factors describe factors that motivate individuals to leave their origin, whereas pull factors are attributes of distant places that increase their appeal. As our investigation takes place in the mail-order retail business, we define the internet as the target and the catalog as the original channel.

In accordance with Myers, Pickersgill, and Van Metre (2004), we anticipate a higher usage intention of the target channel when implementing steering measures. Furthermore, we expect interaction effects between the two measures. Because of our chronological order, prior push measures affect the impact of subsequent pull measures.

Methods, Results, and Discussion

The experiment conducted to test our hypotheses was a 2 x 2 design (pull vs. no pull, push vs. no push) which adhered to four different scenarios. The variables were chosen as they are accessible to companies and thus can be manipulated by them. With regard to pull and push measures, we conducted expert interviews which showed that mail-order companies steer their customers mainly by enlarging their internet assortments and reducing the breadth of their catalogs. It must be added that a decrease or increase in the product range does not only manipulate the number of articles, but also affects the perceived diversity and variety of the product range, i.e., the assortment variety (Broniarczyk, Hoyer, and McAlister 1998). Their results indicated that retailers might be able to substantially reduce the number of items carried without negatively affecting assortment perceptions and store choice, as long as only low-preference items are removed. Thus, we run additional tests to ensure that no subjectively important articles were eliminated in the product range.

The confirmed model indicates a positive impact from push and pull measures on channel migration. Furthermore, pull measures have a significant positive impact on customers’ satisfaction with a company, whereas push measures do not affect the satisfaction with the company. Thus, our study makes several important contributions by investigating if and to what extent steering measures are valuable. First, we provided evidence that pull as well as push measures result in a higher target channel usage intention of customers. Second, enhancing the performance of the target channel through pull measures also increases customers’ satisfaction with the company and seemed more desirable. Pull measures affect the perception of the company whereas push measures have no significant effect. According to our results, companies may apply push measures to increase the target channel usages without annoying their existing customers. Third, pull and push measures together have a lower impact on channel migration and satisfaction than pull measures.
autonomously. Thus, oversteering of consumers may lead to dysfunctional consequences, e.g., a lower usage intention of the target channel. Guiding a customer who feels steered – due to an oversteering with both measures – might be less effective. References are available upon request.

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SUMMARY

Despite the increasing recognition of the importance of relationship marketing, little research has been conducted to investigate and better understand how to implement relationship marketing programs with customers (Sin et al. 2005). As Sin et al. (2005) state on page 185 of their paper, “As a result [of the lack of research], business practitioners seeking to implement a relationship marketing concept have had no specific guidance.” Some scholars use the term “relationship marketing orientation” to mean the implementation of relationship marketing but they do not discuss the components. Some researchers suggest that the reasons customers want to maintain a relationship with a seller is not solely based on social benefits (Barnes 1994), but economic benefits (Peterson 1995), confidence benefit (Gwinner, Gremler, and Bitner 1998). Other researchers (e.g., Morgan 2000) suggest that relationship marketing efforts includes financial (economic), as well as, social and structural (technology) aspects (Palmatier 2006). These researchers suggest that there is an important gap in implementation of relationship marketing research. In this paper, we suggest that relationship marketing orientation consists of six dimensions: (1) trust, (2) social bonding, (3) communication, (4) shared value, (5) empathy, and (6) reciprocity and that a company could employ any or all of these in order to develop and maintain long-term relationship with their customers.

Berry and Parasuraman (1991) point out relationship marketing can be practiced through financial bonding, social bonding and structural bonding. Levitt (1983) describes the intention to enter into long-term relationships as having a “bonded relationship (to have a marriage).” In this research, we define the term “bonding orientation” as the implementation of the relationship marketing concept. By using the term “bonding orientation” we want to avoid any confusion with other proposed constructs.

Based on a review of the literature, and supplementing these findings with findings from field interviews with managers and consumers in the e-tailor industry in China, we suggest an operational definition for this construct. We then conducted a survey to study to the online consumer purchase decision of the Chinese consumer to further investigate and test the construct. Based on the findings from this research, we propose the following. If a company performs activities that develop and maintain long-term relationships with existing clients through financial, social and structural means, this company has a bonding orientation. We define the three constructs as follows:

Financial bonding orientation: A company has a financial bonding orientation if it has activities in place that develops and maintains long-term relationships with existing customers through saving money and presenting gifts;

Social bonding orientation: A company has a social bonding orientation if it carries out activities that develops and maintains long-term relationships with existing clients through customer focus and creation of community.

Structural bonding orientation: A company has a structural bonding orientation if it implements activities that develops and maintains long-term relationships with existing clients through convenience to use, time reduction and risk reduction.

Bonding orientation should be clearly distinguished from the other three “orientations” that have been discussed in the marketing literature: relationship orientation, market orientation and customer orientation.

Relationship orientation emphasizes having a strong relationship with the customer (Palmatier 2004), whereas bonding orientation is developing and maintaining a long-term relationship with customer.

Market orientation and customer orientation both differ from bonding orientation in the following ways:

1. Both market orientation and customer orientation attempt to focus on all customers including existing customers and the prospects, whereas bonding orientation focuses on existing customers and attraction of new customers is merely a result of the bonding process;
2. Both market orientation and customer orientation put the customer rather than the customer relationship at the center of a company’s thinking about strategy and operations (Sullivan 2007);
3. Customer orientation is somewhat of a short-term philosophy—more of a response style. The objective of customer orientation is to increase customer satisfaction (Slater and Narver 1998). Bonding orientation is a long-term philosophy and emphasizes interaction between the seller and buyer. The objective of a bonding orientation is customer commitment and behavioral loyalty.

Comparison of these orientation constructs suggests that bonding orientation is distinct and can help guide the strategic thinking of a company.

Based on our definition of the bonding orientation construct, what has appeared in the literature and the findings from our field interviews, we propose the following conceptual model of bonding orientation.

**FIGURE 1**

<table>
<thead>
<tr>
<th>Top Management Support</th>
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<tbody>
<tr>
<td>Interdepartmental Connectedness</td>
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<tr>
<td>Employee Support</td>
</tr>
<tr>
<td>• Commitment</td>
</tr>
<tr>
<td>• Behavior</td>
</tr>
<tr>
<td>Marketing Funds Availability</td>
</tr>
<tr>
<td>CRM Technology</td>
</tr>
</tbody>
</table>

**Environmental Variable**
- Competitive Intensity
- Uncertainty of Logistic Service Market
  - Uncertainty of Logistic Service’s Environment
  - Uncertainty about Performance of logistic Service Company

**Bonding Orientation**
- Financial Bonding Orientation
- Social Bonding Orientation
- Structural Bonding Orientation

**Economic Performance**

**Organizational Variable**
- Brand Reputation
- CRM Technology

**ENDNOTE**

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INTERNET MARKETING RESILIENCE: NEW THOUGHTS FOR CURRICULUM AND RESOURCES

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James W. Harvey, George Mason University, Fairfax

ABSTRACT

The growing number of consumer information thefts resulted in 2006 being the first year that consumers lost trust in online banking due to security concerns. This was followed by 2007’s record number of data breaches, with these breaches being experienced across a wide array of organizations and 2008’s reports of consumer termination of relationships with firms following notification of data breaches. Senior executives at major U.S. firms report that their two most significant concerns are the compromise of corporate information systems followed by terrorism. This paper describes a curriculum in internet marketing within the marketing major that addresses these issues as well internet based marketing opportunities and challenges. The program by going beyond a discussion of the societal and corporate benefits of internet-based commerce to also include course work that addresses the escalating array of threats aimed against the firm’s internet based marketing initiatives. A core message of the program is that good cyber security in an organization cannot be achieved by firewalls, shielded cables or biometrics alone, but that marketers have a significant role to play in achieving security due to their relationships with customers and their knowledge of what information is critical to the firm.

INTRODUCTION

The marketing education literature notes that marketing students are challenged to operate in a knowledge-based environment that emphasizes solving real-world problems (Clarke III and Flaherty 2007), developing marketing knowledge, demonstrating workplace skills (Laverie 2006), and accepting and using technology (Robinson 2006). One of the key gaps in current marketing curricula is the absence of courses that address the challenge of cyber security. This paper identifies the key concerns marketing must address in managing cyber security and proposes a cyber security focused concentration in the Marketing Major.

The growth of internet marketing and the impact of cyber crime on consumer trust points to the need for curriculum development at both the graduate and undergraduate levels. This new curriculum will educate current and future managers on the issues involved and mechanisms to recognize and guard against these cyber crimes and protect company assets and assure consumer trust.

Security Breaches Reach Jeopardy TV Show

Jeopardy category, Record Losses in 2005, answers and questions:

1. A computer with 98,000 names and ssns was stolen from this oldest campus of the University of California. – What is Berkeley?

2. Named for a sport that embodies high society, this Ralph Lauren Co. was hacked for 180,000 credit-card numbers. – What is Polo?

3. This company that owns HBO & Turner Broadcasting lost a backup tape with 600,000 names and ssns. – What is Time Warner?

4. Data on four million customers were lost by this group formed by a 1998 merger with Travelers. – What is Citigroup?

5. A medical group lost 185,000 personal and medi-
Criminal Threats

The most significant criminal threat to the firm’s online operations comes from organized crime groups. These groups have the ability to exploit known vulnerabilities in almost any operating system and have a well-developed web-based mechanism for sharing information on targets, systems, potential payoff.

There is a saying, “where there is money, there is crime, and where there is money and crime there is organized crime.” Nothing could be truer than in the case of cyber crime. Finjan Inc (2008) shows hierarchy, specialization, and channel management within organized cyber crime rings. They report that the “boss” does not commit the crime but leaves this to the underboss; the underboss provides trojans for attacks and command and control; campaign managers, reporting to the so-called underboss, lead campaigns; and campaign managers use their own affiliation networks as channels to perform attacks and steal data.

Their basic modus operandi includes scan, attack, and extort methodology. With this process a scan of open internet ports is conducted, malware (malicious software) is loaded onto the targeted system, and proprietary information is stolen. In the case of stolen personal data, such as bank records, the targeted firm is contacted and offered the opportunity to pay a fee to not have the data used, sold, or the customers contacted. In most cases regardless of the firm’s decision the data will be used or sold.
Social Security Number, Name, Address, Date of Birth, (sold in lots > 100,000 Entries).

Social Security Number, Name, Address, Phone, Date of Birth, Driver License Number, Mother’s Maiden (sold in lots > 5,000 Entries).

U.S. Companies: Corporation Name, Doing Business As Name (BAName), Federal Tax ID, Phone, Address, Bank Name, Bank Routing Number, Bank Account Number, Owner Name, Owner Title, Owner SSN, Social Security Number, Owner Address, Owner Percent of Business (approximately $20 per record).

While these threats have existed for the past ten years a newer threat has arisen from phishing. Phishing is defined as a criminal mechanism employing both social engineering and technical subterfuge to steal consumers’ personal identity data and financial account credentials (Anti-Phishing Working Group 2008). Phishing and social-engineering schemes use spoofed e-mails purporting to be from legitimate businesses and agencies to lead consumers to counterfeit websites designed to trick recipients into divulging financial data such as usernames and passwords. Technical-subterfuge schemes plant crimeware onto PCs to steal credentials directly, often using systems to intercept consumers online account user names and passwords – and to corrupt local navigational infrastructures to misdirect consumers to counterfeit websites (or authentic websites through phisher-controlled proxies used to monitor and intercept consumers’ keystrokes). Social-engineering uses “spoofed” e-mails to lead consumers to counterfeit websites designed to trick them into divulging financial data. In the U.S. during 2007 there were approximately 330,000 unique phishing sites, with financial services continuing to be the most targeted industry sector with more than 90 percent of all attacks (Anti-Phishing Working Group 2008).

Hacktivists, Cyber VANDALS and Social and Economic Anarchists, and Terrorists

In addition to the threats posed by organized criminals, firms are also threatened by hacktivists, cyber vandals, social and economic anarchists, and terrorists. Hacktivism is a combination of hacking and activism. Hacktivist groups attempt to promote opinions on national politics, privacy, free speech, political ideology via electronic civil disobedience. For example, Hacktivismo which is an offshoot of CULT OF THE DEAD COW and believes access to information as a basic human right publishes code and news releases such as that noted below:

cDc releases Goolag Scanner (posted by MiB on February 20, 2008).

FOR IMMEDIATE RELEASE

SECURITY ADVISORY: The following program may screw a large Internet search engine and make the Web a safer place.

LUBBOCK, TX, February 20th – Today CULT OF THE DEAD COW (cDc), the world’s most attractive hacker group, announced the release of Goolag Scanner, a web auditing tool. Goolag Scanner enables everyone to audit his or her own web site via Google. The scanner technology is based on “Google hacking,” a form of vulnerability research developed by Johnny I Hack Stuff. He’s a lovely fellow. Go buy him a drink.

Cyber-vandals of varying skill levels develop viruses and worms, host websites, and launch attacks against networks. It is a well-developed community with “academic” conferences and papers that can result in significant threats. The CSO (2007) survey found the top crime perpetrated by outsiders was a virus, worms or other malicious code which was experienced by 74 percent of respondents. This number is a combination of events and is not directly comparable to the CSI report (2007) that was previously cited which notes that 52 percent of firms had experienced a virus attack, a narrower classification.

Social and economic anarchists may also be a threat due to the profile of the firm. For example, anti-globalization groups such as the Electronic Disturbance Theater have engaged in cyber attacks and various animal rights groups have used cyber attacks against firms that engage in animal testing.

While terrorists have engaged in physical attacks the early indications of their interest in cyber attacks began in 2002 as seen by their strong interest on the part of “Jihad” related groups to conduct cyber attacks on infrastructure targets globally and especially in the U.S. Since that time the skill level, both technology and content, has improved significantly. Joch (2006) notes that al Qaeda and loosely organized units inspired by it approach technology differently from state-sponsored spies who have tried to hack into classified U.S. government computer systems to gather intelligence and disrupt operations. Terrorist groups use the internet for communications, recruiting, and to conduct virtual surveillance. Like their counterparts in
organized crime it is also used to spread bots (software programs that can steal information or allow the infected machine to be used in a cyber attack). Numerous postings on jihadists’ websites in the past two years reflect growing interest in attacking the U.S. economy with many viewing their struggle against the U.S. and the West as an economic war. These websites emphasize the importance of targeting U.S. world wide interests, including calls to destabilize the dollar (MEMRI 2008). Arrests and warnings issued by the Federal Bureau of Investigation and the Department of Homeland Security as well as terrorist actions overseas indicate that cyber and physical threats will continue. Dutta and McCrohan (2002) note that security issues have always accompanied the conduct of commerce and various mechanisms have been developed over the years to address them. However, they further note that the rapid and relatively recent diffusion of internet based electronic commerce has resulted in a need to craft new security mechanisms in this wired economy. Therefore one of the central objectives of the curriculum development is to expose students to the need to ensure that significant man made or natural events do not result in long term disruptions of operations.

PROGRAM OBJECTIVES

Given that internet-based marketing is subject to the types of threats documented above, contemporary marketing majors will be benefitted by awareness and knowledge of methods by which firms can protect themselves from them. A core message of the program is that good cyber security in an organization cannot be achieved by firewalls, shielded cables or biometrics alone, but that marketers have a significant role to play in achieving security due to their relationships with customers and their knowledge of what information is critical to the firm.

An example of such a curriculum is seen in a concentration of four existing courses: Internet Marketing, Marketing Research, Marketing Management, and Competitive Intelligence and Information Security. This marketing concentration in Internet Marketing Resiliency was developed to address the need for marketing majors to understand their role in protecting consumer trust in their firms by managing threats of cyber crime. Since the introduction of the program in 2006 a discussion of competitive intelligence has been expanded in the Marketing Research course and the Competitive Intelligence and Information Security course has evolved to include physical as well as information security with a reduction in the time allocated for competitive intelligence.

Theft of information is only one of the problems that profit and nonprofit organizations face in this new business environment. Organizations have become increasingly vulnerable to coordinated strategic information-related actions from a host of adversaries. Additionally, while prior to 9/11 managers could focus on issues of information and systems security these now represent only a part of the potential threat faced by commercial and non-profit organizations. Marketers are increasingly facing more sophisticated competitive intelligence and information management efforts directed against them from competitors as well as corporate espionage efforts by competitors and foreign nations both friendly and hostile. This latter case is particularly true for organizations with significant knowledge capital, international operations, or use of outsourcing services such as customer support. A poll of approximately 200 senior executives at U.S. firms with revenues in excess of $1 billion found that when asked what their major concern was, their number one concern was a compromise of corporate information systems, cited by 61 percent of respondents, followed by terrorism, cited by 55 percent of respondents (Harris 2006).

A concentration in internet marketing resiliency addresses these corporate concerns by combining courses that focus on the benefits that accrue to commerce and society due to the development of global media, worldwide connectivity, and internet based commerce as well as on the escalating array of threats aimed against the firm’s internet based marketing initiatives.

CONCENTRATION IN INTERNET MARKETING RESILIENCY

As university curriculums change, they typically follow a process of minor incremental adjustments to individual courses that cause the curriculum to lose strategic consistency and focus (Borin, Metcalf, and Tietje 2007). This curriculum followed a similar process. The explosion of internet based commerce in the late 1990s had resulted in a redesign of the marketing curriculum to cover the impact of digitization on the traditional marketing courses. The process included faculty commitment to revise individual courses, consensus, collaboration, and compromise, along with stake-holder input and unifying themes. The result of that exercise was a focus on the challenges of marketing in the new economy. In this process, this new economy was characterized by rapidly changing technologies, global marketplaces, changing customer demands, and collaboration and alliances among firms. This required courses to be developed or modified to support this focus, which had at its center the impact of technology on marketing practice.

Among the modifications that were the most difficult to gain consensus on was the requirement that marketing students should have an advanced course in information technology that would be applied against their marketing electives. Ultimately it was concluded that to be effective marketers in this environment students should possess a basic understanding of the backbone of internet com-
merce. Modifications to the Marketing Research and Marketing Management courses that reflected the growth of internet marketing were comparatively simple to gain consensus on as was the introduction of a course in Internet Marketing. This was less true of the introduction of the course in Competitive Intelligence and Information Security which resulted in discussions concerning the appropriate placement of the course in Marketing as it was perceived by some to be an information systems course. Ultimately agreement was reached when the parties concluded that while IT provided the technical skills to protect information, it was the non-technical fields that provided the knowledge of what information needed to be protected.

When the courses were in place the concentration in Internet Marketing Resiliency (IMR) was introduced within the requirements for a Bachelor of Science Degree in Marketing. Students in IMR follow the same sequence of courses that any Marketing major would take with two important exceptions. First, it is suggested that students take an existing MIS course as part of their courses for the Marketing major. A course such as Introduction to Information Systems, an existing prerequisite for the Bachelor degree, followed by a Business Data Communications course should suffice as an introduction to technology components used in modern networks. The emphasis in these courses is on networks to facilitate business processes and includes lab work and exercises. In order for students to take this course as part of their Marketing major, the major was revised so that any student in Marketing could take the course regardless of their decision to complete the concentration in internet marketing resiliency. A prerequisite course, Introduction to Business Information Systems, introduces students to the fundamentals of hardware, software, networking, internet, and technology components.

A second change in the marketing curriculum recommended is the introduction of a new course as a Marketing elective, Competitive Intelligence, and Information Security. The purpose of this course was to develop an understanding of the benefits to commerce and society because of internet-based commerce as well as the escalating threats against internet-based marketing initiatives, and protection of knowledge-based assets of firms. Assuming that a university has existing courses in internet marketing and business data systems, this course is the only change to the marketing curriculum required.

Within the concentration in internet marketing resiliency students take four courses from the following five courses:

- Business Data Communications. Presents a broad introduction to technology components used in modern networks. The emphasis in the course is on networks to facilitate business processes and it includes lab work and exercises. Prerequisite is an introduction to MIS.
- Internet Marketing, prerequisites, Introductory Marketing and Introductory MIS. Explores impact of internet technology on marketing strategy and practice. Topics include opportunities and challenges created by Internet in areas such as advertising and promotion, customer service, pricing, retailing (including electronic commerce), distribution channels, and customer relationship management.
- Marketing Research Techniques and Applications, prerequisites, Introductory Statistics and Introductory Marketing. Study of concepts, theories, and principles underlying marketing research process. Focuses on development and evaluation of research designs for gathering marketing information.
- Competitive Intelligence and Information Security, prerequisite Introductory Marketing. Develops understanding of benefits to commerce and society because of internet-based commerce, escalating threats against internet-based marketing initiatives, and protection of knowledge-based assets of firms.
- Marketing Management, prerequisites, senior standing, Introductory Marketing and nine additional credits in 300- and 400-level marketing courses. Emphasizes managerial aspects of marketing, including developing marketing strategies and plans, and integrating specific elements of marketing process. Emphasizes case analysis.

**DISCUSSION AND RESOURCES**

Given the nature of the concentration in internet marketing resiliency there was some initial concern on the part of the administration over the availability of faculty to teach the courses. This was allayed to a large degree by a recent review of the curriculum in which the Marketing faculty revised a number of existing courses to enhance their technology component. At the same time the course in Internet Marketing was added and that course touched briefly on the threats to internet based commerce.

Competitive Intelligence and Information Security is the most difficult course for faculty to prepare for and is also the one that students find difficult to accept as a marketing course. There are significant concerns over the availability of materials. To resolve these concerns, the course itself has five broad components. Initial lectures cover the business process and technological changes that have occurred following the development of internet commerce. This is followed by an introduction to the threats noted in this paper as well as with a discussion of
competitive intelligence that builds on the material introduced in the Marketing Research course. At this point the concept of resiliency (diversity, redundancy, and recoverability) is introduced. Students are then required to prepare a detailed competitive intelligence report for a local publicly traded firm. The purpose of this exercise is to demonstrate to the students the comparative ease of gathering information on competitors, as well as the ease that competitors will have to gather information on the firms they will work for. Finally discussions of public and private sector agencies and organizations that can assist the firm in protecting itself are introduced.

The third component of this course relies on the National Security Telecommunications Advisory Committee (NSTAC) 2004 on resiliency in the financial sector to introduce students to the concept of resiliency. Students are exposed to the need to ensure that even in the face of catastrophic manmade or natural events their firms can continue to function. It is important to note that the program emphasizes the inherent need for security and that firms should not take their lead from terrorists and criminals. Rather, firms should realize that business imperatives drive security. And that they should focus on creating adaptive capacity and resilience within their company rather than protecting it from threats (Briggs and Edwards 2006).

In conducting the competitive intelligence report students use the NSTAC report to determine how susceptible the firm given their level of diversity. For example, telecommunications diversity is evaluated by the existence of media diversity, entry diversity, route diversity, central office diversity, site diversity, service provider diversity, and supplier diversity. Diversity requires that none of the service providers to the firm share common points of failure or common points of attack.

Redundancy for a firm means that it has alternative methods of telecommunications, energy, transportation, and water in order to maintain business operations with the goal of eliminating any single point of attack that could disrupt primary services. This can be achieved by multiple sites, routes, personnel dispersion, on-site and off-site backup equipment, and alternative communications technologies.

Recoverability occurs when the various protective measures have failed. It addresses the firm’s ability to restore critical functions in a timely manner.

To add currency to the classes, students are required to register for the SANS newsletter (www.sans.org) which among other things publishes a bi-weekly email newsletter noting current top news stories, legal matters, policy and legislation, attacks, intrusions, data theft and loss, statistics, studies and surveys, and miscellaneous items such as “man fired after seeking help to change college grades.” This newsletter provides ample current news for courses in internet marketing, marketing research, competitive intelligence and information security.

More importantly, the website of the Department of Homeland Security www.dhs.gov provides ample information on the latest policies dealing with cyber and physical critical infrastructure protection. To add current practitioner expertise to the courses, guest speakers can be found through the National Conference of State Legislatures at [http://www.ncsl.org/programs/legismgmt/nlssa/sthomelandoffcs.htm] which notes information on the specific office in each of the states that deals with critical infrastructure protection initiatives. Both can provide sources of guest speakers for classes in the concentration. One of the best sources for guest speakers for a program in internet marketing resiliency is the Federal Bureau of Investigation. Agents from their local cyber crime staff frequently present to business groups as well as student groups. Also, members of the local business community can be very helpful in providing speakers that can address both the threats as well as the solutions to the increasing threats to internet based commerce. Other useful sources include Federal Computer Week, [http://www.fcw.com], which provides information of interest to managers and marketers involved in Federal IT purchasing; ecommerce times, [http://www.ecommercetimes.com/], which is a resource for electronic commerce information, reports, and surveys; Computer World, [http://www.computerworld.com], has numerous IT security related articles; and the Computer Security Institute, [http://www.gocsi.com], conducts annual surveys of computer crime. The CERT* Coordination Center, [http://www.cert.org], studies Internet security vulnerabilities, provides incident response services to sites that have been the victims of attack, publishes a variety of security alerts, researches security and survivability in wide-area-networked computing, and develops information to organizations improve security at their sites. While much of the discussion is fairly technical it does provide a good picture of the complexity and fragility of the systems that are used for internet commerce. Finally, it has been our experience that faculty reliance on guest speakers drops significantly as they develop their own expertise in the issues addressed in the concentration.

CONCLUSION

This paper summarizes the need to integrate internet marketing resiliency into the marketing curriculums of business schools. The program described in this paper has been introduced at one large southeastern urban/suburban university. It draws from existing courses and disciplines with a minimal imposition of new resources or new courses. It increases the school’s capability to accomplish its function of preparing students to work in rapidly
changing environments that impact the conduct of marketing functions. Both popular and industry media provide abundant cases of cyber intrusions that have resulted in the theft of millions of sensitive personal records from firms with a resultant loss of consumer confidence in online transactions.

The concentration in Internet Marketing Resiliency exposes students to the threats aimed against the firm’s internet based marketing initiatives as well as introducing them to other threats the firm faces. The authors suggest that adding such a program to the marketing curriculum will result in a significant increase in value to its majors.

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MOTIVATIONS AS PREDICTORS OF VALUE GENERATED FROM MARKETING-RELATED TECHNOLOGY USE: ORIENTATIONS, MODERATORS, AND OUTCOMES

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SUMMARY

Motivation has been characterized as one of the more powerful antecedents of human behavior. Consistent with the conference theme “striving for impact,” the purpose of this research is to assist researchers and practitioners who are striving to understand the impact of motivations on behavioral intention, intention on technology use, and use on value outcomes. In particular, we extend Davis et al. (1992) model of extrinsic and intrinsic motivation effects on technology use in three ways. One, we include amotivation along with extrinsic motivation and intrinsic motivation as antecedents to the behavioral intention construct. Two, we add an objective outcome and a subjective outcome of the individual’s use of a marketing-related technology. Finally, we examine autonomy and GPA as moderating constructs between behavioral intention and behavioral use of a marketing related technology.

Self-determination theory posits that an individual maintains some personal control in almost any given situation. Much of the focus in self-determination theory is on individuals’ motivations. Motivation is treated in this research as three, distinct constructs: amotivation, intrinsic motivation, and extrinsic motivation. If the individual does not care about the task or its associated context (i.e., amotivation), then the individual’s degree of extrinsic motivation and intrinsic motivation may not be relevant. Amotivation is defined as the absence of motivation (Vallerand et al. 1992). It reflects the “state of lacking an intention to act” (Ryan and Deci 2000a, p. 61). Based on a review of the literature, the amotivation construct has not been applied in extant technology use models. As a result, the question remains: to what extent do lower levels of intrinsic or extrinsic motivation necessarily equate to higher levels of amotivation? We theorize that they do not have a strong correlation. That is, the individual remains unmoved to accomplish a task regardless of how much intangible reward or enjoyment the individual receives. In short, a person could desire the outcome, and yet be apathetic toward engaging in the activity, drawing on widespread maxims such as “the road to hell is paved with good intentions.” As applied to the use of marketing-related technology, we propose that the concept of amotivation suggests that some individuals may appear ambivalent, at best, and uninterested, at worse, about developing a skill. We propose that including amotivation in the technology use model will increase the explanatory power of the model in accurately predicting use and outcomes. Research is needed that evaluates these propositions.

In the research, we focus on two potential moderators of the proposed model: (1) autonomy, and (2) past performance. As to autonomy, we propose that the autonomy context moderates the relationship between the individual’s intention to use marketing-related technology and the specific task of using marketing-related technology. For example, Levin and Hansen’s (2008) New Year’s Day effect (an initial commitment followed by less engagement over time) may be more likely for individuals for who marketing-related technology use appears voluntary compared to individuals in a mandatory setting. In absences of an authoritarian figure (i.e., manager or instructor) setting a minimum performance expectation, these individuals may not use the marketing-related technology. As to past performance as a moderator, individuals learn from prior outcomes according to most decision making theories (i.e., a feedback loop). The technology literature suggests that students with higher grades may exhibit a higher degree of extrinsic motivation, intrinsic motivation, or both, relative to students with lower grades (Deci and Ryan 2002).

Preliminary analysis of a semester long experiment indicates support for the proposed relationships. Further research in the area of motivation to intention and use, intention to use, and use to outcomes would contribute to marketers understanding of behavior.

All research has limitations. Certainly, our study could be duplicated with a non-student sample. Further, our theoretical model could be tested with another form of technology. Finally, our findings would be more robust if they are verified by qualitative research that could explain the “why” behind human motivation.
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Full article and complete reference list is available from the authors upon request.

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A BLUEPRINT FOR CROSS-CULTURAL MARKETING COMMUNICATIONS PROJECT: COMBINING GLOBALIZATION AND SUSTAINABILITY

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Veronique Guilloux, Université Paris 12, France

SUMMARY

Bringing real-world relevance into the classroom is a widely-acknowledged challenge for marketing educators (Bearden, Ellen, and Netemeyer 2000). In addressing these challenges, marketing professors increasingly utilize innovative teaching methods that include qualitative interpretive research, interdisciplinary projects and innovative uses of technology. Such emerging and rapidly developing content areas as corporate social responsibility, marketing ethics, globalization of marketing, and ecological sustainability are being incorporated in marketing curricula to reflect the changing business environment (Bridges and Wilhelm 2008; Kelley 2007; Kauser Jahan, Mehta, Yusuf 2007).

Increased globalization of the world economy makes teaching international aspects of marketing an important priority (Kelley 2007). The demand for international literacy and sensitivity among the business sector job applicants is reflected in AACSB requirements for international focus in business curricula. Today’s students represent the first generation that has been born into the digital age, and freely use multiple technologies in preparing for classes, sharing notes, shopping, rating professors, and accomplishing multiple everyday tasks. Such social networks as the Facebook and My Space allow its participants to literally share their lives with the selected referents. Any of these interfaces can be used by the project teams to meet, share ideas, and jointly work on the project using available collaboration software to track changes and make comments. The final product of the collaborative project will be displayed online as an advertisement or a website for a fictitious company selling the selected “green” merchandise, and will be evaluated by other university students in respective countries.

Environmental concerns represent a prominent narrative in today’s social, political, and economic life worldwide. The concept of sustainable marketing incorporates environmentally sound vision, socially responsible business practices, and economic stability into traditional marketing strategies, tactics, and communications. However, “current levels of student knowledge and comprehension regarding sustainability are low” (Bridges and Wilhelm 2008, p. 44) and calls are being issued to develop new pedagogical ideas, joint interdisciplinary projects and research endeavors that would move this content area to a more advanced level. The project answers these calls by providing the students with the qualitative research skills and helping them develop marketing communications abilities in the content area of “green” marketing. In particular, cross-cultural French-American student teams will be offered a list of environmentally-friendly products to choose from. They will further conduct depth interviews with consumers in their respective countries, and based on the findings, create marketing communications (advertising, web advertising, or a website) to promote the product. Each group will work on two types of communications: for French and for American audiences, analyzing and synthesizing their findings and realizing global advertising principles learned in class.

Increased globalization of the world economy makes teaching international aspects of marketing an important priority (Kelley 2007). The demand for international literacy and sensitivity among the business sector job applicants is reflected in AACSB requirements for international focus in business curricula. Today’s students represent the first generation that has been born into the digital age, and freely use multiple technologies in preparing for classes, sharing notes, shopping, rating professors, and accomplishing multiple everyday tasks. Such social networks as the Facebook and My Space allow its participants to literally share their lives with the selected referents. Any of these interfaces can be used by the project teams to meet, share ideas, and jointly work on the project using available collaboration software to track changes and make comments. The final product of the collaborative project will be displayed online as an advertisement or a website for a fictitious company selling the selected “green” merchandise, and will be evaluated by other university students in respective countries.

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One Principles of Marketing Communications (U.S.) and one International Marketing Management (France) class will be selected for this cross-cultural project, the goal of which is to develop international and cultural understanding among future marketing professionals, promote analytical and creative thinking skills by engaging students in qualitative market research and interpretation, and provide hands-on opportunity to develop targeted marketing communications for international audiences and test their effectiveness. The project will last for three months during which academic schedules for both universities overlap. At the beginning of the project, the students will be introduced to its objectives and will receive instruction in conducting depth interviews, coding the transcripts, and categorizing the findings. They will be allowed to self-select into teams and will be paired with the respective foreign teams based on the interest toward “consuming another way” (i.e., “consommer autrement”: sustainable, fair or green products). The products offered will fall into the following categories: food; care, beauty and clothes; transportation; and household items.

In France and in the U.S., teachers will coordinate for the course on sustainability. Specialized session will be devoted to “green” communication showing the role of active information research (newsletter, blogs . . .), eco-labels, corporate and brand advertising (symbolism, commitment to environment, to society, message believability, health and safety orientation, product orientation, price orientation, process orientation, image orientation,
environment fact, performance). French and American students will read the same articles and then will choose a product for research. The cross-cultural teams will then be instructed to interview consumers about their attitudes toward the selected “green” product and the concept of sustainability in general. Each student will conduct at least one or two depth interviews and will be responsible for transcribing and sharing its contents with the cross-cultural group (preferably, using email or posting the interview on a Facebook space). The whole team will be responsible for coding and categorizing the transcribed materials, as well as for coming up with marketing communications theme and creative decisions. This will be conducted via online communications (chats, email, or collaboration software). Two marketing communications products will be produced for the same product: for French and for American audiences that would take into consideration cultural differences and/or similarities. Finally, the final products of the exercise will be posted online for Business College students in both countries to rate them for their quality, and also express their purchase intentions for the product and for the instructor in each country – to reward one winning group in each class. The discussion following the completion of the project will highlight the difficulties and challenges during the project, as well as the achievements and skills acquired as a result.

This project is intended to improve student knowledge and awareness in the areas of international marketing and advertising (e.g., standardization vs. localization), human values (universal vs. culture-specific, e.g., environmentalism), establishing comparability (emic vs. etic dilemma), and the emerging domain of online advertising and marketing. It will also promote research skills, creativity and accountability, as well as cross-cultural technology-mediated collaboration, ability to apply theoretical knowledge to practice, and capability to solve real-life problems. By addressing the above content areas and specific skills development, this project will answer the calls for marketing educators to incorporate complex, real-life and creative assignments into marketing curriculum and prepare more aware and better marketing specialists. It will also promote cross-cultural faculty collaboration, and may eventuate into joint research papers and further pedagogical developments. References are available upon request.

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THE IMPACT OF RELATIVE POWER AND INFORMATION WITHIN THE BUYER-SELLER DYAD: THE IMPORTANCE OF HONESTY, BENEVOLENCE, AND COMPETENCE

Scott B. Friend, Georgia State University, Atlanta
Danny N. Bellenger, Georgia State University, Atlanta
James Boles, Georgia State University, Atlanta
Pam Scholder Ellen, Georgia State University, Atlanta

SUMMARY

Dependencies within the buyer-seller relationship create negative effects associated with uncertainty. Trust between relational parties represents a mechanism used to reduce the dependency derived uncertainty and develop long-term exchange relationships. This study implements experimental manipulations of asymmetrical buyer-seller dependencies, conceptualized in terms of levels of power and information, in order to study the foundational dimensions of trust: honesty, benevolence, and competence. Hypotheses are derived from literature and theory to predict the relative importance of the trust dimensions under varying degrees of dependency. Results are generally supportive of the hypothesized relationships while setting the framework for future research.

It is reasonable to expect the concepts which generate dependence within a business-to-business buyer-seller relationship (i.e., power and information asymmetries) to interact and shape the relative needs of the organizations within the buyer-seller exchange. Figure 1 represents the four hypotheses based on the theoretical underpinnings of uncertainty reduction and the concepts of honesty, benevolence, and competence.

We sampled 105 working professionals (58% male, 42% female; 8.95 years full-time work experience). Participants were first presented with a manipulation of asymmetrical buyer-seller high power/low power and high information/low information. Next, the respondents were asked to rank-order which item (honesty, benevolence, competence) they viewed as most important within each set, then second and third most important. In total the instrument consisted of five sets, each containing one honesty, benevolence and competence rank-order item.

To test the proposed hypotheses, a nonparametric test of variance by ranks “Friedman’s test” was applied to analyze the rank-order sets of trust items. This test enabled the researchers to determine whether the three characteristics were significantly different from one another, as

![FIGURE 1](image_url)

Dependence Matrix and Hypotheses

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<th>Power</th>
<th>Information</th>
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<tr>
<td>High Power</td>
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<td>H2: Imp. of Competence &gt; Imp. of Honesty, Imp. of Benevolence</td>
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<tr>
<td>Low Power</td>
<td>Low Information</td>
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<td>H3: Imp. of Benevolence &gt; Imp. of Honesty, Imp. of Competence</td>
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<tr>
<th>High Information</th>
<th>Low Information</th>
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<td>H1: Imp. of Honesty &gt; Imp. of Benevolence, Imp. of Competence</td>
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<tr>
<td>H4: Imp. of Honesty = Imp. of Benevolence = Imp. of Competence</td>
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well as which specific characteristic was most important given the scenario.

Respondents’ who received the high power/low information manipulation (n = 26) ranked honesty highest (1.83), followed by competence (1.94) and benevolence (2.22). While the importance given to honesty is in-line with H1, the resulting chi-square (1.98) is not significant at the .05-level (< 5.99), thus rejecting H1. Respondents who received the high power/high information manipulation (n = 26) ranked competence most important (1.75), while honesty (1.82) and competence (2.43) ranked second and third respectively. While the reported chi-square (6.07) indicates significant differences are represented within this cell at the .05-level (> 5.99), supporting H2, it is questionable whether there is a significant difference among the honesty and competence rankings. Respondents in the low power/high information manipulation group (n = 26) ranked competence (1.88) most important, then honesty (1.91) and benevolence (2.22). The chi-square (1.88) indicates no significant differences at the .05-level (< 5.99), fully rejecting H3. Finally, respondents in the low power/low information sample (n = 31) ranked honesty (1.81), benevolence (2.02) and competence (2.17) from most to least important, however, the chi-square (2.11) indicates no significant differences (< 5.99), thus, supporting H4.

While the differences between honesty, benevolence, and competence were not significant for the majority of the manipulations, the resulting order of importance given to honesty within the high power/low information and competence within the high power/high information manipulations indicates that the hypothesized relationships may exist at some level, however, the experimental design was not able to effectively capture these preferences. Thus, while the results are not fully supportive of the proposed relationships, there are ample reasons to use this experiment as a foundational piece for future research. A follow-up study is needed to rectify potential issues present in the instrument and analysis. References are available upon request.

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DEVIANCE TO REGULATE AFFECTS: A MOTIVATION MODEL OF FRONTLINE EMPLOYEES’ WORKPLACE DEVIANCE

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Lin Guo, University of Arizona, Tucson

SUMMARY

Although workplace deviant behaviors of frontline employees (FLEs) are increasingly becoming an important issue in sales and service management, it is traditionally under researched, especially for the context of sales and customer service employees (e.g., Jelinek and Ahearne 2006a; Harris and Ogbonna 2002). First, the existing knowledge of workplace deviance is mostly from manufacturing industries, and frontline positions are seldom examined (Harris and Ogbonna 2002). Furthermore, most of the extant studies on workplace deviance are exploratory in nature, failing to provide a theoretical explanation for how and why deviant behaviors may occur. Finally, the effect of job stress as well as emotional distress and exhaustion following job stress on workplace deviance has been relatively neglected in the current literature. Frontline work is characterized by high stress (Singh, Goolsby, and Rhoads 1994). Although the high rate of emotional distress and exhaustion coexists with the high occurrence of workplace deviance for FLEs, these phenomena have never been studied together, and the relationship between them remains unclear. Therefore, the purpose of this paper is to provide a theoretical explanation for the underlying motivation mechanism of FLEs’ workplace deviance. Furthermore, by taking the high stress job characteristics into consideration, this paper explores the effects of emotional distress and exhaustion on FLEs’ deviant behaviors.

Drawing on a motivation model for risky misbehaviors (Cooper, Frone, Russell, and Mudar 1995), self-regulation strength model (Muraven and Baumeister 2000), and theories on affect regulation (Andrade 2005; Larsen 2000), a comprehensive theoretical framework for FLEs’ deviant behaviors is established (see Figure 1). In the model, we propose that workplace deviance is risky misbehavior driven by FLEs’ motives of affect regulation. The basic assumption of our model is that people who feel bad often attempt to repair or regulate their affects (Larsen 2000). Because high job stress in frontline positions may continuously make FLEs distressed, FLEs may produce the desire to use workplace deviance to increase their positive affect (enhancement motive) or to decrease their negative affect (coping motive). Previous studies (e.g., Harris and Ogbonna 2002; Ackroyd and Thompson 1999) have provided some evidence that employees use deviance behaviors to reduce tension, cut boredom, generate excitement, and have fun. Therefore it is very possible that distressed FLEs use deviant behaviors as a means to regulate their affect.

The focus of our model is on the mediating mechanism of affect regulation because regulating positive and negative affects, in our view, represents the central motivational processes of FLE’s deviant behaviors. Employees’ expectancies of the consequences of deviant behaviors and their individual characteristics (e.g., emotional coping propensity, sensation seeking, social reward dependence, and negative reciprocity norm endorsement) also exert effects on deviant behaviors, but their effects are mediated by the coping and enhancement motives.

In addition, we propose that an employee’s self-control ability moderates the effect of affect regulation motives on deviant behaviors. In many situations, workplace deviance is a consequence of employees’ self-control failure. Deviant behaviors often involve a trade-off between individuals’ competing goals: on the one hand, employees are driven by the short-term pleasant goals, such as venting negative emotions or having fun; on the other hand, they have the desire for self-control in order to achieve their long-term career goal. Whether or not a deviant behavior is conducted not only depends on the strength of employees’ affect regulation motives, but also their ability of self control. If employees have strong self-control, their motives of affect regulation are less likely to turn into deviant behaviors.

This paper contributes to the literature of workplace deviance with a new insight into its underlying motivation and self-regulation mechanisms. First, this paper reflects the nature of workplace deviance: deviance behaviors are generally voluntary and risky, and an employee’s volition, affect regulation and self control play an important role in determining deviant behaviors. Second, by integrating multiple theoretical perspectives, this paper provides a comprehensive explanation for the underlying psychological mechanism of deviant behaviors. Workplace deviance is generally driven by two major motives: coping negative affect and enhancing positive affect. Thirdly, the proposed model focuses on the context of FLEs and took into account the high stress job characteristics of FLEs. Emotional distress is an importance antecedent of work deviance motive, while emotional exhaustion moderates the relationship between motives and deviant behaviors.
I WILL GLADLY PAY YOU TUESDAY FOR A HAMBURGER TODAY: PERSONALITY AND PROPENSITY FOR RECIPROCITY

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SUMMARY

Some of the heavily researched areas in marketing over the last decade, such as relationship marketing (Gruen et al. 2000; Morgan and Hunt 1994), brand alliances (Desai and Keller 2002; Speed 1998), and supply chain management (Carter et al. 2000; Lejeune and Yakova 2005), rely on reciprocity to explain relations between actors. Buyer-seller relationships and sales influence techniques such as the “door-in-the-face” also rely on reciprocity (Cohen and Bradford 2005; Mowen and Cialdini 1980). Reciprocity likewise facilitates the study of social dilemmas by biologists, political scientists, economists, sociologists and psychologists (Brandstätter and Königstein 2001; Ostrom and Walker 2003).

Since Gouldner’s (1960) seminal work on the norm of reciprocity, hundreds of authors have cited reciprocity as the fount of manifold human behaviors, but fewer have inquired into the root causes of participation in reciprocity. Most research involving reciprocity focuses on specific reciprocal behaviors or the consequences of reciprocity rather than on the causes of reciprocity itself (Perugini et al. 2003). This is particularly surprising for sales and marketing researchers as they can benefit so much from employing reciprocity in the theoretical support of their constructs. An investigation into the causes of reciprocity could prove useful, especially in the sales related areas of relationships and influence.

This paper examines whether or not personality traits influence the propensity to have reciprocal relationships at work. The relationships at work represent the general case which could be further refined into a variety of salesperson-coworker or even salesperson-customer relationships. A hierarchical linear model is proposed relating different levels of personality traits to the propensity to have reciprocal relationships at work. This model will contribute by serving researchers interested in research into reciprocal outcomes and those who chose to use reciprocity to explain other sales and marketing related phenomena. For instance, researchers might link the propensity for reciprocity to specific cooperative outcomes, or sales managers could use the model to establish which candidates have the highest likelihood of success in a sales team situation. Cooperation and mutual disclosure is also vital to building bonds with customers (Crosby et al. 1990); these are behaviors salespersons with a low propensity for reciprocity are not likely to exhibit.

The co-evolution of the genetic predisposition to be cooperative and of cultural norms of reciprocity could have provided a powerful tool for group success (Gintis et al. 2005). The environmental forces that shaped the portion of this behavior which has a genetic basis include the need to form non-fratricidal reproductive rules, the improved efficiency of hunting and gathering in cooperative groups and the greater ability to take and hold prime territory from rival groups of humans by working in concert. Scientists believe that if our close relatives in the primate family display reciprocity, that it is strong evidence for the genetic roots of reciprocity (Fehr and Gachter 1998). Observation of reciprocity among chimpanzees showed a pattern similar to humans.

The 3M Model of Motivation and Personality

An analytical system capable of handling multiple levels of traits and incorporating situational variables is needed to model reciprocity in terms of personality traits. The 3M Model (Mowen 2000) expands on the Big Five personality model and provides a well tested hierarchical framework for organizing the antecedents of reciprocity.

A propensity for reciprocity is also predicated on early learning in our specific culture, for while we may be born with an innate ability to learn cooperative behavior responses, these are specific to our time, place and culture (Hoffman et al. 1998). We will model the combination of genetic predispositions and cultural learning via the compound and surface traits of the model.

Economists have studied reciprocity extensively through game theory experiments such as prisoner’s dilemma, ultimatum and gift exchange games (Dufwenberg and Kirchsteiger 2004). The experiments show that individuals differ in their propensity to begin reciprocity, continue reciprocity and punish defectors (Falk and Fischbacher 2006). These findings support the notion that there is a unique propensity for reciprocity that is more profound in some individuals than others, and we will model this trait as the surface level trait of propensity for reciprocity with coworkers.

• Compound Traits – Altruism, Cynicism, Empathy.
• Surface Traits – Propensity for Reciprocity with Coworkers.
• Moderator of Surface Traits on Outcomes – Trustworthiness of Coworkers.
• Outcomes – Reciprocal Outcomes at Work.

References are available upon request.

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AUDIENCE-TUNING BEHAVIOR IN CONSUMER WOM
COMMUNICATION AND ITS EFFECT
ON THE SPEAKER

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SUMMARY

When consumers communicate product information or consumption experiences with others, the speaker often, explicitly or implicitly, change the message contents to suit the audience’s characteristics or to meet situational goals. For example, many studies have consistently demonstrated that communication audience’s attitude toward the conversation topic has profound impact on the speaker’s selection of the message content (e.g., Higgins and Rholes 1978). In the consumer domain, due to the symbolic or materialism nature of product and consumption (Soloman 1983), message modification (e.g., exaggeration, omission, or falsification) by the speaker in order to serve various personal or situational goals (Argo, White, and Dahl 2006; Sengupta, Dahl, and Gorn 2002) are often necessary and even inevitable in most of the daily conversations. “This means, in effect, that one has to lie. We must leave out the details that don’t fit, and invent some that make things work better” (Schank and Abelson 1995, p. 34).

Borrowing and expanding a term from social psychology (Higgins 1992, 1999), I use audience-tuning to refer to the speaker’s adaptive message construction behavior, in which the speaker tailor his/her communication message to suit the audience’s characteristics or meet situational goals. I posit that the speaker’s audience-tuning behavior not only affects the quantity and quality of the messages transmitted to the audience but also often has a significant impact on the speaker’s subsequent memory and judgments. As Schank and Abelson (1995, p. 58) put it, “We lose the original and keep the copy.” In other words, a potential evaluative consequence of this audience-tuning behavior is that the speaker’s recollection of the original information might be skewed by the contents of the communicated message.

Results from a two-step, memory-based lab experiment supported this proposition and, more importantly, the data also revealed that interpersonal trust, as an important moderator, could exacerbate the audience effect on the speaker. Specifically, the speaker’s audience-induced postcommunication memory shift was greater when the audience was a trustworthy partner than a mere stranger. This finding seems to suggest that metacognition, such as though confidence, might play a key role in the source-monitoring process (Johnson, Hashtroudi, and Lindsay 1993) of interpersonal communications. Future research is called for in this intriguing area.

REFERENCES


EXPLORING THE UNDERLYING MOTIVATIONAL DRIVERS OF WOM REFERRAL BEHAVIOR: TOWARD A TYPOLOGY OF SOCIAL INFLUENCERS

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Nadine Hennigs, Leibniz University of Hannover, Germany
Sascha Langner, Leibniz University of Hannover, Germany

SUMMARY

The purpose of this paper is to provide a first conceptual model of individual and social capital dimensions as key drivers of a customer’s WOM referral style. Two sets of propositions are developed: the first deriving from the perspective that social influencers possess certain individual attributes that distinguish them from non-influencers (individual capital), and the second deriving from the perspective that WOM referral behavior is tied to the characteristics of the social network in which the influencer is embedded (social capital). Based on the theoretical framework and associated propositions, the potential and value of different WOM referrals are explored by a first research step uncovering six individual and four social factors characterizing three types of social influencers. As product-specific context, fashion marketing was chosen.

Conceptual Framework

A comprehensive understanding and better management of WOM referral behavior implies the in-depth analysis of its conditions and drivers, as well as the identification of those customers with the highest social influence potential and value. WOM referral behavior is not simply tied to a set of individual characteristics of the customer’s personality but is also related to the nature of the social environment in which the customer is embedded. Despite of his excellent individual attributes, an important influencer in one group may not play a significant role in a second group with another social environment (Roch 2005). However, little work has been done to conceptualize and empirically test the effect of customers’ individual and social capital on the perception that they have of certain products and services, and their associated WOM referral behavior. Thus, for the purposes of this paper, the WOM behavior and referral style of customers is related to the customer’s individual and social capital attributes.

Methodology

To analyze the relevancy of different variables measuring individual and social capital to portray high social influence potential in a more aggregated sense, the dimensions of individual and social capital were operationalized proposing ten different factors. Preparing the empirical test of our model, we did both, using already existing and tested measures and generating further items resulting from exploratory interviews with marketing and fashion experts being asked what individual traits or social resources they associate with social influencers. The items were rated on a five-point Likert scale (1 = strongly disagree, 5 = strongly agree). A first version of our questionnaire was face validated twice using exploratory and expert interviews and pre-tested with 50 respondents to identify the most important and reduce the total number of items. The sample used in this study was defined as male or female respondents, aged 18 years and older. A total of 480 interviews were conducted in summer 2007. Female respondents were over-represented, which may be attributed to the fact that women are more interested in fashion than men.

Main Results

First, the various dimensions underlying the individual and social capital of social influencers were uncovered by a factor analysis using the principal component method with varimax rotation. The factor analysis produced a ten-factor structure that was consequently used in stage two for clustering the respondents into different groups of social influencers. The focus of cluster analysis in this study was on the comparison of cases according to the natural relationships between the hypothesized individual and social capital dimensions and factors. The results strongly suggested the presence of three clusters: the Superspreaders, the Narrative Experts, and the Helpful Friends.

The potential benefits of this paper are that any links between individual and social capital measures and (WOM) referral behavior as well as the typology of social influencers provide important insights to the underlying motivations of social influencers. Each type of social influencer is characterized by a different underlying philosophy to giving or not giving WOM referrals, which helps marketing managers to understand the nature and extent of WOM communication and might serve as a theoretical base to efficiently generate and manage positive word-of-mouth referrals from existing clients. This
knowledge can enlarge the efficiency of selecting different customer groups and of encouraging appropriate key consumers to leverage their WOM potentials. Our typology might enable marketing managers to identify a broader variety of potential influencers and to employ effective and efficient actions to promote positive WOM from their different types of customers: Especially those, who do not articulate high referral potential and/or even themselves haven’t discovered their referral potential yet, but posses a great amount of social capital. Encouraging such customer groups to efficiently use their potential might include the chance to more easily and sustainably convince them to support the company, and build up a deeper relationship. References are available upon request.

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RELEVANCE – THE LIFEBLOOD OF SEARCH AD? THE CONSUMER’S PERSPECTIVE

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SUMMARY

With the increasing popularity of the Internet and the World Wide Web, consumers are increasingly using the Internet and search engines to seek information and make purchases. In particular, the commerce related search engine information inquiry became the most frequently used category in 2005, representing 30.4 percent of the total web inquiry, while the second category of people, places or things was only 16 percent (Spink and Jansen 2008). The great market potential of online communities stimulates advertisers to take advantage of a new venue of advertising – search advertising. According to JPMorgan (2008)’s report, the global market potential of search advertising will increase from $22 billion in 2007 to $50 billion in 2010. Because of the potential for greater return on investment of search advertising relative to other forms of advertising (Burns 2005), there is a great need to have a clearer understanding of the role of relevance in the crafting and presentation of search ads with respect to what consumers expect to find when they type in a search term (Marketing Week 2008).

Although there is growing interest by practitioners in understanding the nature of relevant search ads, it is surprising that little academic research has been done in this area. Several important questions are clear. For example, what is meant by relevant search advertising? How does the relevance of search ads impact consumers’ attitude toward the search ad, attitude toward the brand, or purchase intention? How does a consumer’s mood influence his/her evaluation of the search ad? What other key moderators are likely to influence the relationship between the relevance of the search ad and important advertising outcome variables? To contribute to our understanding of Internet search ads, the present study attempts to lay a framework for future research to investigate factors that influence the relationship between search ad relevance and attitude toward the search advertising, attitude toward the brand, and purchase intentions. To that end, the paper presents seven propositions regarding the moderating effects of various factors such as consumer involvement, the consumer expertise, mood, time pressure, gender, and age.

The notion of relevance is not a new one in academics. Extant research in information science has extensively employed relevance theory to explain situational relevance, informative relevance, and affective relevance. Situational relevance is referred to the utility of information relative to a specific problem or task (Sperber and Wilson 1995; Borlund 2003), or the information’s pragmatic influence to a person (Saracevic 1975). Informative relevance is defined as the utility of information that will satisfy a user who is seeking knowledge, while affective relevance is related to hedonic information search (Xu 2006). The present study adopts Sperber and Wilson’s (1995) theoretical framework of situational relevance. A basic premise of situational relevance rests on a person’s expectation of minimizing and reducing information search effort. According to Sperber and Wilson (1995), relevance is the subjective judgment of a hearer in response to the utterance. The most relevant utterances refer to those that convey the most new information with the least amount of effort. That is, if the search engine results and linked search ads can help narrow the search effort more expeditiously by meeting consumers’ expectations about what they thought they would find, those search ads are relevant to the consumer. In this sense, the most relevant search ad is congruent with the expectations of what consumers thought they would find when they typed in a search term. At the same time, the most relevant search advertisement minimizes the consumer’s search effort. For search ads, relevance refers to a high degree of correspondence or congruence between search ad results and the consumers’ expectations about what should be found when they typed in a search term. This meaning is distinguished from the idea of fit in the advertising literature.

Because this study is the first attempt to investigate search advertisements, the paper serves as a starting point for future research. The seven propositions put forth are intended to provide an impetus for research on the factors that are clearly influential to consumers’ evaluations of search advertising, particularly with respect to the relevance of the search ad. Consumer information search behavior is inherently complex. Thus, examining consumer expectations about the outcomes of product information search is in and of itself intriguing. The paper provides ample support for the utility of applying relevance theory to investigate these matters. Further, application of relevance theory should be helpful in developing studies that demonstrate the nature of key moderating effects, such as consumer involvement, consumer mood, consumer knowledge, time pressure, and demographical
variables (e.g., gender, age, and etc.). Other important factors could also be taken into consideration in future research, such as the perceived trustworthiness of the web search engine, brand loyalty and preferences, and consumer personality.

Such research would provide invaluable insights for companies in finding better ways to take advantage of the expanding arena of search ads to promote their products. The findings from future empirical studies could provide web search engine companies and advertisers fresh insights on the key characteristics of search ads that are most beneficial to target groups of consumers. At the same time, such findings could also help advertisers to segment and position the product/brand. By focusing on the characteristics of the target products and the target segments, advertisers may potentially achieve better return on investment for their search ads. In conclusion, the central purpose of the present study is to encourage academic research in this interesting and important topic area. Future research can proceed in any number of directions. The propositions offered in the paper can be used to guide the development of our expanded understanding and knowledge of search ads. References are available upon request.

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