2010 AMA Winter Educators’ Conference

Marketing Theory and Applications

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Preface and Acknowledgments

“Marketing 2010: Strategies and Solutions for a Tumultuous Economy” is the theme for the AMA 2010 Winter Marketing Educators’ Conference. Given the trials, tribulations, and tumult that have characterized our global economy over the past 18 months, marketing academics and practitioners must find new solutions to ensure viability in these changing times. Traditional marketing strategies may not apply in an era in which marketing practice has become intertwined with social, economic, regulatory, legal, ethical, and consumer challenges on a global scale. Marketing academics must fulfill their role by engaging in research that will give today’s business leaders a clear, unobstructed view of the diversity of issues facing marketing practice in today’s organizations. Access to this type of cutting-edge research is critical if today’s business leaders and marketing academics are to have a full appreciation of the key issues that affect the strategic and tactical marketing activities of the firm.

We have many people to thank for their involvement in developing the conference. First, we thank all the scholars who chose to share their best work with the AMA audience. Your papers, presentations, and insights are the reason we gather in New Orleans.

Second, we thank the tireless efforts of our track chairs. These are the people who worked behind the scenes to shape the content and overall contributions of the conference program:

**Consumer Behavior**
- David M. Hardesty, University of Kentucky
- Blair Kidwell, University of Kentucky

**Global Marketing**
- Daekwan Kim, Florida State University
- Rudolf R. Sinkovics, University of Manchester

**Corporate Affairs, Social Responsibility, and Sustainability**
- Kelly D. Martin, Colorado State University
- Jeremy Kees, Villanova University

**Brand Marketing and Communication**
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**Research Methods**
- Betsy B. Holloway, Samford University
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**Marketing Strategy**
- Molly I. Rapert, University of Arkansas
- Terry Esper, University of Tennessee

**Sales and Customer Relationship Management**
- Ellen Pullins, University of Toledo
- Leff Bonney, Florida State University

**Services, Service Science, and Retailing**
- Stephanie M. Noble, University of Mississippi
- Andrea Godfrey, University of California, Riverside

**Marketing and Technology**
- Charlie Hofacker, Florida State University
- Sandeep Krishnamurthy, University of Washington, Bothell

**SIGnificant Advances among Special Interests**
- Kevin Gwinner, Kansas State University

**Social Chair and Local Events Coordinator**
- Lauren Skinner, University of Alabama, Birmingham

Third, we thank the reviewers for their time and dedication toward reviewing the hundreds of papers and session proposals submitted to the conference. Your efforts are responsible for the quality of the 2010 program. We also thank the members of the “Blue Ribbon” Selection Committee, who had the unenviable task of selecting a single paper to receive the Best Conference Paper Award.

Finally, we thank the American Marketing Association staff and volunteers who have gone above and beyond to help us throughout this endeavor. We especially thank Lynn Reyes for her wise counsel over the past 14 months. We also thank the members of the AMA Academic Council for giving us the opportunity to serve the AMA community. We appreciate the support of Kathleen Seiders (Boston College) and her willingness to take our ideas and suggestions to the Council.

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Florida State University

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“Exploring the Brand Productivity Gap”
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Blue Ribbon Panel (Determined Best Conference Paper)
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A. Parasuraman, University of Miami
J. Joseph Cronin, Florida State University

Best Paper: Track Award Winners

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“From a Distance We All Have Enough: Temporal Perspective and the Dual Role of Price”
Christian Homburg, University of Mannheim
Torsten Bornemann, University of Mannheim

Global Marketing
Esra F. Gençtürk, Ozyegin University, Istanbul
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Brand Marketing and Communication
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Randal Raggio, Louisiana State University
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Marketing Strategy
“What’s in a Name? An Analysis of the Strategic Behavior of Family Firms”
Saim Kashmiri, University of Texas at Austin
Vijay Mahajan, University of Texas at Austin

Sales and Customer Relationship Marketing
“Conceptualizing Trust in the Relationship Between Sales and Marketing and the Customer”
Kenneth Le Meunier-FitzHugh, University of East Anglia, Norwich
Jasmin Baumann, University of East Anglia, Norwich
Leslie Caroline Le Meunier-FitzHugh, University of East Anglia, Norwich

Services, Service Science, and Retailing
“Team Stewardship in Customer Service Teams: Antecedents and Consequences”
Jeroen Schepers, Eindhoven Technical University
Ad De Jong, Eindhoven Technical University
Ko De Ruyter, Maastricht University

Marketing and Technology
“Brand and Technical Integration for Radical Innovation: Do Firms That Integrate Do Better Than Firms That Do Not?”
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MAKING SALESPEOPLE TO LEAD THEMSELVES: ANTECEDENTS AND CONSEQUENCES OF SELF-LEADERSHIP STRATEGIES

Nikolaos G. Panagopoulos, Athens University of Economics & Business, Greece
George J. Avlonitis, Athens University of Economics & Business, Greece

SUMMARY

Leading salespeople represents an activity of paramount importance for many B2B organizations. Due to certain idiosyncrasies, however, salespeople are often less readily susceptible to control and leadership interventions. As a consequence, firms have been seeking alternative ways for controlling and leading their salespeople. One such way that is gaining momentum among practitioners and researchers is empowering employees to engage in self-leadership strategies (SLS). In spite their importance, however, prior studies have approached leadership as a top-down phenomenon, paying less attention to whether salespeople can and should lead themselves. Against this background, this study seeks to contribute to the current literature by examining (a) what are the key dimensions of self-leadership strategies (SLS), (b) how individual differences influence SLS, and (c) whether SLS are related to performance.

We take a predisposition perspective to study the antecedents and outcomes of SLS. Specifically, we draw on the big five personality research (Goldberg 1992), core self-evaluation trait theory (Judge et al. 1999), self-regulation theory (Carver and Scheier 1981) and self-management theory (Manz 1986) to develop a comprehensive conceptual framework. Specifically, we review several diverse lines of literature to identify important constructs with documented importance to SLS research. In short, we theorize that SLS are influenced by a set of prominent personality traits: organizational-based self-esteem, need for autonomy, internal locus of control, extraversion, conscientiousness, and self-monitoring. In addition, we posit that SLS influence salesperson performance both directly and indirectly through self-efficacy; thus, we hypothesize a partial mediation effect of self-efficacy on the relationship between SLS and performance. Finally, we include several covariates in our model.

The framework is tested using data from 306 salespeople working for five major organizations operating into pharmaceuticals (1 firm), telecommunications (3 firms), and financial services (1 firm). Measurement scales are subjected to CFA to establish their validity and reliability. Hypothesized relationships are subsequently tested by using a covariance-based SEM approach.

Our findings indicate that SLS are influenced by certain personality traits such as extraversion, organization-based self-esteem, and self-monitoring, whereas SLS are found to be related to both self-efficacy and salesperson performance. Moreover, self-efficacy exerts a direct effect on performance whereas we find support for the posited partial mediation effect of self-efficacy on the relationship between SLS and performance.

Developing leaders at all levels of the sales organization has been recognized as an important research priority (Ingram et al. 2005). Our study is a first attempt toward highlighting that self-leadership is a meaningful and important construct for boundary-spanners. This is especially important since salespeople are usually left out alone in the field, struggling with a relentless economy and increased customer expectations. Moreover, the present study provides insights into what drives salespeople to engage in SLS and whether SLS influence performance. Specifically, by developing and testing a theoretical framework of SLS antecedents and consequences, our findings have important ramifications for both theory and practice.

From a theoretical standpoint, the results show that—at least to some extent—SLS are a function of personality traits. In addition, SLS are highly effective since they explain a relatively large proportion of salesperson performance, even after controlling for several variables. These results increase our knowledge into whether and how companies should invest in developing such skills in their salespeople. In addition, we provide a validated scale of SLS that can be employed in future studies. Specifically, we provide evidence that self-leadership is a higher-order construct comprising three general dimensions/strategies: (a) behavior-focused strategies, (b) natural reward strategies, and (c) constructive thought pattern strategies (Houghton and Neck 2002).

Our study offers a series of important conclusions for sales executives as well. In particular, SLS might be pursued in order to reduce job demands on the designated leader and increase salespersons’ empowerment. This might be fundamental for addressing challenges, which are posed by an uncertain and complex environment. Having demonstrated the importance of SLS for enhancing performance, companies should motivate salespeople...
to engage in SLS. Moreover, recruiting policies need to be adjusted in that assessment should take personality factors into account such as those that were found to explain SLS. Sales executives might also want to consider specific training interventions for salespeople who are naturally less inclined to practice SLS. Even salespeople who are less extroverted, for instance, will benefit from learning and utilizing self-leadership strategies to seek new opportunities. In fact, SLS can be learned and used effectively, even by people who are not natural self-leaders (Stewart et al. 1996). Therefore, we propose that it would be time well spent for nascent and experienced salespeople to become more familiar with self-leadership concepts. References are available upon request.

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SUMMARY

Introductions and Definition of “Sales Complexity”

Today’s business world is characterized by dynamic changes in customer demand and competitor action, which successful companies have to react to or even forego by adapting their own internal routines and products accordingly. Sales representatives operating at the edge of market and company spheres in a boundary-spanning position are exposed to this increasing complexity. However, a holistic model which examines the phenomenon of complexity in the selling function has not been developed yet.

In sociology, and within this field especially in systems theory, complexity is interpreted as greater freedom (Vanderstraeten 2005), and complex system as consisting of numerous dynamically and nonlinearly interacting elements (Cilliers 1998, 2000; Backlund 2002). Psychology predicts that the more complex a task becomes the more decision necessities and information processing are necessary (Haerem and Rau 2007; Bonner 1994; Wood 1986). Other researchers stress missing transparency (i.e., the non-availability of information), dynamic changes, unclear goals, and the number and (non-linear) interconnectivity of variables as characteristics of complex problems (Funke 1991; Frensch and Funke 1995). Combining the essentials of psychological and sociological complexity definitions, these approaches give way to a coherent definition of sales complexity: Sales complexity represents a status of the salesperson’s working environment that is characterized by a significant number of new, intransparent and polytelic tasks, time and/or resource constraints, and dynamic changes.

Conceptualization

Remembering the boundary spanning position of the salesperson (Jaramillo et al. 2006), Grössler et al. (2006) suggest to categorize possible complexity drivers in a company-external and company-internal sphere.

External Sphere of Complexity

Technological Complexity contains the time-consuming search for information about the frequent innovations from outside the company (i.e., from competitors and customers) to convince costumers of the advantages of the own product (Ingram 2004). Competitive Complexity consolidates all factors related to globalization and advancing deregulation, which give formerly distant competitors a chance to enter previously protected markets and hamper to achieve high margins – as the increasing similarity of products does, too (Ingram 2004; Matthysens and Vandenbempt 1998). Customer Complexity results from the customer’s demand for individualized solutions (Moorman and Rust 1999; Du et al. 2003; Pine 1993) and requires time-intensive assessment and data management of customer behavior and needs as well as individual support, which can be perceived as “complexity costs” (Blecker et al. 2005; Blecker and Abdelkafi 2006). Besides, the increasing presence of buying centers in B2B relations demands even more efforts from the sales representatives to achieve above-average margins (Ingram 2004).

Internal Sphere of Complexity

Role Complexity: Within the organization, visible control systems facilitate higher performance (Babakus et al. 1996; Cravens et al. 2004), whereas intransparent structures might stimulate, “role stress” (Jackson and Tax 1995) which eventually decreases organizational commitment and overall performance (Jaramillo et al. 2006; Low et al. 2001). Incentive System Complexity derives from intransparent and incomprehensible compensation or incentive programs, which complicate a correct prioritization of conflicting demands from customers, the management, and predetermined sales objectives (Larson and Resney 2004; Sharma 1997; Filipczak 1993). Sales Technology Complexity reflects the advantages of standardized, more efficient information systems, reduced by occurring media disruptions, unreliable IT and the necessity to integrate and learn the handling of these tools (Parthasarathy and Sohi 1997; Rangarajan et al. 2005; Backlund 2002).

Study Findings and Conclusion

Based on a first study in which qualitative expert interviews with 24 sales managers of industrial manufacturing companies allowed to confirm the major complexity drivers identified in literature, the final questionnaire with 32 items was generated. A second quantitative study with 231 valid questionnaires, sent to 288 salespeople of a multinational industrial manufacturer, allowed a scale purification with detailed item-analyses, exploratory fac-
tor analyses with principal component factorizing and oblique rotation, confirmatory factor analyses, and an initial assessment of scale reliability and unidimensionality of subscales (Churchill 1979; Gerbing and Anderson 1988).

The procedure revealed a six-factor structure close to the assumed one, for which exploratory factor and reliability analysis results were sufficient. A confirmatory factor analysis indicated solid psychometric properties of our scales and a good overall fit of the model ($\chi^2 / \text{d.f.} = 1.23$, RMSEA = .04, CFI = .97, TLI = .97, Gamma hat = .98) (cf., Gerbing and Anderson 1988; Hair et al. 1998; Bentler and Bonett 1980).

In conclusion, this research project has firstly established a holistic definition of sales complexity and secondly identified six dimensions of the complexity salespersons are confronted with.

Organizational drivers from the internal sphere of the company are:

- “Incentive System Complexity,”
- “Role Complexity,” and
- “Sales Technology Complexity,”

whereas the external sphere of environmental drivers contains

- “Customer Complexity,”
- “Competitive Complexity,” and
- “Technological Complexity.”

A next step is a validation and generalization with the help of a broader sample. Furthermore, a close examination of the nomological validity of the model is of major interest. Lastly, uncovering further sub-factors of each complexity driver could allow calculating a “complexity elasticity” regarding sales peoples’ performance, revenues, and profits.

REFERENCES


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SALESPERSONS LISTENING ABILITY AS AN ANTECEDENT TO RELATIONSHIP SELLING

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SUMMARY

It has been argued to be effective in building successful relationships with customers', salespeople should have good communications skills, be able to develop trust and mutually beneficial relationships. In the present study Active Empathetic Listening was proposed as being a means in which salespeople were able to build these qualities in relationships through a superior form of listening that enhances understanding the needs and priorities of their customers, as well as relaying the message that the salesperson is indeed concerned for the well being of the customer. Active Empathetic Listening (AEL) was defined as listening practiced by salespeople in which active listening is combined with empathy to achieve a higher form of listening (Comer and Drollinger 1999). AEL is proposed as superior method of listening used by salespeople in developing open, communicative relationships that focus on a full understanding of the customer as well as concern for their position.

In order to examine the role of AEL as an antecedent to relationship selling Palmatier et al. (2006) framework was employed. Palmatier et al. (2006) developed a meta-analytic framework in which they proposed antecedents, mediators, moderators, and outcomes of relationship marketing. In order to focus on professional selling rather than a larger framework of marketing the authors focused primarily on aspects of the meta-analytic model that related to professional selling. Further, only those concepts in the model that were well supported in the meta-analysis were chosen as concepts of interest for the present research. Drawing from the relationship model developed by Palmatier et al. (2006) and the theoretical framework of AEL in the personal selling process (Comer and Drollinger 1999) a model was developed. In the present study AEL was purposed as being an antecedent to a salesperson’s communication skill, the quality of relationship between the buyer and seller and ability to build trust. Further, communication skill, relationship quality, and trust were all proposed to moderate the connection between AEL and the outcome of sales performance.

Empirical Study

Salespeople were chosen as the target sample for the present study considering that many of the hypothesized relationships focus on personal attitudes and beliefs. A mail survey was sent to salespeople who were randomly selected from a commercial mailing list. One hundred seventy five (175) completed and useable questionnaires were received, the questionnaire consisted of several multi-item instruments that were measured using Likert-type 7 point scales. Following Anderson and Gerbings’ (1988) two step procedure in testing structural equation models all instruments were examined.

Results and Discussion

Overall, model fit indices show the relationships represented in the model were a good fit with a reported Goodness of Fit (GFI) .954, CFI .953, and AGFI (.893) that indicated that the model was statistically plausible. The hypothesized relationships in the model were generally supported. More specifically the relationship between AEL and interpersonal communication skills (H1) was significant with a standardized path coefficient of .443. Active Empathetic Listening was also hypothesized to be positively related to relationship quality (H2) and received support through significance and a resulting standardized path coefficient of .819. Active Empathetic Listening and trust (H3) was also positively and significantly related with a coefficient of .825. Interestingly the standardized coefficient of the path between AEL and trust was the greatest indicating that as AEL goes up by one standard deviation trust goes up .825 standard deviations. Communication skills were also positively and significantly related to performance (H4) with a path coefficient of .257. Relationship quality was found to be positively associated but not significantly related to performance therefore H5 was not supported. Lastly, trust was found to be positively and significantly related to performance with a standardized path coefficient of .241 (H6).

When examining the hypothesized relationships under the Relationship Marketing framework presented by Palmatier et al. (2006) it is apparent that they were generally supported directionally and via their significance. AEL was positively related to greater communication ability, fostering relationships and high levels of trust. When salespeople utilize AEL they enable themselves to better understand the needs and priorities of their customers and in the process instill a sense of sincerity and credibility. Managers whose sales force is engaged in
dyadic communications with buyers and are interested in developing long term relationships with their customers may benefit most from this study. AEL may be seen as a means in which salespeople can enhance all of these relationship building skills and in turn enhance overall performance of their sales force.

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APPLYING FLOW THEORY TO CONSUMER BEHAVIOR IN RETAIL STORES

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SUMMARY

A flow experience is described as an intrinsically optimal state during which an individual is intensely engaged in an activity (Csikszentmihalyi 1990). Although “flow” is a salient determinant for providing a compelling online shopping experience, little research has been done to study consumers’ flow experience beyond the confines of the Internet. As retail stores account for 90 percent of retail sales, it is important to know whether existing flow theory can be extended to retail stores.

Theoretical Background and Research Hypotheses

Massimini and Carli (1988) suggested that challenge and skill are the antecedents of a flow experience. Mathwick et al. (2004) further summarized the four states of mind as follows.

Flow state – high challenges and high skill. In order to deal with a highly challenging task, skilled consumers at a flow state are highly focused, enjoy the activity at hand and feel in control.

Boredom state – low challenges and high skills. Consumers may feel bored when they are highly skilled to deal with an activity, but the activity at hand is not sufficiently challenging.

Anxiety state – high challenges and low skills. Consumers may feel anxious when they don’t have the necessary skills to cope with the task or activity they face.

Apathy state – low challenges and low skills. In addition, consumers may have little desire to work with the activity at hand.

Nevertheless, the online flow literature mainly focuses on navigational challenges and consumer Internet/computer skills. This study takes the first step to propose in-store shopping as a flow activity by constructing the challenge and consumer skill associated with this activity. The marketing literature clearly suggests that a consumer’s purchase process may involve challenges due to the nature of product complexity and inherent risks (Swaminathan 2003; Keller and Staelin 1987), and that consumer skills may vary given the same product category (Park and Lessig 1981). Thus, a single shopping task can be associated with various levels of challenges and skills.

Flow experience includes intrinsic enjoyment, control and concentration dimensions (Ghani and Deshpande 1994). Csikszentmihalyi (1990) described an individual’s concentration as psychic energy and one’s total concentration is required in order to deal with a highly challenging task (Mathwick et al. 2004). A person feels dominant when he is able to control the situation that he is in. (Ressell and Mehrabin 1974). An individual in a state of flow is lacking a sense of worry about losing control because all his cognitive resources are free to address current challenges, and to exercise his or her skills in an attempt to overcome these challenges (Csikszentmihalyi 1990). Such experience may increase shopping excitement and pleasure (Koufaris 2002). As previous research suggest, these dimensions are positively related to consumer future shopping intention (Koufaris 2002; Wang et al. 2007). Therefore, the research hypotheses are developed:

H1: During the course of store-based shopping, the level of concentration is the highest for consumers in the state of flow among the four states of mind.

H2: During the course of store-based shopping, the level of perceived control is the highest for consumers in the state of flow among the four states of mind.

H3: During the course of store-based shopping, the level of shopping enjoyment is the highest for consumers in the state of flow among the four states of mind.

H4a: Concentration is positively related to future shopping intention.

H4b: Control is positively related to future shopping intention.

H4c: Enjoyment is positively related to future shopping intention.

Research Method and Analysis

A survey (n = 240) was used to test the research hypotheses. Each respondent recalled a goal-directed
shopping task at retail stores within a month, and reported his or her shopping experience for that particular shopping activity in the self-reported survey. Approximately 54.6 percent were female. The age groups in the sample varied greatly with 33.7 percent of the sample between 18–25, 28.4 percent between 26 and 35, 16.6 percent between 36 and 45, 18.3 percent between 46 and 60, and 2.9 percent 61 or older.

The measures included shopping challenge, skill, three flow dimensions and future shopping intention, which were adapted from previous online flow research (e.g., Koufaris 2002; Mathwick et al. 2004; Wang et al. 2007). A confirmatory analysis was followed to assess the validity. A cluster analysis was used to classify respondents into four states of experience according to their perceived challenges and skills with their shopping tasks (Mathwick et al. 2004). A K-means clustering procedure with the initial centers and the four-cluster solution was used to obtain the final clusters. ANOVA results indicated that the four clusters were significantly different with respect to challenge ($F_{(3, 236)} = 177.41, p < 0.000$) and skill ($F_{(3, 236)} = 201.44, p < 0.000$). ANOVA analysis with pairwise comparisons among the four states was followed to test each hypothesis. H1, H3, and H4 (a) – (c) were supported. For H2, the mean of the perceived control (5.17) in the flow state was statistically higher than those in the apathy (4.41) and anxiety (4.51) states, but lower than that in the boredom state (5.82).

**Research and Managerial Implications**

This study first provides a theoretical foundation to develop the antecedents (challenges and skills) associated with in-store shopping activities. Second, it provided empirical evidence to examine the impacts of flow experience on consumer behaviors at different states of mind in retail stores settings. The study also helps retailers better understand consumers’ states of shopping experience. For retailers selling more complex products, shopping for these products can be very challenging. The findings imply that retailers may switch their shoppers from the anxious state to the flow state by increasing consumer skills, such as providing help with product knowledge. On the other hand, consumers who have greater skills to handle less challenging shopping activities tend to feel bored, but perceive a higher level of control in their shopping experience. The study found that perceived control is positively related to future shopping intention. Hence, these retailers should at least ensure their consumers feel in control with their shopping activities.
DEVELOPMENT AND VALIDATION OF THE TRANSACTION SPECIFIC ATTRIBUTIONS OF DISCRIMINATION (TSAD) SCALE

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SUMMARY

Discrimination, and attributions of discrimination, have been and will continue to be a critical issue not only in the United States but around the world. Discriminatory attributions occur when perceptions of unfair treatment are attributed to group membership rather than individual factors (Major, Quinton, and McCoy 2002). Marketplace discrimination, which Crockett, Grier, and Williams (2003) define as “differential treatment of customers in the marketplace based on perceived group-level traits that produce outcomes favourable to ‘in-groups’ and unfavorable to ‘out-groups,”’ can be said to be a special case of discrimination occurring market transactions. In fact, a number of researchers (e.g., Chung and Myers 1999; Feagin and Sikes 1994; Hill 2001; Oliver and Shapiro 1995) have argued that dealing with discrimination in the marketplace is an almost everyday concern for many consumers.

To date, most research in marketing focusing on discrimination and discriminatory attributions has been conducted relative to racial or ethnic discrimination (e.g., Baker, Meyer, and Johnson 2008; Siegelman 1997; Rosenbaum and Montoya 2006). However, there are any numbers of other types of discrimination which can occur in the marketplace including discrimination due to age, gender, disability, and sexual orientation. And while some have argued that the incidence of discrimination has declined over the past decades, Deitch et al. (2002) indicate that overt discrimination has been replaced by more covert forms of discrimination which may be more harmful due to the “attributational ambiguity” associated with covert discrimination (Crocker and Major 1989). Thus, it would appear that additional research relative to marketplace discrimination would be warranted. This is particularly true as it relates to the provision of services since at its core service provision is an interpersonal interaction between two people.

However, one issue which might inhibit research in this area is a measure of what might be termed “transaction specific attributions of discrimination.” To date most measures of discrimination that exist might best be considered measures of “long-term” discrimination in that they assess the extent to which a person has been exposed to actions which might be attributed to discrimination over a period of time. These measures do not allow researchers to assess the extent to which a consumer’s perception of a specific transaction is being attributed to discrimination. We believe there is potentially a broad application for a measure like this, particularly when the purpose is to study interactions between customers and employees.

This paper reports two studies, the first using students and the second using a national sample, designed to develop a measure of Transaction Specific Attributions of Discrimination (TSAD) which can be used to assess the extent to which a person makes attributions of discrimination when faced with a negative event such as a service failure. Analyses provide strong support for a five-item measure (see Table 1).

Given the critical importance of the interaction between the customer and the employee, we believe the inclusion of a measure of transaction specific attributions to discrimination might prove to be useful in helping to diagnose those situations when the outcome from a service encounter or sales presentation is less than optimal. Our conceptualization and operationalization of the measure at the transaction specific level is important given that most measures of discrimination assess what might better be labeled “long term” or “chronic” discrimination. Researchers will now have a multi-item, psychometrically sound measure that can be used to assess discriminatory attributions arising from a particular situation.
<table>
<thead>
<tr>
<th>Item</th>
<th>Factor Loadings&lt;sup&gt;a&lt;/sup&gt;</th>
<th>λ values&lt;sup&gt;b,d&lt;/sup&gt; (t-values) from Study 1</th>
<th>λ values&lt;sup&gt;b,d&lt;/sup&gt; (t-values) from Study 2</th>
</tr>
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<tbody>
<tr>
<td>1. This service failure was due to age (racial) discrimination.</td>
<td>.83</td>
<td>.83&lt;sup&gt;c&lt;/sup&gt; (19.36)</td>
<td>.70</td>
</tr>
<tr>
<td>2. If I were older (White), this failure would not have occurred.</td>
<td>.82</td>
<td>.86 (19.36)</td>
<td>.83 (9.82)</td>
</tr>
<tr>
<td>3. I believe the service failure was a purposeful act of vengeance due to my age (race).</td>
<td>.67</td>
<td>.66 (13.30)</td>
<td>.83 (9.83)</td>
</tr>
<tr>
<td>4. I received poor service because I am young (Black).</td>
<td>.92</td>
<td>.93 (21.66)</td>
<td>.86 (11.28)</td>
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<td>5. This subtle slight is an act of discrimination.</td>
<td>.86</td>
<td>.82 (18.13)</td>
<td>.96 (11.31)</td>
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<tr>
<td>Average Variance Extracted</td>
<td></td>
<td>.68</td>
<td>.74</td>
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<tr>
<td>Composite Reliability</td>
<td></td>
<td>.95</td>
<td>.96</td>
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<sup>a</sup>Factor loadings from exploratory factor analysis.<br><sup>b</sup>Values from confirmatory factor analysis.<br><sup>c</sup>CFA Fit Statistics: $\chi^2 = 6.85$, CFI = .99, IFI = .99, RMSEA = .04.<br><sup>d</sup>CFA Fit Statistics: $\chi^2 = 5.98$, CFI = .99, IFI = .99, RMSEA = .03.<br><sup>e</sup>Complete standardized loadings.<br><sup>f</sup>No t-value since item was constrained to 1 to set the scale metric.

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A RESEARCH ON THE CURVE RELATIONSHIP BETWEEN GIFT PROMOTION DEPTH AND THE SPILLOVER EFFECT FROM GIFT PROMOTION

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ABSTRACT

This research conducted two studies to investigate whether the discounting perception toward the gift in gift promotion would spillover to other products sharing the same brand as the gift, or spillover to the same product of another brand. Results showed that promotion depth and spillover effect showed a curve relationship.

KEYWORDS: Spillover effect, Gift promotion, Promotion depth, Perceived value.

INTRODUCTION

Nowadays, more and more firms are investing funds in promotional activities. According to a statistical report from Promotion Marketing Association in 2008, more than $350 billion of packaged goods coupons are offered annually. In other words, the importance of promotion is obvious and ubiquitous. Among kinds of promotion strategies, gift promotion is an essential strategy in actual practice. Sales from gift promotions totaled almost three hundred million in 1996, and it will keep growing at a rate of 18 percent annually (Bertrand 1998; D’Astous and Landreville 2003). Since gift promotion is perceived as a prominent strategy by marketers, it is necessary to study gift promotion more deeply.

In reviewing literature related to gift promotion, it seems that most researchers took it for granted that gift promotion can positively influence sales. However, will the perceived value of the gift promotion also improve as the gift price rises? In this research, the author inferred that when the gift price is too high, consumers would question the quality of the gift, and a negative effect might result. Then, the negative impression could spill over to influence the evaluations of products relative to the gift. The author referred this phenomenon as the spillover effect of gift promotion in this research, and it is the main subject of the investigation.

The spillover effect has long been discussed in the fields of brand alliance and brand extension. Researchers found that evaluation of brand A would spill over to the evaluation of brand B under a relationship of brand alliance (Balachander and Ghose 2003; Baumgarth 2004; Desai and Keller 2002; Janiszewski and Van Osselaer 2000; Park, Jun, and Shocker 1996; Samu, Krishnan, and Smith 1999; Simonin and Ruth 1998; Vaidyanathan and Aggarwal 2000). However, researchers seldom discussed the spillover phenomenon in relation to gift promotion; that is, whether evaluation of the gift of brand A may spill over to influence the evaluation of the same gift product of brand B; reviewing the literature on gift promotion, it seems that only Raghurib (2004) has discussed this particular issue. He proposed that discounting the evaluation of a gift would negatively influence the evaluation of the same product of other brand with the same gift. However, his research only offered empirical findings related to this phenomenon; it lacked discussions regarding the exact reason and theoretical foundation required to explain why the phenomenon occurred. Therefore, this research proposes a theoretical foundation of to determine the spillover effect in gift promotion, and investigate it more deeply.

In brief, this research employs two studies. The purpose of study one was to verify whether the spillover effect in gift promotion did exist. If it did exist, study two would further investigate the trend of the spillover effect from gift promotion as the price of the gift increased. In other words, study two would examine whether the spillover effect in gift promotion would present a linear or a curve type.

STUDY ONE

Literature Review and Hypotheses Development

A review of the literature related to the spillover effect, most researches focused on brand extension or brand alliance (Balachander and Ghose 2003; Baumgarth 2004; Desai and Keller 2002; Janiszewski and Van Osselaer 2000; Park, Jun, and Shocker 1996; Samu, Krishnan, and Smith 1999; Simonin and Ruth 1998; Vaidyanathan and Aggarwal 2000). The spillover effect in brand extension implies that the evaluation of a new product (cf., Adidas mobile) will spill over to affect the evaluation of the parent brand (Adidas); Balachander and Ghose (2003) defined this phenomenon as the forward spillover advertising effect. On the other hand, the evaluation of the parent brand would also spill over and affect the evaluation of a new product, which was defined as the reciprocal spillover advertising effect (Balachander and Ghose 2003). In addition, researches on brand alliance also attested to the existence of spillover effect (Park, Jun, and Shocker 1996; Simonin and Ruth 1998). Brand alliance means two brands forging an alliance in order to sell products together, for example Disney’s toys and MacDonald’s hamburgers.
constitute an alliance to sell their products together. Under this situation, the evaluation of the products in the alliance would spill over to influence the evaluation of the individual brands, MacDonald’s and Disney.

Researchers adopted economics of information to make some explanation about the cause of the spillover effect (Morein 1975; Balachander and Ghose 2003). According to economics of information, the parent brand, through the Halo effect, may influence related products, called umbrella-branded products. In order to simplify information processing, consumers tend to make evaluations of umbrella-branded products on the basis of impressions regarding the parent brand (Wernerfelt 1988), and attesting to the appearance of the spillover effect. Concerning the direction of the spillover effect, past researches have not shown consistent results. Some researchers claimed that the spillover effect is a positive one (Simonin and Ruth 1998; Washburn, Till, and Priluch 1998), others stated that it was negative (Keller and Aaker 1992; Loken and John 1993; Till and Shimp 1998).

Raghubir (2004) proposed that the spillover effect was negative in relation to gift promotion. He found that consumers tended to discount the gift’s value, and the discounting perception would carry over to the same product category with the same gift; in his experimental setting, the promotion ads read: “Buy a bottle of Napoleon Courvoisier US$52 (or a bottle of Hennessy XO US$90), and get a pearl necklace.” After participants read this ad, they read another ad: “Majorica pearl necklace US$149,” and then they were asked to write down their perception regarding the true value of this “Majorica” pearl necklace. The results showed that the perceived price revealed a significant underestimating. Therefore, negative spillover effect had occurred. Analyzing this experimental manipulation, we can observe a spillover effect from the gift promotion; however, it was not clear whether the spillover effect could appear in other product settings or was caused by the price or brand. Therefore, this research developed two studies: study one examined whether the spillover effect of gift promotion would reoccur in other promotion settings, and study two investigated the relationship between the gift’s price and the spillover effect.

Based on Raghubir’s study (2004), the spillover effect in gift promotion appeared to exist; however, Raghubir did not offer a strong theoretical foundation to explain this phenomenon. In fact, the spillover effect from gift promotion may be explained by Assimilation and Contract Theory (Herr, Sherman, and Fazio 1983), whereby people tend to retrieve a category from their mind in order to process external stimuli, and then if another external stimulus is similar to the former one, people will classify the latter stimulus within the same category. Thus, the assimilation effect occurs. Conversely, if a second external stimulus is dissimilar to the former one, people will classify the latter stimulus within another category. Thus, contrary effects occur.

In the light of the assimilation effect, the evaluation of the former stimulus may spill over to affect the latter stimulus. The gift in promotion ads could be a former stimulus, and a product related to the gift, as a latter stimulus. Because the two stimuli are similar, the assimilation effect may take place. Thus, the gift evaluation may spill over to influence the evaluation of other products related to the gift. Hypothesis one is as follows:

H1: Gift promotion will cause a spillover effect on a product related to the gift.

Method

The purpose of study one was to verify the existence of spillover effect in gift promotion. The author subdivided gift promotion into two groups: present or absent. Dependent variable was spillover effect in gift promotion. The operative definition of spillover effect from gift promotion was the variation of perceived value of a product relative to that of the gift. The author designed the measurement of the variation of perceived value of a product relative to that of the gift on the basis of Raghubir’s measurement (2004). There were two steps in the measurement process. First, before participants read a gift promotion ad, participants needed to write down how much money (X) they would like to pay for a pair of jeans. After they read a gift promotion ad, they again needed to write down how much money (Y) they would like to pay for a pair of jeans of brand A, which is the same brand as the gift, but a different product category from that of the gift. Thus, the author measured the variation of perceived value of a product relative to the gift as (Y–X)/X. If the value was not equal to zero, the spillover effect occurred.

This study adopted an experiment with two groups (gift promotion: present or absent) between-subject design. The experimental setting of gift promotion involved an ad with the content: “Now, Subscribe for a year of Studio Classroom English magazine at NT$2500, Get a pair of Adidas running shoes for Free (Market value NT$500).” After reading this gift promotion ad, participants would read another page with a picture of a pair of jeans. Then, they needed to write down how much money they would like to pay for a pair of Adidas jeans. In order to avoid demand artifact, participants needed to fill out two different questionnaires from different research institutes, as indicated on the top of the two questionnaires. If the spillover effect still took place under this arrangement, it would strongly support the existence of the spillover effect. Participants in this study were students from a college class, chosen via convenient sampling. The author
gathered fifty valid questionnaires; half of them included a gift promotion ad, while the other half did not, but just some questions in the first questionnaire.

Results

Regarding the descriptive statistical results in this study, the average amount of money for a pair of jeans before reading a gift promotion ad was NT$ 2,921.33 for the present group and NT$ 2,533.78 for the absent group. After reading a gift promotion ad, the average amount of money for a pair of Adidas jeans was NT$ 1,220.44 for the present group and NT$ 2,436.33 for the absent group. Thus, the variation of perceived value of a product relative to that of the gift was -.58 (SD .26) in the present group, and -.04 (SD .02) in the absent group. The two values of variation showed a significant difference ($t = 3.23$, $p < .01$); hence, $H1$ was supported. In addition, the spillover effect was negative.

Discussion

Based on results of study one, the author found that the spillover effect in gift promotion did exist. In addition, the spillover effect occurred with a product of the same brand but different category compared to the gift. Raghubir (2004) found that the spillover effect would take place with a product under the same category as the gift (cf., a nameless versus a “Majorica” pearl necklace), while this study found the spillover effect also occurred with a product under a different category to that of the gift (cf., Adidas running shoes vs. Adidas jeans).

Following is an investigation into the relationship between price and the spillover effect. Specifically, as the price is one of the more important factors in consumers’ decision-making, study two discussed how price influenced the spillover effect in relation to gift promotion. In brief, the purpose of study two was to examine whether gift price and spillover effect in gift promotion would show a linear or curve relationship.

STUDY TWO

The purpose of Study 2 was to investigate the relationship between gift promotion depth and spillover effect, as well as to test whether the spillover effect found in study 1 would also appear in other brands or products related to the gift. The findings would be helpful for generalizing the spillover effect of gift promotion.

Literature Review and Hypotheses Development

Generally, a bundle of gift promotion includes a main product and a gift, and the prices of both usually show up together in an ad. Thus, this study proposed that consumers would tend to consider both of these prices in making their evaluation, and that this information processing is similar to a case of product bundles. Thus, this study took a variable, gift promotion depth, consisting of the prices of the gift as well as the main product. In other words, this study took gift promotion depth as a price factor to discuss its influence on spillover effect. Reviewing the concept of promotion depth (DelVecchio, Krishnan, and Smith 2004; DelVecchio 2005), researchers defined promotion depth as a percentage of promotion value divided by product normal price, and usually regarded it as an essential factor when consumers evaluate promotion activity (DelVecchio, Krishnan, and Smith 2004; DelVecchio 2005). In terms of promotion depth, this study defined gift promotion depth as a percentage of the gift’s price divided by the price of the main product.

Since gift promotion depth reflects the type of bundle products, the author adopted anchoring and adjustment theory (Tversky and Kahneman 1974; Lopes 1982; Yadav 1994) to make inference about evaluation of the gift as past researchers had inferred evaluations of bundle products. The anchoring and adjustment theory proposed three steps people use to process complex information, especially information concerning product bundles. First, people scan the combination of product bundles. Second, people will choose the most essential product as an anchor. Finally, people will evaluate the anchor product and then adjust their final evaluation by other minor products.

In terms of the anchoring and adjustment theory (Tversky and Kahneman 1974; Lopes 1982; Yadav 1994), consumers will choose an anchor product in the gift product bundle. When gift promotion depth was low, consumers would tend to choose the main product as an anchor because the price of the main product was obviously higher than the gift’s price; the gift, at this moment, was not taken as an important factor. Then, when consumers later evaluate the products relative to the gift, based on the assimilation effect (Herr, Sherman, and Fazio 1983), the former evaluation of the gift will spill over lightly to the product relative to that of the gift, as inferred in study one. Therefore, the negative spillover effect (based on study one) from low gift promotion depth was of small extent.

As the gift promotion depth was higher, but still below a reasonable depth, consumers should still choose the main product as an anchor, because the price of the main product was still higher than the gift’s price under a reasonable promotion depth. At the same time, higher price of gift can be a plus to consumers’ evaluation. Then, when consumers would later evaluate products relative to that of the gift, based on assimilation effect (Herr, Sherman, and Fazio 1983), the former positive impression would spill over to products related to the gift. Thus, a negative
spillover effect from low to reasonable gift promotion depth would be offset to some extent, so it would remain slight.

Finally, as gift promotion depth was above a reasonable depth and kept higher, the gift’s price may become high enough to make consumers pay greater attention to it, whereby the gift might possibly be an anchor. Consumers may become suspicious regarding its value and consequently devaluate the gift’s value. Then, when consumers later evaluate products relative to that of the gift, based on assimilation effect (Herr, Sherman, and Fazio 1983), the former devaluation would spill over to products relative to that of the gift. Hence, the negative spillover effect from reasonable to high gift promotion depth would become more critical.

On the basis of the above discussion, this study proposed that the relationship between gift promotion depth and spillover effect would exhibit a curve type. In addition, the spillover effect on products related to the gift can be present in regard to two kinds of conditions. One is same product category with the gift but different brand from the gift (called “SCDB” for short), and the other is the same brand with the gift but different category from the gift (called “SBDC” for short). Therefore, this study proposed another two hypotheses as below.

H2: The gift promotion depth and spillover effect on the same product category as the gift but different brand from the gift (SCDB) would be a curve relationship.

H3: The gift promotion depth and spillover effect on the same brand as the gift but different category from the gift (SBDC) would be a curve relationship.

Method

The purpose of study two was to examine the relationship between gift promotion depth and spillover effect from gift promotion; the independent variable was gift promotion depth, which the author defined as a percentage of gift’s price divided by the price of main product. The author manipulated gift promotion depth in ten groups: 10 percent, 20 percent, 30 percent, . . . , 90 percent, 100 percent. The two dependent variables were spillover effect on the same product category as the gift and that on the same brand as the gift. The operative definition of spillover effect from gift promotion was the variation of perceived value of a product relative to that of the gift, and the measurement was the same as in study one.

This study adopted an experiment with a 10-group (gift promotion depth) between – subject design. The experimental setting of the gift promotion, 10 percent depth for example, was an ad with the content: “Now, Buy a pair of Nike running shoes for NT$2,000, and Get a Casio watch for Free (Market value NT$200).” In addition, sunglasses were an experimental product in spillover manipulation. Because the brand Casio does not produce sunglasses, evaluations toward Casio sunglasses would be almost fair due to the lack of past purchase experiences. Regarding spillover brands, this study picked four brands based on a consideration of national or local brands: Pierre Cardin (national brand), Philips (national brand), MUJI (local brand) and Working House (local brand) watches.

In the questionnaire, participants were first asked to write down how much money they would like to spend on buying a watch. Later, they were invited to read a gift promotion advertisement, and then asked to write down how much money they would like to spend for the four brands and one product. In order to avoid demand artifact, participants needed to fill out two different questionnaires (one on gift promotion, and the other on spillover effect) from different research institutes as indicated on the top of the two questionnaires.

Participants in this study were college students. By convenient sampling, the author invited students in a college library to fill out the questionnaire; then they could participate in a sweepstake activity. This study gathered four hundred valid questionnaires finally.

Results

Four experimental brands and one product all showed negative perceived spillover value (see Table 1). In addition, the trend of perceived spillover value on each brand or product from 10 percent~100 percent promotion depth manifested a curve shape (like an inverted U shape, based on Table 1).

In order to test the non-linear relationship between gift promotion depth and spillover effect, this study adopted the quadratic regression model for the analysis. The quadratic beta value of gift promotion depth of all experimental brands and products were significant (Table 2). The quadratic beta value of gift promotion depth on the Pierre Cardin watch was: -.46 (p < .01), on the Philips watch: -.76 (p < .01), on the MUJI watch: -.68 (p < .01), on the Working House watch: -.84 (p < .01), and on Casio sunglasses: -.74 (p < .01). The result showed a curve relationship between gift promotion depth and spillover effect both existed in regard to the same product category as the gift but with a different brand from that of the gift and on the same brand as the gift but with a different category from the gift. Thus, H2 and H3 were supported.

Discussion

Based on the results of study 2, the spillover effect from gift promotion was extended to four relative brands and one product category. In addition, a curve relationship
between gift promotion depth and spillover effect were also found. In brief, the results supported the hypotheses. Based on the inferences above, if gift promotion depth was higher than the perceived reasonable depth, the evaluation of the gift would start to change and result in a curve type, as we can see according to the statistical results.

**CONCLUSIONS**

According to study one, the author found that the spillover effect from gift promotion did exist. Study two aimed to verify if the spillover effect still appeared in regard to different products or brands, or if it would experience some price factor fluctuation. According to the results of the two studies, although the experimental products in the two studies were different, the spillover effect appeared in both studies. Besides, there were four brands in the experiment of study two, and the author found that the spillover effect would occur in regard to national brands as well as local brands. Thus, we concluded that the spillover effect from gift promotion can occur in relation to different products and brands in different regions; apparently, the spillover effect is a general phenomenon in gift promotion. In addition, based on the results of this research, we found that gift promotion depth was a significant factor influencing the appearance and fluctuations of the spillover effect. Specifically, gift promotion depth was calculated by the prices of the gift and the main product; thus, price also plays an important role in the spillover effect of gift promotion.

**TABLE 1**

<table>
<thead>
<tr>
<th>Gift Promotion Depth</th>
<th>Pierre Cardin Watch</th>
<th>Philips Watch</th>
<th>MUJI Watch</th>
<th>Working House Watch</th>
<th>Casio Sunglasses</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>-.14</td>
<td>-.40</td>
<td>-.34</td>
<td>-.45</td>
<td>-.39</td>
<td>40</td>
</tr>
<tr>
<td>20%</td>
<td>-.09</td>
<td>-.39</td>
<td>-.29</td>
<td>-.40</td>
<td>-.38</td>
<td>39</td>
</tr>
<tr>
<td>30%</td>
<td>-.08</td>
<td>-.31</td>
<td>-.25</td>
<td>-.3</td>
<td>-.25</td>
<td>41</td>
</tr>
<tr>
<td>40%</td>
<td>-.05</td>
<td>-.26</td>
<td>-.20</td>
<td>-.24</td>
<td>-.24</td>
<td>40</td>
</tr>
<tr>
<td>50%</td>
<td>-.09</td>
<td>-.30</td>
<td>-.26</td>
<td>-.26</td>
<td>-.24</td>
<td>40</td>
</tr>
<tr>
<td>60%</td>
<td>-.14</td>
<td>-.31</td>
<td>-.26</td>
<td>-.30</td>
<td>-.25</td>
<td>39</td>
</tr>
<tr>
<td>70%</td>
<td>-.15</td>
<td>-.42</td>
<td>-.29</td>
<td>-.36</td>
<td>-.25</td>
<td>41</td>
</tr>
<tr>
<td>80%</td>
<td>-.23</td>
<td>-.48</td>
<td>-.34</td>
<td>-.41</td>
<td>-.44</td>
<td>40</td>
</tr>
<tr>
<td>90%</td>
<td>-.25</td>
<td>-.48</td>
<td>-.41</td>
<td>-.49</td>
<td>-.44</td>
<td>40</td>
</tr>
<tr>
<td>100%</td>
<td>-.34</td>
<td>-.53</td>
<td>-.49</td>
<td>-.58</td>
<td>-.55</td>
<td>40</td>
</tr>
</tbody>
</table>

**Implications**

This research offers some extended inference from two classical theories. Specifically, this research applied assimilation and contrast theory (in study one) and anchoring and adjustment theory (in study two) to infer the spillover effect in gift promotion. Anchoring and adjustment theory was used for adoption in product bundles, and this research extended it to the product bundle of gift promotion; the anchoring and adjustment theory is a classical theory in the marketing field. Moreover, this research tried to combine anchoring and adjustment theory along with the assimilation and contrast theory to infer the relationship between gift promotion depth and the spillover effect from gift promotion. Application of classical theory in this research may offer some insight for researcher. Furthermore, this research offered a new circumstance regarding the spillover effect. In the related literature, the spillover effect was discussed in regard to brand extension or brand alliance; the present research found that it also existed in gift promotion, thereby offering a new perspective of the spillover effect to researchers.

This finding also offers a practical suggestion for marketers; they need to pay more attention to gift promotion strategy. If the gift and the main product are too similar, for example sharing the same brand or the same product category, a negative spillover effect would be harmful to the gift promotion activity. According to results of study two, the relationship between gift promo-
tion depth and perceived spillover effect was non-linear. In brief, as gift promotion depth kept increasing, the perceived spillover effect increased at the beginning, then decreased and then remained negative. This finding implied that higher priced gifts are not always good for promotion activities. If the price of the gift is too high, consumers may question the gift’s value and make a negative evaluation of other brands or products related to the gift. Thus, marketers should make very careful decisions about choosing gift price.

Limitations and Suggestions

This research was an initial investigation of the spillover effect in gift promotion, and the experimental products, based on time and cost, were limited to several product categories and brands. In order to better understand the phenomenon of the spillover effect in gift promotion, future researches could employ different categories and brands. Second, the product bundle of the gift promotion in the experiment comprised a main product and a gift. Nowadays, a main product with several gifts to be chosen is more common type in gift promotion; whether the spillover effect still happens in this type of gift promotion may be worthy of examination in future research. Also, participants in the experiment were college students; this arrangement tends to decrease the differences within experimental groups. Future researchers could test the spillover effect in other participants to enhance its generalization.

ENDNOTE

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INDEBTEDNESS AS A DETERMINANT OF SATISFACTION: AN EXTENSION OF THE EXPECTANCY DISCONFIRMATION MODEL

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SUMMARY

The question about what determines the level of customer satisfaction has been answered quite often using the expectancy disconfirmation model of satisfaction (e.g., Oliver 1997, Chapter 4). The model indicates that service performance exceeding customers’ prior expectation has impacts on disconfirmation and, in turn, on satisfaction. However, do unexpected, higher quality services always lead to a higher level of satisfaction? Although the answer is yes according to the model, it may sometimes be no. For example, when contact personnel try to serve a customer too politely, the customer may actually be less satisfied because he/she feels indebted (Greenberg 1980; Greenberg and Westcott 1983) having received the “special” service and thinks that there is need to “repay” the contact person. This study aims to describe that higher quality services do not always result in a higher level of satisfaction; rather, they may cause customers to feel indebted to the contact person and, thus, actually lower the level of satisfaction.

This study employs the theory of indebtedness (Greenberg 1980; Greenberg and Westcott). According to this theory, “indebtedness” is defined as “a state of obligation to repay another” (Greenberg 1980, p. 4), and influenced by four major factors: (1) the donor’s motive for aiding the recipient, (2) the magnitude of the rewards and costs incurred by the recipient and donor as a result of the exchange, (3) the locus of causality of the donor’s action, and (4) cues emitted by comparison others (Greenberg 1980, p. 5). Moreover, Greenberg and Westcott (1983) listed three reasons why a customer who feels indebted forms negative emotions: (1) attribution of manipulative intent, (2) restriction on recipient’s freedom, (3) costs of repayment (p. 87). For one or more of these reasons, customers may be dissatisfied with the unexpected, “excessive” quality/quantity of service, contrary to the implications of the expectancy disconfirmation model of satisfaction (Oliver 1997). Therefore, we hypothesize that expectation and performance have both positive and negative effects on satisfaction as well as disconfirmation.

We used consumer data pertaining to the shopping experience with contact personnel at a high-fashion boutique. The questionnaire was developed based on existing scales. Subjects are 235 university students, who were asked to consider a recent purchase at the boutique. Both convergent and discriminant validity were confirmed. The reliability of all constructs as well as AVE (average variance extracted) were within acceptable range.

The structural equation model was estimated using a maximum likelihood procedure (CALIS of SAS/Stat 9.1). Absolute, incremental, and parsimony fit indices (GFI, CFI, and PNFI, respectively) were within acceptable range. All parameter estimates have adequate signs as previously hypothesized and were significant at the one percent level, with the exception of two hypotheses: negative effect of expectation on disconfirmation and on indebtedness.

In this study, we proposed indebtedness as an additional determinant of satisfaction in the expectancy disconfirmation model. The study provides theoretical and empirical support for extending the model to include the concept of indebtedness. The indebtedness theory suggests that when perceived performance exceeds expectations, customers can experience a negative emotional response. The results suggest that service performance positively affects both disconfirmation and indebtedness, which in turn affects satisfaction with opposite signs. Indebtedness can play important roles in determining satisfaction and, therefore, we believe that this study fills an important void in the literature regarding the expectancy disconfirmation model of satisfaction in the field of service marketing.

Moreover, future studies should not only retest the impact of indebtedness on satisfaction, but also consider various consumer and/or product (service) characteristics that might yield different results. The incorporation of these recommendations in future research should result in an increased understanding of the determinants of customer satisfaction in the service sector.
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THE ROLE OF SALESPERSON-GENERATED SATISFACTION IN RETAILING PERFORMANCE: A DECOMPOSITIONAL AND COMPARATIVE APPROACH

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Lisa C. Troy, Texas A&M University, College Station

SUMMARY

Review of the personal selling and customer satisfaction research streams indicates that salesperson behaviors can be important to selling success, customer satisfaction with the salesperson can be important to overall satisfaction levels, and overall satisfaction levels can positively impact the financial performance of businesses, including retailers. It is not counter-intuitive, therefore, to expect that a proportion of customer satisfaction that is generated from salesperson behaviors (i.e., salesperson-generated customer satisfaction) would play a disproportionate and highly critical role in the bottom-line performance of retailers. However, exploring the relationship between salesperson-generated customer satisfaction and retail performance in greater detail can provide important insights into the various dimensions of satisfaction that may have a greater or lesser impact on the bottom line, providing key insights for managers making decisions regarding the allocation of scarce resources to various retail functions such as salespeople, merchandising, etc. Yet, the role of the salesperson in generating satisfied customers has not been empirically documented with respect to its impact on objective business performance, retail or non-retail. We begin to address this gap in extant research by investigating the relationship between salesperson-generated customer satisfaction and retail store performance using cross-sectional panel data for a national specialty retailer of moderate to high-priced hard goods. Our study addresses two key research questions: (1) how prominent a role does salesperson-generated customer satisfaction play in retail store performance, especially in contrast to merchandise-generated satisfaction, and (2) which attributes of salesperson-generated satisfaction are most critical to bottom-line store performance?

In order to test hypotheses regarding the relative impact of salesperson-generated versus merchandise-generated satisfaction on retail performance as well as the impact of more specific dimensions of both merchandise-generated satisfaction and salesperson-generated satisfaction, we draw on customer satisfaction and store performance data gathered from a multi-billion dollar specialty retailer of medium- to high-priced hard goods. Satisfaction data was gathered post-purchase and merged with monthly store performance figures so that the final database contained monthly panel data on 238,575 customers from 782 stores. After identifying key control variables and verifying validity and reliability of scales, we estimated three customer satisfaction – retail performance models with both revenues and profits as our performance focus and lagged measures of satisfaction and our control variables as key independent variables.

Findings from our decompositional examination of customer satisfaction and retail performance (1) provide additional support for extant customer satisfaction research that overall satisfaction and performance are positively related on average, (2) offer evidence that salesperson-generated customer satisfaction plays a more prominent role in retail performance than merchandise-generated satisfaction on average, (3) indicate that mixed effects of individual attribute-level findings can mask overall measures of customer satisfaction, especially in the context of merchandise effects, (4) show that salesperson-generated satisfaction attributes are stronger drivers of retail performance than merchandise effects, and (5) suggest that performance impacts of salesperson-generated satisfaction are strongest for interpersonal skills, all else equal.

Understanding that specific elements of salesperson and merchandise satisfaction differentially impact store performance and further identifying which individual salesperson and merchandise satisfaction attributes can have a strong positive or negative impact on the bottom line can enable managers to efficiently prioritize problems and effectively allocate increasingly scarce resources to maximize revenues and profits. In addition to these managerial implications, a decompositional approach such as the one taken here contributes to the extant marketing research by providing evidence that specific marketing strategy factors (in particular, those associated with the salesperson) can directly impact performance at the attribute level. However, because this study was limited to examining the role of salesperson-generated satisfaction on retail performance, especially compared to merchandise-generated satisfaction, future research could investigate the role of customer satisfaction with other marketing elements such as promotions, channels, e-commerce, or store atmospherics, etc. for their differential impact on performance.
In conclusion, much remains to be learned about the many nuances of customer satisfaction and its impact on retail performance. Additional contributions to both research and managerial understanding can be made by a continued focus on discerning and documenting the critical associations among the research paradigms in personal selling, customer satisfaction, and retailing, with particular emphasis on decomposing the key attributes that may differentially impact the bottom line.

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COUNTERFEIT INFERENCEs FROM PRICE LEVELS AND COUNTRY OF ORIGIN: THE MODERATING EFFECT OF PERCEIVED RISK

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SUMMARY

The global market in counterfeit products is immense. According to statistics, it is estimated to cost legitimate businesses over $200 billion annually (OECD 2007). The counterfeit markets cover a wide variety of products, from aircraft components to designer t-shirts. In addition, the production of counterfeit products is not limited to the “usual suspects” in East Asia, but is estimated to take place in over 30 nations (European Commission 2007). Some of the named producer countries can be surprising. For example, while China is by far the largest producer of counterfeit DVDs, Switzerland leads the way in the production of counterfeit medicines (European Commission 2007). Since consumers may use the country of origin as a cue to judge whether a product might be counterfeit, the production of counterfeit goods within the borders of a country raises interesting questions about the negative impact on its country of origin image.

The case of toy recalls from China in 2007 provides a good example of how poorly made products and country of origin interacts and provides an illustration of what may happen when counterfeit goods interact with country perceptions. After the toy recalls, consumers boycotted not only toy products but also other, similar products, leading to a large scale avoidance of products from China (Beamish and Bapuji 2008). The main explanation for the strong consumer response was that toys were a high risk product due to the possibility of harm they could cause to children and consumers used the country of origin to identify toys that might be harmful (Beamish and Bapuji 2008). A similar situation has the potential to occur in regards to counterfeit products. Though often perceived as affecting mainly luxury goods such as purses or DVDs, counterfeit products can also be found in car parts and medicines. In China the government-owned Shenzen Evening News estimated that 192,000 people died in 2001 due to the absence of active ingredients in fake medicines (Naim 2005) and the World Health Organization (2007) now estimates that approximately 1 percent to 10 percent of total medicines sold globally are counterfeit.

The present paper argues that high risk counterfeit goods can have a significant impact on the image of a country and on product choice toward products from that country. Specifically, the present paper looks at high risk counterfeit products and argues that fear of product failure from a high risk counterfeit product may cause country of origin effects to play an enhanced role in consumer attitudes and consumer choice. Perceived risk of product failure entails the amount of risk that a consumer associates with a product should a product fail to perform as expected.

We tested several product categories and found that drugs represented a high risk product category. Two countries, Switzerland and India, were chosen to test country of origin effects. Both are home to a large number of counterfeit pharmaceuticals, and the countries differ in level of positive country of origin. In a pre-test it was found that participants had a significantly higher positive image of Switzerland versus India (M_Switzerland = 5.6521 vs. M_India = 4.583, F(1, 45) = 5.288, p < 0.001).

The study design was a three (country of origin: Switzerland vs. India vs. no country) between participants by two (price: $15 vs. $6) within participants randomized block design. Cell sizes ranged from 22 to 34 participants per cell for a total of 92 participants. Our first finding was that participants who learned that counterfeit pharmaceuticals had originated from Switzerland reported significantly lower perceptions of Switzerland than participants who were unaware of counterfeit pharmaceuticals originating from the country (M_pre_Swiss = 5.652 vs. M_India = 4.583, F(1, 45) = 5.288, p < 0.001). The image effect on India was not as significant. Our second major finding revealed that a suspicion of counterfeit pharmaceuticals from India caused participants to choose more units of lower priced pharmaceuticals from India than higher priced pharmaceuticals. The reverse pattern appeared for pharmaceuticals from Switzerland, for a significant interaction effect (F(3,84) = 4.45, p < 0.05). When a low image country’s products are suspected to be counterfeit, consumers see no reason to pay higher prices.

The results of the present research indicate that counterfeit goods can hurt both countries that have positive image perceptions and negative country of origin perceptions. For countries that have high positive image perceptions such as Switzerland, high risk counterfeit goods can lower country of origin images. For countries where countries of origin effects are not very high, consumers may devalue more expensive and likely legitimate goods due to the presence of counterfeits in the marketplace. Both managers and policy makers would be wise to understand the negative impact that counterfeit goods can have by virtue of their originating from a specific country.
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COUNTRY RESOURCES, COUNTRY IMAGE, AND EXPORT PERFORMANCE: A PANEL DATA ANALYSIS

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Margie Tieslau, University of North Texas, Denton

SUMMARY

The influences of an exporting country’s image on the export strategies of multinational corporations (MNCs) have been extensively investigated in the international business and marketing literature (Vrontis and Thrassou 2007). Although national differences have strong influences on MNCs’ international marketing practices (Levitt 1983), the majority of extant studies focus on either consumers’ perspectives on and preferences for foreign products (Archarya and Elliot 2001; Kaynak and Cavusgil 1983), or on MNC managers’ global standardization or adaptation strategies (Cavusgil and Zou 1994; Ryans, Griffith, and White 2003; Szymanski, Bharadwaj, and Varadarajan 1993). Few studies have empirically examined the impact of a country’s resources (e.g., cultures, economic conditions, policies, etc.) on its export performance, although these factors are usually regarded as important environmental forces that influence consumers’ or managers’ decisions (Yip 1989). Thus, this study intends to explore export performance at the macro-national level instead of the micro-consumer or micro-manager level.

The resource advantage theory of Hunt and Morgan (1995, 1996) serves as the theoretical foundation of this study. According to this theory, comparative advantages of a firm’s resources will lead to its competitive advantage in the marketplace position, which will result in the firm’s superior financial performance. Although resource advantage theory focuses on firms, we argue that a nation can be regarded as a large organization with many stakeholders. Similar sentiments have been voiced in the nation branding literature (O’Shaughnessy and O’Shaughnessy 2000; Papadopoulos and Heslop 2000, 2002; Paswan et al. 2002). Thus, like any organization, a nation can achieve superior “financial” performance (that is, increased exports) by strategically employing its resources to achieve a competitive advantage in the global market. Therefore, we identify several critical resources based on the literature in international business, global marketing, and nation branding, and strive to connect these factors to a country’s export performance.

Research Method

This study uses a panel data model to analyze the relationship between a country’s critical national resources, its image, and its export. Archival data were used for the economic factors such as economic development, industry type, infrastructure, exports, as well as cultural, geographical and political factors. The data sources include databases from World Development Indicators (WDI), International Monetary Fund, The Wall Street Journal and The Heritage Foundation. A survey was used to collect data for the product and industry factors. A total of 24 nations were analyzed in order to build, develop and validate the panel data model. The economic data for each country were collected for the period of 1995–2006. Our analysis includes 24 countries: Australia, Brazil, Canada, China, Denmark, England, France, Germany, India, Italy, Japan, Mexico, Malaysia, New Zealand, Norway, Peru, Russia, Singapore, South Africa, South Korea, Spain, Thailand, Turkey, and United States.

This study first built a basic one-way random effects panel data model without the moderator (i.e., NBI).

\[
\text{EXP}_i = 26.40 - 2.60 \text{CULTURE}_i + 6.20 \text{GDPPC}_i + 16.38 \text{BRAND}_i + 0.20 \text{INDUSTRY}_i + 3.33 \text{NetUsers}_i + 5.34 \text{NATRES}_i + 0.39 \text{EFI}_i
\]

We then built on the basic model to develop the “full model,” which included the moderator variable NBI and all interaction variables.

\[
\text{EXP}_i = 1306.45 + 7.60 \text{CULTURE}_i - 51.46 \text{GDPPC}_i + 6.86 \text{BRAND}_i - 43.71 \text{INDUSTRY}_i + 12.69 \text{NetUsers}_i - 53.09 \text{NATRES}_i - 17.90 \text{EFI}_i - 18.646 \text{NBI} + 0.93 \text{NBI*GDPPC}_i + 0.93 \text{NBI*NATRES}_i + 0.31 \text{NBI*EFI}_i - 0.16 \text{NBI*NetUsers}_i - 0.21 \text{NBI*CULTURE}_i - 0.0 \text{NBI*BRAND}_i + 0.94 \text{NBI*INDUSTRY}_i
\]

Discussion

The findings of this study provide insight into the influence of existing country image on a country’s export performance. Country image, as measured by the perceptions of consumers or people outside the country, has a significant indirect impact on a country’s exports. A country’s existing nation image will interact with individual factors or resources to either positively or negatively influence the country’s exports. On the other hand, the poorer the image of a country, the greater will be the change in exports that results from an improvement in the
country’s infrastructure. If a country develops its communications infrastructure, then it could counter some of the negative effects of a poor national image (due to the negative moderating impact on the relationship between economic factors and export). One limitation of this study is the selection of the countries used in our analysis. Other factors such as per capita annual expenditure on infrastructure could be important variables that should be included in future studies. This preliminary study intended to provide an impetus for research on export at a macro-national level and the related nation branding issues. References are available upon request.

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EXAMINING COUNTRY EFFECTS ON AVERAGE FOREIGN FIRM PERFORMANCE AND THE CHAIN SIZE–PERFORMANCE RELATIONSHIP

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SUMMARY

This study explores how industry and country effects explain differences in foreign affiliate performance of retail firms. We demonstrate how country resources (i.e., population, GDP, competitive structures) and institutional processes (i.e., regulatory policy) moderate marketing processes on performance. Our retail sample consists of wholly-owned subsidiaries, joint ventures, acquisitions, cooperatives, and franchise operations of 373 chains in 32 countries. We focus our analyses on one industry to avoid problems associated with varying investment structures and returns across industries. The unit of observation is the retail chain by format (i.e., discounter, supermarket, warehouse club, etc.). We use a hierarchical linear modeling approach to partition the effects of foreign affiliate decision making processes and resources from the effects of the host country regulatory processes and characteristics.

Foreign retailers can expect an average market share of 0.46 percent when expanding into each foreign country. Fast growing, but moderately to highly concentrated, markets represent the best opportunities. When we looked at business level characteristics and strategies, we find that, on average, mean market share varies by format. Supermarkets and discount stores achieve average market share. Hypermarkets and warehouse clubs tend to make more than the average market shares, while convenience stores and drug stores attain lower than average market shares after controlling for average host country experience and chain size. By including business characteristics in the model, we have explained approximately 54.3 percent of the variation in business performance of foreign retailers within countries.

In our country-level model, our findings suggest that country factors explain more than 25 percent of the difference in performance between foreign affiliates. Country growth rate, market concentration and average chain size explain approximately 44 percent of the differences between countries in average foreign affiliate market share. Moreover, level of development and regulatory policy explain 26 percent of the differences between countries in the relationship between chain size and performance.

A counter-intuitive finding is that government restrictions strengthen the relationship between chain size and average market share. That is, when governments try to restrict foreign retailers in their operations, the average relationship between chain size and market share increases, controlling for level of development. Government restrictions do not prevent, on average, foreign companies from gaining more market share for larger chains. In other words, foreign retailers operating in countries with regulatory restrictions on retailing attain greater market share for each store opened as compared foreign retailers operating in countries with no restrictions on retailing.

The purpose of this study was to understand key country factors influence the relationship between business characteristics (chain size, experience, dominant format, and retail formats) and performance. Understanding how market attractiveness, industry concentration, and average foreign chain size influence average market shares allows policy makers to learn from experiences of policy makers in comparable countries. Policy makers need to understand the drivers of foreign retailer performance to be able to understand the implications of industry specific laws and regulations. This study also provides valuable information to aid retailers in their country selection process. We provide retailers performance information taking into account the differences between countries.

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THE EFFECTS OF HOME COUNTRY CULTURE ON
MNC PERFORMANCE

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SUMMARY

Introduction

Culture has received tremendous research attention as a potential impediment of operations of multinational corporations (MNCs) in the literature (Nakata and Sivakumar 1996; Winsted 1997; Steenkamp, Hofstede, and Wedel 1999; Steensma, Marino, Weaver, and Dickson 2000; Nakata and Sivakumar 2001). There are multiple facets of cultures that have been studied in the literature (Yaprak 2008). However, studies on cultures in the literature mostly focus on the “host” country culture quite exclusively (Craig and Douglas 2006; Nakata and Sivakumar 2001; Nakata and Sivakumar 1996; Vanderstraeten and MatthysSENS 2008). A significant role of “home” country culture in the success of MNC’s operations in a foreign market has remained intact in the literature.

In prior research, home country impression was studied under the topic of country of origin (COO) (Bilkey and Nes 1982; Han and Terpstra 1988; Lawrence, Marr, and Prendergast 1992; Ahmed and d’Astous 1996; Niss 1996). The stream of literature on COO primarily deals with consumers’ perception on the home country, based mostly on the direct or indirect purchase experience that they gained previously. Although COO concerns how consumers perceive the image of a foreign country and its effects on purchase intention, the literature does not address how consumers’ exposure to the home country culture influences the performance of the MNCs (Fong and Burton 2008; Michaelis et al. 2008). This study is different from those existing COO studies in that it introduces the role of home country culture in inducing consumers purchase experience to the literature for the first time.

Specifically, by incorporating perceived product quality and corporate image of an MNC from a foreign country as the mediator of country image consumers gained from their exposure to host country’s cultural elements such as movies, dramas, and pop-songs, this study clarifies how the consumers’ exposure to such incoming foreign cultural elements leads to their purchase experience systematically. That is, we argue that consumers’ positive emotions such as sympathy and empathy from their exposure to the incoming home country cultural elements affect the image of the home country and, subsequently, of products and MNCs from the home country, eventually influencing their purchase experience with such products and firms. Furthermore, such process that governs the transfer of country image formed by emotions such as sympathy and empathy to purchase experience of consumers is likely affected by the level of consumer ethnocentrism.

Hypotheses

In order to investigate how the emotional responses to the cultural elements of an MNC home country influence the consumer’s purchase experience through perceived product quality and corporate image this study offers the following hypotheses.

H1: Sympathy induced by home country cultural elements affects its home country image positively.

H2: Empathy induced by home country cultural elements affects its home country image positively.

H3: Country image of an MNC as perceived by consumers affects perceived product quality positively.

H4: Country image of an MNC as perceived by consumers affects perceived corporate ability positively.

H5: Corporate ability of MNC affects perceived quality positively.

H6: Perceived product quality of MNC as perceived by consumers affects purchase experience positively.

H7: Corporate ability of MNC as perceived by consumers affects purchase experience positively.

H8: Low ethnocentric consumers, compared to high ethnocentric consumers, have more positive purchase experience toward MNC’s home country products given perceived product quality.
H9: Low ethnocentric consumers, compared to high ethnocentric consumers, have more positive purchase experience toward MNC’s home country products given corporate ability level.

Method

We collected consumer data from college students in Indonesia. Of 602 questionnaires initially distributed, 533 questionnaires were collected and subsequently used to test our proposed model. This study used four unfamiliar products to prevent the influence of prior knowledge.

We conducted confirmatory factor analysis (CFA) using EQS to test the measurement model. The results of the final CFA model indicate an excellent fit of the measurement model with the empirical covariance with Chi-square = 1,768.53 on 824 degrees of freedom, nonnormed fit index (NNFI) = .926, comparative fit index (CFI) = .932, standardized root mean-square residual (SRMR) = .043, and root mean-square error of approximation (RMSEA) = .049 (Hu and Bentler 1999). The CFA results reveal that the study constructs have an adequate level of convergent and discriminant validities with acceptable construct reliabilities. Subsequently, the proposed model with all measurement items from the CFA model is estimated. The results of a multi-group analysis indicate that the overall fit of the model is good with Chi-Square = 2,735.2 on 1,310 degrees of freedom, CFI = 0.918, SRMR = 0.073, and RMSEA = 0.058. According to the result, seven hypotheses are supported except for H8 and H9.

Discussion and Implications

This study is the first study that explored the direct and indirect impacts of foreign cultural waves on consumers’ responses empirically. By testing the conceptual framework that includes key variables related to a foreign cultural wave, this study explains how a foreign cultural wave gives advantages to the MNCs and products from the home country.

In the current study, country image functions effectively as a halo to transfer positive emotions from exposure to the home country cultural elements to perceived quality and ability of products and MNCs from the home country. Through enhancing people image and economic country image, consumers seem to speculate the ability of the MNCs and quality of their products from the home country. This result is in line with the key argument of the country-of-origin literature.

In our research, not only perceived product quality but also corporate ability influence purchase experience positively. Furthermore, corporate ability positively strengthens perceived product quality. These results suggest that not only the product specific attribute evaluation like perceived product quality but also peripheral cues such as country image and corporate ability influence consumer purchase experience. This is an important contribution of the current study as the literature does not identify such peripheral cues as country image and corporate ability as factors of consumer purchase (e.g., Chaudhuri and Holbrook 2001).

For managers, this study results suggest that MNCs’ marketing strategies need to reflect such potential impact of their home country cultural wave more proactively. That is, product placement, as a promotional vehicle, in international marketing could be much more effective than domestic marketing. Furthermore, featuring relevant drama or movie stars in their advertisements would be particularly effective in such local markets where home country cultural waves are prevailing. References are available upon request.

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SUMMARY

One of the most basic characteristics of services is intangibility, referring to the fact that services cannot be seen, felt, tasted, or touched like one can sense tangible products (Parasuraman et al. 1985). According to Zeithaml (1981), intangible services are characterized by experience and credence attributes, providing fewer cues for consumers to assess. Consequently, because of this state of imperfect information (Erdem and Swait 1998), consumers cannot readily evaluate service quality, which elevates consumer uncertainty and in turn, perceived risk of purchasing services. When imperfect and asymmetric information characterize a market, consumers and firms may use signals in order to convey information about their characteristics (Spence 1974). Addressing this problem, a need arises for mechanisms by which service providers can inform consumers about and convince them of the quality of their services offered. As literature reveals, brands can serve as valuable signals indicating product quality and positioning (Erdem and Swait 1998; Wernerfelt 1988). However, in order to reduce perceived risk in purchasing decisions as well as information acquisition efforts, brands have to be credible.

Focusing on studies investigating credibility of service brands, a literature review reveals a clear lack of research. Prior research on brand credibility has mainly focused on different product classes, but neglects services. According to Erdem and Swait (1998) brand credibility comprises two facets, namely trustworthiness and expertise. While trustworthiness can be defined as the belief that the firm is willing to deliver on its promises, expertise refers to the belief that the firm is capable of delivering on its promises (Erdem and Swait 1998; Sweeney and Swait 2008). Our study intends to close the research gap by extending existing knowledge to the services setting. More precise, we investigate (1) brand credibility and its effects on core brand functions (i.e., information efficiency and risk reduction), as well as consumers’ repurchase intention and (2) the effects of information efficiency and risk reduction on consumers’ repurchase intention using service brands.

The services selected for the testing of the model were fast food restaurants, airlines, and retailers. While we utilized the brand “McDonald’s” representing a fast food restaurant, we selected the brand “Lufthansa” to represent an airline. Further, we selected the brand “Starbucks” to represent a retailer. The data were collected via paper-and-pencil surveys from graduate students as well as administrative and academic staff of a major university. In sum, we received two hundred and forty-six completely answered questionnaires. We employed structural equation modeling for model estimation using the Amos 17.0 software program.

Results provide strong empirical support for the positive effects of service brand credibility on core brand functions, namely information efficiency and risk reduction. Further, data analysis shows a significant positive effect from brand credibility on repurchase intention. Focusing on the impact of core brand functions on consumers’ repurchase intention, results reveal a significant effect of information efficiency on repurchase intention. However, we found no support for the impact of risk reduction on repurchase intention.

In summary, our research contributes to a more detailed understanding of the phenomenon of service brands. In particular, our research sheds light on the role of brand credibility in services. First, we explicate the impact of credibility of service brands on core brand functions, namely risk reduction and information efficiency, and consumers repurchase intention. Second, we explicate the influence of core brand functions on consumers’ repurchase intention. From a managerial viewpoint, our results highlight that service providers should consider brands as valuable tools in order to condition consumer response. Because brand credibility has a strong impact on information efficiency, risk reduction, and consumers’ repurchase intention, managers are asked to (1) evaluate their brands questioning how credible they are, (2) efficiently and effectively build credible brands, and (3) invest into credible brands. References are available upon request.
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ETHICAL REPUTATION: FACT OR FICTION? A QUALITATIVE CONSUMER EXPLORATION

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SUMMARY

Background

Over the past two decades, organizations have increasingly focused on corporate identity (CI), image and reputation – concepts recognized as major assets capable of enhancing corporate value (Berrone, Surroca, and Tribo 2007; Fukukawa, Balmer, and Gray 2007). Positive reputational capital can set a company apart from its competitors, and through creating vital points-of-difference, may act as a source of competitive advantage (Fombrun 1996; Fukukawa et al. 2007). However, numerous companies have experienced a converse scenario, when their reputations faltered because of business practices which were perceived as unethical by the public. Hence, in addition to elements such as product, service, or brand quality, an organization’s reputation is inherently linked to how un/ethically it is perceived to conduct its business(es), meaning moral perceptions play a major role in corporate reputation formation (Bendixen and Abratt 2007). In spite of ample evidence confirming the impact of un/ethical perceptions on consumer attitudes and purchasing behavior, to this day, little is known about how an un/ethical perception emerges in the consumer’s mind. This qualitative study explores the formation of ethical perceptions held by consumers, a major stakeholder group. Findings are based on 20 long interviews (McCracken 1988) with general consumers.

Key Findings

Naturally, the primary ways that consumers form perceptions about companies is based on either first-hand experiences or, alternatively, informational sources such as the media, corporate communications, and interpersonal communication. However, the absence of such concrete information or experience is frequent and “normal” in the case of ethical evaluations, which is why consumers may resort to inferential processes. The study demonstrates that consumers’ ethical beliefs can be inferred and identifies four types of cues that may instigate inferences in ethical perception formation: product, company, category, and origin-related cues.

Product-Specific Cues. Consumers’ inferential beliefs may be rooted in explicit product-specific features and attributes. For instance, ethicality is suggested by a product’s name and packaging. The most prominent inter-attribute inference is instigated by a product’s retail price, meaning a low price can arouse consumer suspicion of unethical dealings.

Company-Specific Cues. Multiple company-specific cues exist from which consumers may derive ethical perceptions. These relate to either the structural set-up of a company or are of economic nature. For instance, the type of ownership of a company can be diagnostic. Profitability was identified as the main economic indicator, exemplified by the observation that corporate earnings perceived as unjustifiably high can signal unethical business practices. Similarly, the size and market share of a company as well as its degree of global reach can imply un/ethicality.

Category-Specific Cues. Inferences can also relate to a company’s industry sector or product category, induced by certain production-related characteristics, such as labor intensiveness or environmental properties. An unethical perception may be evoked by a faltering reputation of an entire product category or the result of a negative spillover effect from irregularities or violations of a close competitor (Roehm and Tybout 2006). Furthermore, consumers make a connection between the degree of competition in a given industry sector and the likelihood of unethical business practice. A prevailing stereotype is that a company in a monopoly-like setting is more likely to act unethically by taking advantage of the consumer.

Origin-Specific Cues. Consumers may associate a company or brand with the place, i.e., a region or a country, from which they believe it originates. This study identifies origin as an important source of consumers’ ethical beliefs. The country bias is evoked by several factors, such as the level of development and education, the economic ideology, the prevailing political climate, the presence of a social welfare system, and the culture, mentality, and lifestyle of the country’s inhabitants.

Implications

The observed consumer inference processes highlight the crucial issue of reputation controllability from a management perspective. By nature, inferences operate at a subconscious, hence personally uncontrollable level and often fail to reflect the (objective) reality of a situation. Furthermore, consumers are not always able to
distinguish between facts and fiction and have difficulty separating implicit (inference) from explicit (information/experience) conclusions in memory (Kardes 1988). The findings of this study therefore substantiate existing research suggesting that a company may have only limited control over its reputation and brand equity (Bromley 2001; Keller and Lehmann 2006), as well as the branding literature on Doppelgänger brand images and hijacked brands (Thompson, Rindfleisch, and Arsel 2006; Wipperfürth 2005), and implies that through previously unobserved inference processes, controllability is even further diminished. In the liquid times of sensory and informational overload (Bauman 2000), inferences play an increasingly vital role and perceived identities, reputations and images are therefore co-produced, not only by customers or partners, but also by competitors.

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SUMMARY

The lack of attention given to branding issues at family firms is unjustified. Why? First of all, family businesses are omnipresent in Western economies. Second, having such a prominent presence and generating so much employment suggest that many family business firms are highly competitive. On top of that the PricewaterhouseCooper Family Business survey (2007/2008) revealed that family businesses get competitive strength particularly from their product offerings, customer relationship management and their brands. It showed that family enterprises increasingly realize that for them to stay successful branding is and remains critical. Theoretically like any other type of firm, family enterprises try to leverage important resources they possess. The family-based identity is one of those assets for them. The identity and what it represents is known to be the most important intangible asset for many companies and is arguably a primary source for competitive advantage (Aaker 1991). While there is extensive literature devoted to branding, most of it examines branding among large, well-established, mostly publicly-traded companies (cf., Keller 1993). From their very founding, family firms are often associated with the family name. Family connections, legacy, and history play a vital role in their ability to mobilize resources (Aldrich and Cliff 2003), and these associations potentially strengthen customers' brand and authenticity perceptions (cf., Pine II and Gilmore 2007). Not only theoretically, there is a beginning of empirical evidence. Craig, Dibrell, and Davis (2008) showed that a minority of family firms actively promote their familiness in their communication with external constituents. Interestingly, actively communicating the family-based brand identity positively contributes to the firm performance. As such, it is worthwhile to investigate whether more family firms should communicate their family-based brand identity and whether that lead to making use of this untapped potential. Before addressing if and how family firms ought to effectively manage the family business brand (FBB), this research deals with the first step into that direction. We first will explore how family firms brand their family businesses – i.e., how communicate their familiness.

Family-Based Identity or Familiness

Family business scholars conceptualize the phenomenon “family business” as a “Dual System” with properties of both the family and the business (Swartz 1989, p. 331). Business and family systems are regarded as separate entities in terms of structure, goals and tasks. A pure typical Business System appreciates concepts such as “rationality,” “competence,” “contract,” “future,” and “money,” whereas a pure typical Family System values “emotional,” “birthright,” “relationship,” “memories,” and “love.” The interaction of these two systems (Benson, Crego, and Drucker 1990) is the familiness and that relates to how family firms effectively manage to harmonize, unite and strengthen the often-seemingly conflicting Business values with Family values.

Content Analysis

To examine how family firms speak of their firm to external stakeholders and to define a typology of family business branding strategies, we collected observations from the corporate websites of family businesses (published in the English language). To systematically analyze the text, we used manual and computer-aided content analysis procedures in order to generate quantitative measures of endorsing the family-based identity of a family firm. In the dictionary-building process, we followed Dyer (1994) who has constructed content analysis dictionaries to identify frequencies of high level concepts. Concepts such as “family” and “business” are types of abstractions encompassing conceptually similar lexical terms of greater specificity. The page-level-specific sets of records were then uploaded into SIMSTAT in order to conduct a detailed quantitative analysis of words and phrases underlying each category. SIMSTAT is a powerful statistical package with an integrated content analysis module – WORDSTAT – which provides counts of target words and phrases, cross-tabulation, and statistical analysis.

Sample

We had two procedures in place to draw samples of family businesses. The first procedure was to use the
companies listed in the Credit Suisse Family Business Index (HOLT FBI) as a sample frame. The second sampling procedure was to randomly pull company names from the alumni database of a business school with a specialization in executive education to family businesses. Five hundred eighty companies are stored in the database. In order to match the number of Credit Suisse set we drew an equally large sample from this database resulting in a sample size of 340 (international) companies. The Credit Suisse HOLT FBI list had 62.7 percent from Europe and 34.9 percent from the USA. The other sample was predominantly European (58.2%). We found 226 websites: 166 from the Holt list, and 60 other family businesses. From 140 websites, we detected 103 company profile pages, and 89 history pages.

Analysis

Salience or relative prominence of either family-or business-words is measured by counting the number of words from each dictionary. On the homepages, on average less than one family-related term (mean = .61) was present, while the mean for business-related terms was more than five times higher: 3.42 words on average. For richness, we took as an indicator the maximum number of words related to family and business appearing on each of three different levels (homepages, company profile, and history). To explore the different types of family business branding, we followed the three-stage clustering approach (see Cannon and Perreault 1999; Homburg, Jensen, and Krohmer 2008; Homburg, Workman, and Jensen 2002). The outlier identification using nearest-neighbor clustering made us delete 22 cases. We then determined the number of clusters with hierarchical clustering algorithm that Ward (1965) developed.

Results

Our cluster variables were amount of words, salience and richness dimensions of homepages. Iteratively, we found the three cluster solution to have clusters sufficiently large in size and with a reasonable interpretation. The first cluster (n = 59; 29%) consists of corporate website homepages that are short introductions; on average 63.39 words, of which 1.41 words directly relate to the business lexicon. The second and largest cluster (n = 131; 64%) is made up from homepages that are executive business texts. Texts have a length of 248 words on average, of which more than seven words relate to Business, and 1.35 words are Family-related. The homepages in the third cluster (n = 14; 7%) are longer and richer stories on both Business and Family. They have more than double the amount of total words than the average homepage (677 words). The longer texts give the opportunity to talk more about both Business (almost 23.50 words) and family (6.57 words).
DO BOARD MEMBER POWER BLOCS ENHANCE INNOVATION?

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SUMMARY

This paper introduces intra-industry board member power blocs as a mechanism of enhancing firm innovation though enhanced cooperation between competing firms. Board member Interlocking Directorates (ILDs) between firms have been discussed as anti-competitive, studied for their impacts on capital access, and prohibited by Congressional acts. While many studies and theoretical papers have reported on the importance of board members to firm strategy and execution, there is still little consensus on their firm-level impacts. In this paper we introduce the notion of power blocs – a linear quadruple of firms connected by shared directors – as a unit of ILD analysis to the marketing literature.

Using secondary data from twelve industries, we investigate the effects of intra-industry board-member power blocs on firm innovativeness. We also investigate the moderating impact of industry competition and environmental turbulence. Our findings indicate that intra-industry board member power blocs have a significant positive impact on firm innovation. Competition enhances the positive effect of power blocs on innovation. However, environmental turbulence lessens the positive impact of board member power blocs on innovation, suggesting that while interlocks are beneficial, they are not alone the magic bullet for industries and firms in challenging and changing times.

This study contributes two key findings to the literature in addition to introducing the marketing literature to board member power blocs. First, it expands current definitions of industry networks to include intra-industry networks organized to leverage horizontal synergies within an industry. Second, it raises questions about the current understanding of board member interlocks, the reasoning behind their prohibition, their actual prevalence in the marketplace, and the firm outcomes of such linkages.

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INNOVATION BEYOND FIRM BOUNDARIES: THE ROUTINES AND RESOURCE INVESTMENTS OF SUCCESSFUL EXTERNAL PROBLEM SOLVERS

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SUMMARY

Innovation is widely recognized as a key driver of firm growth and profitability by both scholars and practitioners (e.g., Hauser, Tellis, and Griffin 2005; IBM 2008). An increasing number of firms are adopting open innovation approaches that solicit the knowledge and skills of external entities (Chesbrough 2003). Although such external innovation is believed to provide several advantages, such as reduced development time and increased novelty (Huston and Sakkab 2006; Nambisan and Sawhney 2007; Seybold 2006), it also poses considerable challenges. In contrast to the relatively closed and tightly controlled nature of internal innovation, external innovation requires a considerable openness and a release of organizational control (Seybold 2006; von Hippel 2005). Moving toward open innovation, which relies on both internal and external innovation, is a difficult paradigm shift for many firms, due to concerns about the potential loss of proprietary information and doubts about the innovation abilities of external entities (Cook 2008). As a result, firms tend to release limited information, which produces greater challenges for external entities who attempt to develop solutions with considerably less information about the nature, history, and background of the problem than individuals working within the firm (Teece 2003; von Hippel 2005). In essence, external innovation is typically characterized by a high degree of decontextualization compared to traditional internal innovation initiatives. This poses a challenge for marketing scholars, who have traditionally focused their inquiry upon issues related to internal innovation activities (e.g., Ruezert and Walker 1987; Cooper and Kleinschmidt 1995; Sethi 2000; Sethi and Iqbal 2008). Thus, the knowledge gleaned from these studies may possess limited applicability in an open innovation context.

Given the recency of this development, research on this topic is scant and little is known about the keys for successful open innovation. Our research addresses this need by focusing on one important type of open innovation, i.e., external problem solving (EPS) during the innovation process and examines reasons why some external problem solvers are more successful than others. For instance, InnoCentive provides a digital environment that offers the expertise of more than 160,000 potential solvers for numerous firms, including large pharmaceutical companies (e.g., Eli Lilly), fast moving consumer goods companies (e.g., P&G), software firms (e.g., SAP), and not-for-profit organizations (e.g., The Rockefeller Foundation). Other examples of EPS networks include NineSigma, IdeaConnection, and innovation exchange. During EPS, firms (i.e., seekers) seek the help of external experts (i.e., solvers) to solve innovation related problems often through the help of these EPS networks (Hargadon and Sutton 1997; Verona, Prandelli, and Sawhney 2006), who act as both a matchmaker (by posting these problems) and a protector (by securing intellectual property rights). In spite of increasing use of EPS networks and the growing numbers of registered external solvers, only a limited number of problems are solved and only few solvers are successful (Lakhani et al. 2007). Thus, it is an important issue for innovation brokers, seekers, and solvers alike to understand what makes some external problem solvers more successful than others. Our study addresses this need and seeks to enrich and extend the research on open innovation by examining the reasons determining the success of external problem solvers.

Specifically, our investigation focuses on the problem-solving routines and resource investments of external problem solvers. We identify critical routines by drawing from extant research on expertise (e.g., Spence and Brucks 1997; Prietula and Simon 1989; Teece 2003) and creativity theory (e.g., Amabile 1983, 1998; Im and Workman 2003) that highlights different paths to success. Expertise theory purports that experts are superior to non-experts in filtering relevant from irrelevant information, understanding complex and ill-structured tasks, and solving problems with analytical skills, i.e., deliberate routines (Ericsson, Krampe, and Tesch-Roemer 1993). In contrast, creativity theory attributes superior performance to developing novel ideas, approaching problems more flexibly and imaginatively, and drawing associations with knowledge from other fields, i.e., creative routines (Oldham and Cummings 1996). Moreover, these two theoretical traditions suggest contrasting effects regarding the impact of temporal and monetary resources invested in a problem solving task.

To answer our research question, we test the impact of the two contrasting problem solving routines (i.e.,
deliberate routines vs. creative routines) and resource investments (i.e., time and money) via a sample of 453 external problem solvers who submitted solutions to innovation problems posted by InnoCentive. This sample combines both survey (for our independent variables) and archival (for our dependent variable) data.

Our findings reveal that creative and deliberate routines can each enhance problem solving success but that their effectiveness is contingent on the resources invested. More specifically, deliberate routines are more successful when external problem solvers invest substantial time but little money. In contrast, creative routines are more successful when external problem solvers invest substantial money rather than time. Overall, our results suggest that successful external problem solvers employ either inspiration or perspiration and purposefully invest their resources. Our findings challenge common practice of internal problem solving, where employees are encouraged to think out of the box and to use creative techniques in the innovation process. It appears that solvers’ deliberate skills may compensate for information and structure that is present inside firms but lacking in the decontextualised EPS setting. Our inquiry provides a number of implications for open innovation theory and practice. References are available upon request.

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MANAGERIAL TIES AND CORPORATE INNOVATIVENESS:
IS KNOWLEDGE CREATION A MISSING LINK?

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SUMMARY

Managerial ties, which are senior managers’ personal networks with top managers at other firms and officials in the government and industries, contribute substantially to firm performance because of their strategic roles. Extant research tends to construct a direct mechanism for the managerial ties–corporate innovativeness link. This paper, however, provides and investigates an indirect ties-innovativeness argument which is that organizational knowledge creation, including knowledge exchange and knowledge combination, is a mediator. The knowledge-based view argues that the firm can be regarded as a bundle of knowledge which is the basis for competitive advantage. From this perspective, acquiring, creating, and possessing heterogeneous knowledge becomes the foremost mission for effective managers to lead their firms in turbulent environments. Moreover, social networks theory suggests that managerial ties provide opportunities for managers to access external resources and establish trustful external relationships. However, the network perspective also suggests that managerial ties only play a “conduit” role by providing possibilities and opportunities to approach external resources. How should firms turn these possibilities and opportunities into internal knowledge stock and further transform it into market competitiveness? This paper aims to answer this research question based on and integrating social networks theory and the knowledge-based view.

We conducted this research in China because it provides an appropriate context to address our research question. We used structural equation modeling to test our research hypotheses (in Figure 1) and the empirical findings from 270 firms indicate complex relationships among the studied variables. It reveals that business ties are directly and positively related to knowledge exchange and knowledge combination, while political ties only exert weak effects on knowledge exchange. Interestingly, knowledge combination exerts positive and significant influences on both product innovation and process innovation, two widely used sub-dimensions of corporate innovativeness, while knowledge exchange only impacts product innovation significantly. Differing from past research findings that managerial ties directly influence corporate innovativeness, we find that the influence of

![Conceptual Model and Research Hypotheses](image-url)
managerial ties on corporate innovativeness is indirect. More importantly, we found that knowledge exchange and knowledge combination are different constructs and the former positively influences the latter in organizational knowledge creation processes. These findings extend our understanding regarding the ties-innovativeness link by providing a more complete understanding of how firms can access and internalize external resources and transform them into market competitiveness through knowledge creation processes. References are available upon request.

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PROMOTING SUSTAINABLE CONSUMER BEHAVIOR: THE MODERATING EFFECT OF PSYCHOLOGICAL DISTANCE ON THE INFLUENCE OF ENVIRONMENTAL CONCERN

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SUMMARY

This study focuses on a public service advertisement promoting the use of energy efficient products using two different psychological distance frames (e.g., Liberman and Trope 1998; Trope and Liberman 2003). The purpose of this study is to (1) understand how temporal and social distance framing influence consumers’ responses to energy efficiency ad messages, (2) address if a consumer’s environmental concern influences their response to the message frames, and (3) examine if the interaction between the temporal distance frame, social distance frame, and a consumer’s environmental concern will influence attitudes and behavioral intentions.

Conceptual Background and Hypotheses

The distance framing effects examined in this study are related to construal level theory (Liberman and Trope 1998; Trope and Liberman 2003). The two distance frames used are temporal distance and social distance. Temporal distance is the perceived distance between the present time and when a focal event occurs and social distance is the perceived distance from one person to another person or social group.

Studies have indicated that environmental concern can influence certain pro-environmental behaviors (Ellen, Wiener, and Cobb-Walgren 1991; Kilbourne and Picket 2008). Although we predict a main effect of environmental concern, some studies have suggested that environmental concern may play a weaker role in affecting purchase intentions or behavior (e.g., Alwitt and Pitts 1996; Smith, Haugtvedt, and Petty 1994). Given the mixed findings, it is possible that environmental concern is influential in certain situations but less so in others. We hypothesize that under certain message framing conditions, environmental concern will influence sustainable consumer behavior, but under other framing conditions, the effect of environmental concern will be weakened.

Study Method and Results

This study employs an experimental design where the temporal and social distances are manipulated within an ad while a consumer’s environmental concern is measured. The temporal distance frame was manipulated by indicating how long (one month or one year) it would take to save a significant amount of money by using energy efficient products. The social distance manipulation stated that the majority of two different target groups (varying in social distance from the study participants) would buy energy efficient products. Dependent measures in this study included attitude toward the ad (α = .92), purchase intentions (r = .96), perception of purchase intentions of others (α = .98), and light bulb choice.

We first tested the hypotheses on the three interval scale dependent variables by performing a 2(temporal distance frame) X 2(social distance) X 2(environmental concern) MANOVA. There was a positive main effect of environmental concern on the dependent variables of ad attitude (F(1,218) = 9.61, p < .01), purchase intentions (F(1,218) = 11.71, p < .001) and purchase intentions of others (F(1,218) = 17.79, p < .001).

We predicted that there would be a three-way interaction between temporal distance frame, social distance, and environmental concern. This was generally supported for all three interval-scale dependent variables; purchase intentions (F = 9.44, p < .005) and purchase intentions of others (F = 4.12, p < .05) were significant, while ad attitude was only marginally significant (F = 3.01, p < .10). We predict that when the distance frames differed (i.e., mismatched frames), the dependent variables will be higher for those high versus those low in environmental concern. This was supported for purchase intentions (p’s < .02) and purchase intentions of others (p’s < .01). However, when both social and temporal frames matched, there was no effect of environmental concern on purchase intentions (p’s > .40) or purchase intentions of others (p’s > .10).

In terms of bulb type choice, when the distance frames did not match, participant were more likely to choose the CFL bulb if they were higher on environmental concern (p’s < .05). When both frames match, choice of the CFL bulb versus the incandescent bulb did not differ significantly (p’s > .20) between those high and low in environmental concern. In combination, these results provide substantial support for our predictions.
Discussion

This study examined the message framing effects of two different psychological distance dimensions, temporal and social distance, in conjunction with a consumer’s environmental concern, on responses to an ad promoting energy efficient products. There was an overall main effect of a consumer’s environmental concern. The three-way interaction results indicate that when the message frames do not match, we find a stronger effect of environmental concern. When the message frames do match, the effect of environmental concern is weakened such that there are no significant differences across the dependent variables for consumers who are higher or lower in environmental concern. These findings should be of interest to marketing managers, policy makers who are interested in promoting sustainable consumer behavior, and consumer researchers. References are available upon request.

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RECOGNIZING THOSE WHO PARTICIPATED AND ENCOURAGING THOSE WHO DIDN’T: A SOCIAL MARKETING PERSPECTIVE ON EXPRESSIONS OF GRATITUDE FROM POST-KATRINA LOUISIANA

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SUMMARY

In response to the outpouring of financial and volunteer support from both public and private sources following Hurricane Katrina, the state of Louisiana expressed its gratitude through a series of “thank you” campaigns. Louisiana’s “thank you” campaigns can be evaluated from a social marketing perspective, as the goal can be seen as improving society by publicly upholding social norms of gratitude and encouraging future prosocial behaviors. Here, we consider gratitude as the emotion that arises when an individual (beneficiary) perceives that another person (benefactor) or source (e.g., God, luck, fate) has intentionally acted to improve the beneficiary’s well being (Fredrickson 2004). While the role of gratitude clearly offers theoretical and managerial implications in social marketing, its role in promoting prosocial behaviors is relatively unknown.

The objectives of this research are threefold. First, we consider the impact of expressions of gratitude on the prosocial behavioral intentions of Volunteerism and Financial Donations. Next, we identify the potential mechanisms responsible for the effects of gratitude. More specifically, we propose that both benefactors’ feelings of being appreciated and their perceptions of beneficiaries’ worthiness will explain gratitude effects on these prosocial behavioral intentions. Finally, we consider these effects over time to determine whether gratitude is enduring.

Hypotheses were tested using data collected from two different online surveys conducted during two different time periods. The first data collection occurred eight months following Hurricane Katrina, and the second was gathered seven months later. In both surveys, respondents were recruited from a U.S. panel of over 50,000 potential respondents, all of whom were over the age of 18. The Wave 1 data collection resulted in 1,782 completed surveys. The Wave 2 data collection produced 2,689 complete surveys.

Results

In H1, we proposed the effects of seeing or hearing a “thank you” message (Seen) would promote prosocial behavioral intentions. In support of H1, there is a significant univariate main effect of Seen on both Volunteerism \((F(1, 4372) = 86.85; p < .001; M_{\text{seen}} = 3.71 \text{ vs. } M_{\text{not seen}} = 4.32)\) and Financial Donations \((F(1, 4372) = 103.91; p < .001; M_{\text{seen}} = 3.94 \text{ vs. } M_{\text{not seen}} = 4.61)\). The univariate results reveal that Seen does not interact with Wave \((p > .05)\), and Wave (1 vs. 2) has no significant main effect on either Volunteerism \((F(1, 4372) = 1.58; p > .05)\) or Financial Donations \((F(1, 4372) = .17; p > .05)\).

In \(H_2\), we predict that the impact of Seen on Volunteerism and Financial Donations will be mediated by benefactors’ feelings of being acknowledged for their beneficence. Our measure of Seen serves as the predictor variable. Our dependent measures (Volunteerism, Financial Donations) serve as outcome variables. The Sobel test (Baron and Kenny 1986) confirms partial mediation of Seen on both Volunteerism and Financial Donations. Similarly, in \(H_3\), we predict that perceptions of beneficiaries’ unworthiness will mediate the impact of Seen. Unworthy is not a significant predictor of Volunteerism when Seen is entered simultaneously in the regression equation, indicating no mediation. However, Unworthy partially mediates the relationship between Seen and Financial Donations.

Hypotheses \(H_{a1}\) and \(H_{a2}\) propose the effects of “thank you” among those who were not associated with the state to more clearly assess an important element to social marketing – does saying thank you promote prosocial behaviors even among those who are not associated or personally affected by the situation. As such, we conducted a 2 (Wave: 1 vs. 2) x 2 (Seen: Y vs. N) MANCOVA on Volunteerism and Financial Donations, with Age, Sex, and Distance as covariates on respondents who are not from Louisiana, did not participate in relief/rebuilding activities, are not related to or friends with Louisiana residents, and are not former residents of the state. Consistent with the analysis used to test H1, Seen has a positive univariate main effect on Volunteerism \((F(1,1283) = 4.06; p < .05; M_{\text{seen}} = 3.07 \text{ vs. } M_{\text{not seen}} = 3.39)\) and Financial Donations \((F(1,1283) = 5.47; p < .025; M_{\text{seen}} = 3.25 \text{ vs. } M_{\text{not seen}} = 3.62)\). Again, the univariate main effect of Wave was nonsignificant, as was the interaction between Wave and Seen \((p > .05)\). These results are substantially identical to the results for \(H_1\), thereby supporting \(H_{a1}\) and \(H_{a2}\).
In $H_{4b}$, we predict that for those unassociated with the state, Unworthy will mediate the relationship between Seen and the two dependent measures the same way it did for the overall sample. The Sobel test (Baron and Kenny 1986) confirms that no mediation occurs for either Volunteerism or Financial Donation. These results partially support $H_{4b}$ as in both groups (overall sample in $H_3$ and those “not associated” in $H_{4b}$), there was no mediation of Volunteerism, which supports the hypothesis. But there is also no mediation of Financial Donations, which we did find in the overall sample. Thus, we find mixed support for $H_{4b}$.

**General Discussion**

We find evidence for two prosocial effects of expressions of gratitude: First, for those who participated in relief/rebuilding efforts, expressions of gratitude have a positive impact on intentions to volunteer and donate money in the future. Second, we find a similar positive impact of expressions of gratitude on the behavioral intentions of those that did not participate in previous relief/rebuilding activities and are not associated with the state at all: The impact of expressions of gratitude spill over to those who are not targets of the message. Further, we find evidence that perceptions of beneficiaries and perceptions that benefactors will properly be thanked mediate the relationship between seeing or hearing expressions of gratitude and intentions to volunteer or donate money. Most importantly, the results hold for both waves of the survey, indicating that the impact of expressions of gratitude are as powerful within the first two weeks of the official state campaign as they are nearly three months after all campaigns ended, testifying to the enduring effects of such expressions. This is good news for those who are considering whether acknowledging participation is a worthwhile component of a social marketing campaign as it indicates a potential positive return from such efforts. These results suggest that it is important to continue to focus on existing benefactors (“customers”) past their initial involvement with expressions that recognize and reward their efforts. Based on our results, expressions of gratitude deserve consideration as a helpful social marketing tool and should be considered an important component of disaster management. References are available upon request.
STATUS AND MATERIALISM AMONG COLLEGE-AGED WOMEN

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ABSTRACT

Our investigation unpacks how clothing, associated items, and other public possessions are used by female undergraduates to develop and advance their identities on campus. Additionally, this study includes where clothing will be worn and who will see it in an attempt to examine what role materialism plays in status formation.

INTRODUCTION

The importance of materialism to our understanding of consumer behavior in the developed world cannot be overstated (Wang and Wallendorf 2006). This concept reflects the high level(s) of importance buyers/owners place on products acquired over time, with an emphasis on value to social standing or status (Nguyen 2003). Thus, consumers with more materialistic lifestyles see products as tools for social networking and drivers of status rather than merely objects reflective of their individual needs and desires. Materialism is defined as “the importance people attach to owning . . . possessions” (O’Cass 2004). It also may be viewed as a coping mechanism for consumers to deal with feelings of uncertainty (Fitzmaurice 2006). As a consequence, materialistic individuals are often less satisfied and self-actualized, more anxious, and more dependent on external items (Christopher and Schlenker 2004). They place these goods at the center of their lives, judge others based on their possessions, and strive to achieve happiness through product ownership/utilization (Wang and Wallendorf 2006).

Materialism aids our understanding of consumption, self-identity, quality and satisfaction of life, and general well-being (Zinkhan 1994). It has become a guiding principle in the lives of countless individuals. Consumers grounded with materialistic ideals place possessions at the center of their lives and may have trouble being happy due to ever-escalating needs (Wang and Wallendorf 2006). Such individuals claim that possessions symbolize their likes and dislikes, but research instead correlates their belongings with fear of rejection and negative evaluations from their peers (Christopher and Schlenker 2004). The underlying value of a possession depends, in part, on the level of involvement, and materialistic persons tend to be more involved with items that bolster their societal roles (O’Cass 2004). Possessions can be used to form conclusions about self and others, and O’Cass (2004, p. 869) claims “life’s meaning, achievement, and satisfaction is judged in terms of what possessions have or have not been acquired.”

Materialistic individuals tend to distinguish between public and private meanings of objects, and they are likely to hold public items in the highest regard (Wang and Wallendorf 2006). Consumers may prefer goods that signal their desired self-images, recognizing that some products define who one is or is not (Nguyen 2003). Further, the outward display of certain possessions enables individuals to identify or distance themselves from a particular social group (Thompson and Haytko 1997). For example, clothing worn in public may reveal how one wants to be perceived by people important to them, and the items one chooses to wear may change dramatically depending on who he or she will come in contact. Clearly, branded items, worn by those of all age groups, are designed to convey status, prestige, affiliation, and wealth (Clark 2007; Nguyen 2003). Adolescents, however, are most susceptible to become involved with such identity markers, as they make clothing selections that allow them to try on hoped-for personas. As adolescents enter the college setting, they are bombarded with new consumer choices and develop a budding desire to embody a particular persona. Therefore, the purpose of this research is to examine the meaning of possessions, emphasizing clothing and other public goods, to college-aged women as they seek social standing among their peers. An interdisciplinary literature review is next, followed by our exploratory method and results. Implications for the study of materialism close the paper.

RELEVANT LITERATURE

Kamptner (1995) discusses the importance of possessions to consumers as they mature from early childhood and into adolescence. Her findings show that product meanings deepen over a lifetime as individuals seek external successes and develop the confidence which enables them to be slowly less dependent on comfort-security belongings. Interestingly, females experience earlier and greater levels of attachment to possessions with important social implications than similar-aged males. The popular press reports eleven year olds have already developed complex associations with branded goods that drive creation of self-identities as members of a consumer-driven culture surrounded by status-seeking images (Beckstrom 2008). Adolescents also have strong ties to their belongings because they are in a time...
period where they must separate themselves from their parents both physically and emotionally and it is comforting to look toward possessions for happiness and memories. Belk (1988) states that such dependence on belongings decreases with age, though material emphasis will always be evident. Clarke (2007) argues that adolescents create a unique sense of what is important due to the fact that adolescents finally have control over the objects they purchase, consume, and display.

As an example, teenagers, for the most part, begin to choose their wardrobes at this stage in personal growth:

Clothing is very important in the world of adolescence. As a transitional object, it can serve as an external link to, or confirmation of, an adolescent developing internal self. It provides a way for teens to experiment with their burgeoning confidence and express their struggles to cope with their inner emotional lives as they emerge from childhood into adulthood (Clark 2007, p. 52).

One potential outcome is compulsive buying defined as “chronic, repetitive activity that becomes a primary response to negative events or feelings” (Saraneva and Sääksjärvi 2008, p. 76). For young consumers, this addiction is fueled by insecurities and used to escape reality, which often results in a rollercoaster of emotions that includes various stages of disappointment. Such individuals become consumed by the constant influx of advertisements and innovative product selections, rather than adhering to personal needs and preferences.

At the same time, young consumers are less concerned about indebtedness and simultaneously have entitled views of the necessities of life (Penman and McNeill 2008). There is an ever-present list of justifications for their materialism, including the need to be fashionable, to enjoy life, to fit in, and to be entertained. For instance, college-aged students believe they should be able to reward themselves for good grades or other ordinary/expected achievements (Penman and McNeill 2008). Such beliefs and/or expectations often are blamed on the western “culture of consumption,” but it is equally likely that the underlying cause is identity issues, especially among adolescent women. They tend to be influenced by others with whom they shop and may fear purchasing items of which friends may disapprove, resulting in angst about acquisition and conformity.

In order to better understand the role of possessions in the lives of consumers, various categories with different meanings have been advanced. For example, Richins (1994a, 1994b) divides possessions into four respective purposes: utilitarian value, enjoyment, representation of interpersonal ties, and self-identity and expression. The four subgroups suggest commodities are valued because of their practical importance or their ability to facilitate social relationships. Christopher and Schlenker (2004) agree with the possibility of multiple types of possessions, but are more intrigued by the idea that some represent an internal self while others an external self, which is similar to Richins (1994b) public/private meanings. Further, their research aims to draw upon the connection between social identity and the fear of negative evaluation, suggesting that more materialistic individuals are more likely to use external/public goods to define themselves (Kamptner 1995). Material possessions have the power to mask the individual who owns and displays them. Thompson and Haytko (1997) note that tangible objects can often serve as a means of “identity management,” allowing the owner to portray them in a way which projects how they wish to be viewed. Adolescents specifically look toward shaping different identities for themselves as they learn who they are and how they wish to be perceived. It is important for them to acquire products that “soothe the anxieties of separation and provide the comfort of their own developing personality” (Clark 2007, p. 47) rather than hiding traits of individuality.

Possessions may serve as symbols that can mediate important social relationships (Wang and Wallendorf 2006). Specifically, adolescents behave in accordance with social expectations/norms because they feel as though they are continually being watched and judged (Nguyen 2003). They also believe their possessions are imbued with symbolic messages and serve as an indicator of social status. Clothing and accessories are an interesting category of goods because of its ability to meet the requirements of a host of previously-mentioned subgroups. Clothing is functional and intrinsic, as people must wear clothing on a daily basis to survive and navigate their daily routines. Elements of fashion can be used to align individuals with certain cultural values (Murray 2002). Certain outfits also may be used to demonstrate standing and prestige such as expensive and designer suits. For many, buying clothing is enjoyable, provides happiness, or relieves stress. Pieces of one’s clothing can even hold memories of the past (e.g., old sports uniforms or souvenirs of a family vacation). As Clark (2007, p. 52) states, adolescents use their wardrobe to exude individuality and to “express how they want to be perceived, who they associate with or identify with, and a plethora of other dimensions of their developing selves.” Thompson and Haytko (1997) state that dressing in a particular way is a means of deterring others from making snap judgments about personality or other internal qualities. Ultimately, “clothing is contingent upon a belief that others will notice and care about one’s appearance” (Thompson and Haytko 1997, p. 22).

This review demonstrates that much is known about materialism and the accumulation of possessions, but there remain numerous areas for new research.
while college-aged students receive regular attention from scholars, females are rarely singled out and the focus often is the relationship between materialism and psychological well-being rather than whether and how products define young consumers. Therefore, our study follows O’Cass’s (2004) lead and unpacks how clothing, associated items, and other public possessions are used by female undergraduates to develop and advance their identities when they arrive on campus. Additionally, this investigation includes where clothing will be worn and who will see it. While Richins (2004b) does examine public and private meanings of possessions as suggested by our inquiry, she does not analyze which types of possessions fit into what categories or whether possessions are seen as having both public and private meanings. As a result, our project seeks to fill this gap using an undergraduate female population who are in a place where they are finally able to make many consumption decisions.

**METHOD AND RESULTS**

**Methodology and Analysis**

This study takes into account the considerations and findings of other scholars in their attempts to define materialism, conspicuous consumption, and possession-related meanings. Further, it parallels many of the prior studies’ approaches and questioning techniques. However, this study aims to fill the gaps in previous research and identify which types of possessions people own for themselves, and what things people buy for the sake of others. Richins (2004b) identifies public and private meanings, but in the university setting, much of what one owns becomes public because many live with others and it is difficult to choose which possessions one permits others to see. However, college students are able to determine, to a certain degree, which items they wish to bring to school and which ones they prefer to leave at home. College is a coming-of-age tale for many. Away from their parents, students may decide what they wear, who they associate with, and what aspects of their lives to project to others. In the face of this independence, do undergraduate women seek unique identities, or do they conform to others? Do these women value that which sets them apart, or that which makes them part of an idealized group? What types of possessions best represent their owners, and which ones represent what the owners wish to be? This study attempts to answer such questions and further explores relationships with products.

Two types of data collection occurred with this study – possession inventories and in-depth interviews. Possession inventories involved informants looking through their rooms and accounting for all clothing, accessories, and other products that they own. Quantitative measurements are important in this phase, as informants were asked to count each possession and identify who purchased it and why it traveled with them to school. Informants were asked to fill in a table of possessions under supervision of the first author. The second form of research data aims to uncover which possessions most distinctly define the individual. Informants partook in an hour-long interview, staged in their bedrooms so they were surrounded by their possessions while they spoke about them. The interview was conducted in a very relaxed manner; informants usually sat on their beds or at their desks. Such an environment placed informants at ease when expressing their beliefs and attitudes.

The various subgroups of possessions were defined by the interviewer at the outset, and included:

- **Clothing** – Anything which one has at school with them, including shoes and other accessories, used to accent dress.
- **Beauty Aids** – Products and objects which allegedly enhance one’s beauty. This category has electronic tools (e.g., blow dryers), makeup, lotions, perfume, and other products whose purpose is to make an individual look or feel better about their appearance.
- **Signs and Symbols** – Mementos, photos, emblems and embellishments in one’s room. This category includes amounts and types of decorations, and any element of the room which is not necessary to ordinary living or excelling in school.
- **Functional Possessions** – Any object which one uses as a tool for fulfilling their role as a student. Functional possessions are practical and range from staples and notebooks to calculators and printers. These items are useful in daily life and help attain a particular goal.

The interviews were broken into five parts. The first portions were reflective of the above four subgroups of possessions. Informants were asked to respond to questions about their roles as women at this private university, and then more specifically regarding their feelings and actions toward them. The final portion asked informants to draw conclusions about self-identities in relation to their possessions. Informants were asked which possessions most defined them, which items do not serve as indicators of who they are, and what a stranger might say about them if they were to see this collection of goods. The last question allowed informants to think about the meanings behind possessions, and the extent to which individuals are judged by belongings. Finally, informants were asked to look at their cumulative experiences at the university, which ranged from several months to three years. They were then asked to compare personal styles from high
school to current styles, and to account for which possessions had been purchased after making the transition to college.

The purpose of the possession inventories was to allow the informants to begin to think about the amount of things they have with them at school. For the most part, they laughed and were seemingly embarrassed by the excess of goods. This result served as a good basis for making comparisons across individuals. For example, each coed had between seven to fourteen pairs of jeans or designer jeans. Most women also had designer handbags, designer bedding, and large quantities of expensive shoes and accessories. The rest of the clothing yielded similar numbers among the informants. All but two had an iPod and all ten had cell phones; most had printers, digital cameras, calculators, televisions, and DVD players as well as other electronics. Only one informant was required by parents to purchase all of her clothing, toiletries, and room decorations, while four bought at least some of their clothing. Analysis of interviews followed Hill and Gaines (2007) to develop a thematic outline of findings. For descriptive purposes, informants are noted as Ashley, Jodi, Christine, Beth, Laura, Julie, Leslie, Emily, Whitney, and Maria, and they ranged from freshmen to juniors. Hometown, academic major, living and family situations, and levels of financial independence varied.

**Relevant Findings**

A host of relevant findings that inform our examination of the meaning of possessions to college-aged females are presented as they were revealed in the data collection and analyses. For example, in the major area clothing, results center on the volume of clothing amassed, the public persona presented by their usage, and how clothing is used to judge others. For example, informants were asked to examine their unique possession inventories and reflect upon each type of clothing. When asked about whether the quantity of clothing she owned was adequate or common, Julie stated, “I definitely don’t need all of what I have . . . but I’m not as bad as nearly ¾ of the girls at this school.” It is clear that at this particular university, even those who desire to have excess note that it is not a normal environment. Yet even though individuals recognize that their college setting is not comparable to the majority of the world, they buy into the consumer trends. Christine added,

I think it depends who I compare myself too. Some people definitely have nicer clothes than I do. Some people I do not see in the same outfit more than once. Some people, in my classes maybe, may wear the same shirt once a week to a class. I find that I have enough clothes to not have to do my laundry for 3–4 weeks, and I still don’t wear it all. I’d like to say I’m about average, but maybe I’d say I have too much stuff at school.

According to Christine, whether one owns too much clothing depends on who they compare themselves to, not their own necessities. She also notes that the individuals she sees replicating outfits are often those she has classes with, not necessarily the same students she relates to or considers friends. Ultimately, the adequate quantity level is still driven by peer perception and what others have; girls at this university want to measure up against other girls. The two most common reasons for having “more than necessary” are laziness and personal image. Not surprisingly, women do not enjoy laundry duties and feel it necessary to own sufficient quantities so cleaning could happen every three or four weeks.

Though many would view owning a full month’s worth of clothing as excess, it is the ordinary at this institution. However, informants also mentioned that they do not like to re-wear any element of their wardrobes too many times to project a sense of style and affluence. Emily stated,

I would say I have the perfect amount for me. I don’t usually wear things more than once, so I’ll wear it then remove it from my closet and bring it home to wear. I keep replacing. Out with the old and in with the new. To go out at night, I don’t really repeat outfits.

Emily touches on another identified “social rule” at this school: do not repeat outfits when you go out at night, especially if pictures will be taken of you. Maria adds to Emily’s response by explaining that she and her friends prior to college did not share the same mentality of wearing clothing only once, but her presence at college changed her outlook.

If you go out with a dress, it’s a one-time deal. Once you wear that dress and it’s in a picture, you don’t wear it anymore. At [this school] there is definitely an idealistic image. You have to almost dress to impress . . . [this school] is very stylistic. I think we have an imaged-based campus that is hard to break through. I think that the majority of the students really care about their image and how they’re perceived by their peers.

Along with the idea of clothing as a means of maintaining image, the informants were asked to discuss the importance of brands. Julie responded, “I think that designer jeans, especially at this school, are extremely important for a girl to have because everyone knows the brands. Everyone comments on people’s jeans. I never noticed them in high school. Now it’s Sevens and True Religion.” Nine out of ten informants agreed that they
wear primarily designer jeans, which can cost up to $300 per pair. Five of nine were not familiar with most brands in high school, yet now consider them essential parts of their wardrobes.

Beth presented the only alternative view and claimed, “All of my jeans are from Target. I just pick the right fit for me. In high school people didn’t talk about their jeans based on the brand and my friends who go to big state schools don’t seem to be like that. I still buy whatever I like . . . I have a lot of different stuff, not name brand things. I’ve always had my own style. I like to be different. I feel like everyone is just trying to be like everyone else.

Beth is unique to the majority of the student body, in that she does not spend unnecessary amounts of money on jeans. However, she also mentioned in her interview that since coming to college, she learned to recognize the patterns and logos of various designers, and now can spot a certain style from across the room. Beth is the youngest of the informants interviewed, and has only been at school for a semester; more exposure to the common culture at this university may persuade her to buy into the trend, too.

Finally, informants were asked about judgments that come with clothing usage, and whether their clothing is truly an indicator of their personal style. Ashley claimed, “My clothing is a representation of my personality. Every once in a while you get an idea from someone else but I try to have my own looks. You see something on a celebrity or you see something on a normal person. It’s all inspiration. I think [I dress] for myself. I consider clothes an art form. If I could sew I would love to make them myself. I don’t dress to impress other people; I just find that it is a creative way to express yourself. I think my clothing represents me because I would say most of my clothes are split between a different look, a unique look, and a common look. I’m creative but I’m not so different.

Ashley takes pride in her clothing as a reflection of herself and believes it is an art form. However, even in such cases when one enjoys self-expression, scholars argue that they instead embody “the perceived uniqueness of wanting to be unique” (Thompson and Haytko 1997, p. 22).

Julie admitted to completely changing her style and the places she shops after entering college. Nonetheless, when asked how heavily her peers influence her wardrobe, she claimed, “I don’t think I’d stop wearing something because a friend didn’t like it if I liked it, but I think if everyone didn’t like . . . if a ton of people are telling you ‘that’s not cool,’ you’re not going to wear it.” Clearly Julie takes into account the opinions of those around her when choosing which items in her wardrobe are acceptable to wear in public. She also admits that girls look at others’ clothing and dictate what is and is not fashionable. Emily explained that clothing is a means for judging on campus, “Just day to day people look at you, and I look at other people. I’ll judge what their wearing, whether I like it or not, whether it’s my style or not, and whether it looks good on them or not.” If clothing is a measure of self expression, girls would not look to others to obtain approval, or make hasty remarks about those whose styles they do not like. Further, if clothing is an individual choice, it should not matter how much one owns, how often they wear it, or who they wear it around. However, at this university clothing is not for self expression or a personal necessity. Girls use clothing as a means of fitting in to the social scene. “Specific fashion styles stand for a larger social identity” (Thompson and Haytko 1997, p. 23), and girls at this university know that one of the most effective ways of entering a social group or obtaining an idealized image is through fashion choices.

Informants also were asked to discuss the complementary category of beauty aids. In this vein, Ashley noted that, “I could say hair and makeup are for others, just because I want to look presentable. Clothes are a creative way to express myself. Hair and makeup I feel is just about looking presentable for others.” Jodi added, “I think no matter who you are . . . people wear makeup more for others. Informants admitted to wearing makeup on a daily basis, adding that they do not usually do their makeup if they will be alone all day. Makeup is worn when girls are around others, or may be around others soon. Further, Maria explained how her habits in regard to makeup have changed:

I think a lot of people wake up in the morning, make sure their hair is done and make sure they are put together, [including] their outfit. I think it has a lot to do with the image they are showing other people and their peers accepting their image. I don’t think it’s too much [makeup], I just think it’s always on. My makeup has definitely changed since high school. Here at [this school] I definitely make a conscious effort to say, “Okay . . . I have the eyeliner on, the lashes are curled, the mascara’s on, the blush is on, the foundation is on.”

Another consistent beauty aid involves tanning. Only one of the ten informants went tanning regularly in high school but most go now. Jodi claimed that, “I probably would not go tanning as much if not everyone went tanning. I definitely like the way I look better when I go tanning, even though I know it’s bad for me.” Further, when asked if tanning was about personal preferences or a means of benchmarking against others, Emily added, “It’s definitely influenced by my friends because they
look tan and I look pasty white in pictures. I never liked
go ing tanning really until I got here [to college].” Again,
attention is on the idea of photos being taken, a pressure
which has increased dramatically as a result of Facebook
and other social media. Online photos enable girls to
always be seen and judged by their peers. Emily summed
up the importance of these two categories as follows:
“Everywhere you go people are judging you . . . [and] you
are constantly thinking about other people.”

Additionally, informants were asked to look around
their rooms and identify which decorations they felt
reflected who they were or wished to become. Responses
differed, as rooms varied widely in their decorations.
Items included pictures of people at school because col-
lege friends are “the ones I’m making memories with
now” (Emily). All ten rooms had at least one picture of
family members and at least one photo of friends from
high school. Whitney claimed,

Freshman year I brought so many pictures of my high
school friends because it was my first year of college
and I wanted to be reminded of home. I think [I
decorate] for me; I brought them for myself. But
obviously I wanted people at college to know that I
had an awesome group of friends at home. I think a lot
of my stuff has to do with my past. If you look at my
pictures, all of it is either my high school friends or
my family. There’s a few current pictures, but defi-
nitely more of my past.

Unlike the last set of possessions, coeds believed that
ty hey decorate their room for themselves; Jodi said, “I like
the way it looks. I have to sit here every day and look at it.”
Emily claimed, “You’re away from home and want to
make it homey. Having curtains and a seat cushion and
flowers kind of represents my room at home.” These
responses seem to reflect that one’s room at college
provides an important transition between past and present
lives. However, like many public possessions such as
clothing, one’s room can also be under “surveillance.”
Julie acknowledged,

I think you decorate your room so people come in and
say, “oh this is cute” and they get a sense of who you
are as a person. But if you’re just by yourself, you
know who you are so you wouldn’t need to . . . I think
people would be lying if they said that they don’t
want to impress people. I think that you want your
room to be super cute.

Julie’s assertion shows that even one’s bedroom, the
most private place one has on a college campus, may be
decorated for the purpose of impressing peers. Addition-
ally, a bedroom is a place which one must invite others to,
suggesting that students’ lives are under scrutiny even by
those with whom they feel most comfortable.

After a discussion of functional possessions, respon-
dents were asked to consider the following scenario: If a
stranger came in your room and looked through your
things, what assumptions would be made about you?
What generalizations would they make about your life,
values, and you as a person? What do your possessions
alone say about who you are? Though the responses
varied, most informants thought their possessions would
make people think that they were part of the societal elite.
Responses included, “Probably that I was stuck up . . .
Almost everything in my closet does have a label on it.”
“Probably that I was a brat. I think that the girls at this
school have a lot of things. I wouldn’t consider myself
someone that was spoiled, but I’m comparing myself to
girls on this campus.” “I would think that they would
assume that I have a lot of money because of the amount
of clothing and shoes and things that I have in my room.”
Only Beth and Christine argued differently for a more
average rating. Further, the interviewees were not embar-
rassed by the thought of a stranger viewing them as
affluent. Many went on to say that if the stranger went to
the same school that she did, they would assume the room
to be average, but that a stranger from outside of campus
would presume otherwise. Students seemed to prefer the
idea of being viewed as overly wealthy and fashionable
rather than have others believe that they were unstylish.
Girls at this university believe that status outweighs all.

Finally, respondents were asked to think about what
others would say about their storehouse of possessions,
and how they might publicly define an individual. The
responses once again varied, but two perspectives domi-
nated. For example, Leslie suggested her possessions
stood alone as potential indicators of personhood: “I think
my possessions do, pretty accurately, say who I am. So I
think my possessions tell a general picture of me. They
don’t tell my exact interests or exactly what’s most impor-
tant to me but I think it gives a good beginning.” Ashley
offers a revision: “I don’t have one specific thing at school
that defines me. I feel like possessions I bring to school are
a combination of who I am.” On the other hand, most
informants argued: “I do not think your possessions
define who you are. I think the people you surround
yourself with and your personality in general define who
you are” (Whitney). In the final analysis, these women
turned away from their previous reactions toward tradi-
tional markers of identity such as family, friends, faith,
and reputation.

DISCUSSION AND IMPLICATIONS

O’Cass (2004) suggests that female consumers such
as our informants clearly are materialistic and more inter-
ested in the symbolic nature of possessions than their
functional qualities. For example, most of their discus-
sions involved public meanings of goods such as cosmet-
ics and other beauty aids, with the only real exception the
wearing of comfortable clothing when alone. The active manipulation of style was described regularly in conversations, as informants portrayed how use of items like clothing can be easily changed and/or combined with other items to meet social goals and objectives on campus. This finding is consistent with the belief that branded goods are important signifiers to boys and girls as early as eleven (Beckstrom 2008), and by the time one reaches adolescence, clothing can convey both status and group affiliation (Nguyen 2003). Thus, clothing and other public possessions act as transition objects allowing young people to develop and confirm self-identities while simultaneously coping with interpersonal insecurities (Clarke 2007). As this research indicates, tension is not in the self-expression but in the anxiety about outside judgments.

The responses regarding possessions used to decorate rooms also support our discussion about public goods to the extent to which informants believed their rooms where a showcase to friends. This result is consistent with previous research by Kampfner (1995), who noted that young women place the highest levels of importance on social meanings of belongings such as photographs and memorabilia. Richins (1994b) suggests the bedroom is a place filled with possessions which have private meanings other than status or show. For instance, informants should be able to decide who they want to invite into such private quarters, and presumably only one’s close friends are ever allowed. If this belief holds true, the fact that some of our informants felt pressured to have dwelling spaces that pass external scrutiny (e.g., a “cute room”) shows the most private possessions receive some amount of public consideration. In these circumstances, Wang and Wallendorf (2006) might argue that our informants are insecure and more materialistic than other more stable and mature consumers.

Throughout the interviews, informants claimed possessions reflected styles, personalities, and self-preferences. If so, the projection that an observer of their storehouse of goods would view them as financially spoiled or snobby seems counterintuitive. This reaction is telling given informants were also certain that their faith and family are both strong indicators of who they are. The seeming paradox may be explained, in part, by relative affluence and strong sense of traditional values of the community, with one-fourth of the current freshman class having parents who make in excess of $250,000 per year and the vast majority sharing the same religious background. Beth reveals that, “[This school] is unlike most schools because everyone seems to come from the same type of background, whereas at other schools, it seems like there’s more of a variety of people that come from all over, different types of families.” Jodi agrees but goes one step further:

I think [students are] molded once they get here. I didn’t come [here] and look around campus and see that there were girls with good style. I came [here] because I knew that it was a well-known school academically. … But then once I got here and I started becoming friends with girls, and older girls; that’s when I started becoming more aware of what everyone was wearing.

Of course, care should be taken in generalizing these results. College-aged students are more prone than other groups of individuals to use their possessions as a means of creating impressions by others. Similarly, college-aged women are in a time in their lives when they are able to try on new personas to determine who they will become over time. Consumption of possessions is an easy way to experiment with different identities. Though this process may seem to result in superficial ways of modeling an adult perspective of self, college may be the first time these young women sought self-definitions without the infrastructure and stability provided by parents, relatives, and their original communities. Whether the type of institution (religious-affiliated, private, east coast, etc.) plays any additional important role is the subject of another project that looks across universities. However, the patterns of development, socialization, and experimentation likely occur regardless, especially when the college is primarily residential.

Expansion of this research project could involve examination of individuals from very different economic situations. Our study involved students with a rather homogeneous life-perspective that may be representative of affluent female consumers. With this possibility in mind, what variation did occur may be related to their relative access to possessions rather than need or desire. In addition to study of different socioeconomic classes, tracking of individuals as they acculturate into a university community over time could be useful, especially the looking at what belongings come with them, what items are accumulated early on to later in their academic careers, and how their meanings evolve as students mature. Clarke (2007) argues that individuals become more unique as they age, which may yield results from freshman that concentrate attention on more common and public possessions that create a new identity as a college student than upperclassmen and women who are focusing on the next transition into work life. In fact, a longitudinal study of the various transitions women pass through from grade school to empty nesters or its single equivalent may provide an interesting perspective on the dynamic role of different categories of possessions as women mature into and through their existences.
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WHEN DOES SCENARIO WRITING IMPROVE THE QUALITY OF PLANNING DECISIONS?

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SUMMARY

People tend to be optimistic in their planning decisions. For example, many consumers purchase a product that offers a mail-in rebate reward but they often fail to redeem it because they discover later that redemption requires a large amount of time and effort. Marketing managers may think that they can market a new product very soon even though unforeseen production delays had frequently made them postpone the product launch in the past. Such a tendency to generate optimistic predictions is defined as a “planning fallacy” (Buehler, Griffin, and Ross 1994; Kahneman and Tversky 1979). While this fallacy has been documented in various planning contexts, we still know very little about how to reduce it. The purpose of this paper is to investigate the factors that influence and the processes that underlie an individual’s optimistic prediction bias.

According to the ease of generation literature (Schwarz 2004), when considering an event, a person who has difficulty generating focal thoughts about its occurrence or who has no difficulty generating focal thoughts about an alternative event’s occurrence should lower that person’s evaluation of the event. For example, Sanna and Schwarz (2004) observed a decrease in the optimistic prediction bias when their participants generated either many, rather than only a few, reasons that might lead them to successfully complete an upcoming event, or only a few, rather than many, reasons that might lead them to unsuccessfully complete the project.

Such ease of generation effects have been mostly documented using a thought-listing task that asks people to list various reasons why a particular outcome is generated. However, we demonstrate similar effects using a scenario generation task that asks consumers to create multiple sequential steps to reach a particular outcome. As predicted by the ease of generation theory, we hypothesized that, difficulty in generating an optimistic scenario would be more likely to decrease consumers’ optimistic prediction bias than ease in generating such a scenario. In contrast, we predicted that consumers might think that things would go as poorly as they possibly can when they found it easy to write a pessimistic scenario as opposed to difficult to write such a scenario.

However, recent studies showed that the traditional ease of generation effect remained the same when individuals interpreted that ease of generation would be good but that it was reversed when individuals perceived that ease of generation would be bad (e.g., Briñol, Petty, and Tormala 2006). Building upon Briñol et al.’s (2006) findings, we also hypothesized that the meaning of subjective ease would qualify the ease of generation effect such that experiencing difficulty in generating an optimistic scenario would reduce individuals’ optimistic prediction biases if they thought that ease of generation was good, that is, leads to accurate estimates. Additionally, we predicted that such a planning difficulty effect would be reversed if consumers thought that difficulty in generating such a scenario was good.

The results of real-world planning decisions across two experiments provided consistent support for our predictions mentioned above. Specifically, we extended our understanding of the optimistic prediction bias by identifying debiasing strategies that would help to reduce an individual’s planner’s optimistic bias. The findings of this research are expected to help marketers, consumers, and policy makers improve their decision quality. We present the limitations of this research, theoretical and managerial implications, and suggestions for future research. References are available upon request.

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PRODUCT BUNDLING OR MENTAL SIMULATION: WHAT IS MORE EFFECTIVE IN REDUCING USAGE BARRIERS?

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SUMMARY

The continuous development and introduction of new products is vital for companies’ long-term success. High expenditures on innovative projects require a swift return on investment that can be achieved by a rapid diffusion of the innovation in the market (Montaguti, Kuester, and Robertson 2002). Individuals’ adoption behavior is a serious problem as customers’ resistance to innovation is stated as a major cause of new product failure (Garcia, Bardhi, and Friedrich 2007; Ram 1989). Usage barriers represent the most common reason for customers’ resistance to innovations (Ram and Sheth 1989). Usage barriers are factors within the innovation decision process which inhibit innovation adoption (Brown and Venkatesh 2003). Therefore, it is of major importance to identity marketing instruments that can reduce usage barriers and facilitate adoption.

We identified three types of usage barriers which have an effect on innovation adoption: usage difference (Hoeffler 2003), required behavioral change (Robertson 1971; Veryzer 1998) and difficulty of use (Veryzer 1998). To overcome usage barriers and to utilize a product successfully, customers need to change their behavior and habits and learn how to make use of the innovation. This is especially true for radically new products or if customers’ experience in the respective product category is limited (Hoeffler 2003; Veryzer 1998). Since the perception of usage barriers depends on contextual factors such as product newness and expertise, innovative companies need to know how they can reduce usage barriers in each situation. Our research aims to clarify when the product strategy and product bundling is appropriate and introduce the communication strategy of mental simulation as a more efficient method of reducing usage barriers.

Product bundling, “the sale of two or more separate products or services in one package” (Stremersch and Tellis 2002, p. 57), allows customers to make inferences about the unknown product based on information about the familiar product (Popkowski Leszczyc, Pracejus, and Shen 2008). Product bundling facilitates the evaluation and understanding of innovations by providing a context in which to evaluate the new product thereby reducing customers’ usage barriers. Mental simulation, the mental representation of an event or series of events (Taylor and Schneider 1989), is an effective instrument to reduce perceived usage barriers (Dahl and Hoeffler 2004; Hoeffler 2003). We propose that the relative effectiveness of these instruments on reducing customers’ usage barriers depends on context factors, specifically product newness and user expertise.

Based on a review of extant literature, we identified three types of usage barriers; usage difference, required behavioral changes and difficulty of use. Usage difference exists because a customer notices that the use of the innovation is different from the use of conventional products. This perceived difference affects the customer’s evaluation of the new product (Zhou and Nakamoto 2007). Behavioral changes make up the second type of usage barriers. Once the incompatibility of the innovation to existing usage patterns is perceived, the customer realizes that a change in behavior is necessary in order to incorporate the innovation. Customers have been shown to refuse adoption if the amount of necessary adjustment and accommodation is perceived as too high (Veryzer 1998). Difficulty of use forms the third type of usage barriers. As part of the decision process, customers assess the degree of difficulty to use an innovation. Difficulty of use is influenced by the perceived complexity of the product (Mukherjee and Hoyer 2001). An experienced user would perceive an innovation to be less complex than a novice.

Due to their category knowledge, experts comprehend innovative products better than novices (Moreau, Lehmann, and Markman 2001). This competent evaluation allows experts to more easily overcome usage barriers. Our results establish mental simulation as an effective tool to reduce usage barriers for novices. Reduced usage barriers will then decrease innovation resistance and enhance adoption intention.

Similar to customers’ expertise, perceived newness of an innovation influences the evaluation and comprehension of new products (Rogers 2003; Veryzer 1998). To analyze the impact of different levels of newness, we differentiate between incrementally new products (INP) and radically new products (RNP).
Participants evaluated an RNP and an INP in scenarios simulating product bundling and mental simulation. We found that the effect of these instruments depends on the newness of the innovation – incrementally new (INP) vs. really new (RNP) – and level of customer expertise. For experts, mental simulation was the only instrument capable of reducing usage barriers to RNP. Both instruments were effective in reducing usage barriers for novices in INP and RNP. This confirms that level of expertise is a significant factor in the adoption process and new product marketing must be tailored to customer expertise.

It is critical for managers to consider the fact that the success of an innovation depends on customer-related factors in order to make use of the proper method of reducing customers’ usage barriers and increase the ability of an innovation to succeed. References are available upon request.

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THE EFFECT OF GOALS ON STATUS-QUO BIAS WITHIN A CHOICE FRAMEWORK

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SUMMARY

Status-quo bias, the observed preference for one’s current choice, assumes importance in a marketing context since new brands have to overcome the threshold imposed by status-quo bias. In a recent paper, Chernev (2004) has extended the literature on status-quo bias by showing that goal orientation, or the manner in which one approaches goals, impacts the extent of status-quo bias. He shows that prevention oriented individuals, i.e., individuals who focus on duties and obligations (as opposed to hopes and aspirations in promotion focus) exhibit a greater preference for status-quo.

In our paper, we extend Chernev’s (2004) work by exploring how consumer goals per se interact with goal orientation in their impact on status-quo bias. Within the context of the goal framework postulated by Bagozzi and Dholakia (1999), goal orientation deals with how one wants to achieve a goal (the goal-striving component of Bagozzi and Dholakia’s framework), whereas the goals per se relate to what one wants to achieve (the goal setting component of Bagozzi and Dholakia’s framework). However, the literature stream that examines the effect of goals on consumer decision making has strangely been silent on the effect of goals on status-quo bias. This question is of direct relevance to marketers who would like to know whether goal activation via appropriate communication themes could result in a consumer overcoming the natural threshold imposed by status-quo bias. This question assumes added relevance given Chartrand et al.’s (2008) finding that goal activation can even happen unconsciously and still have a strong influence on choice. However, whether such activation is sufficient to overcome the threshold imposed by status-quo bias remains unanswered.

The specific questions of interest that we examine in this paper as they pertain to the role of goals in choice are as follows. Do goals influence status quo bias and thus choice? Do goals moderate the effect discovered by Chernev (2004), namely, that status-quo bias is stronger among consumers with a prevention-focus orientation? Or more specifically, does the type of goal influence the effect of goal on status-quo bias?

Two studies are conducted. In Study 1, a 2 (goal/no-goal) by 2 (promotion/prevention focus) between-subject design is adopted. The goal primed was the thrift goal of saving money, and it was induced by getting subjects to decide on two alternative ways to reduce credit card debt for a fellow student. The experimental scenario involved the choice of two apartment rentals that vary by rent and distance to work. Based on data from 190 student subjects, we find that goals per se exert as strong an influence as goal orientation (cf., Chernev 2004) on status-quo bias. However, the interaction between goals and goal orientation is not significant, indicating that promotion and prevention focus individuals are equally likely to switch out of status-quo when a thrift goal was involved. To explore whether this non-significant interaction was the result of the nature of the goal, a second study was conducted where the nature of the goal was varied. In Study 2, a 2 (hedonic/utilitarian goal) by 2 (promotion/prevention focus) between-subject was adopted. The hedonic goal was primed by getting subjects to decide on vacation choices for a fellow student. The utilitarian goal remained that of thrift (money saving) as in Study 1. Based on data from 278 student subjects, we replicate the earlier results in that when utilitarian goals are involved (e.g., thrift goal of saving money), both promotion and prevention focus individuals switch out of status-quo in equal numbers. It is only when hedonic goals are present that prevention focus individuals exhibiting a greater preference for status-quo. Also, we find that hedonic goals (across self regulatory focus conditions) have a stronger attenuating effect than utilitarian goals on status-quo bias.

Our research results complement the work of Chernev (2004) in several ways. First, we show that non-conscious goals can influence status-quo bias just as much as the goal orientation or regulatory focus of the individuals. Second, the effect of prevention focus on the enhanced preference for status-quo may differ depending upon the type of goal involved. Our results suggest that when minimal goals in the form of the utilitarian goal of saving money are present, there is no difference among prevention and promotion focused individuals in terms of their preference for status-quo. Third, we show that the forfeiture of hedonic goals weighs more heavily than the forfeiture of utilitarian goals, and this effect is amplified even more when individuals are in promotion focus.
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THE EFFECTS OF MENTAL CONSTRUAL AND PERCEIVED RISK IN RESPONSE TO LOSS-VERSUS GAIN-FRAMED HEALTH-RELATED MESSAGES

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SUMMARY

Many people continue to engage in negative health behaviors, even when they know the risks (Fisher and Misovich 1990; Berger and Rand 2008). It is estimated that 40 percent to 70 percent of all premature deaths and up to 66 percent of all disabilities could be prevented by controlling a few health risk factors (i.e., diet, exercise, and alcohol abuse) (Signorielli 1993). The importance of effective health communications to reduce national health problems (e.g., AIDS, heart disease, drug abuse, and driving and drinking), therefore, has risen over the last decade (Block and Keller 1995). It is also increasingly important to understand how to increase the effectiveness of health messages to maximize their impact on people’s health-related thoughts and behaviors (Block and Keller 1995; Rothman et al. 2006). Optimizing the influence of health messages has long been of interest to public health experts and communication researchers (Salovey and Wegener 2003) and substantial efforts have been devoted to shape people’s perceptions on health issues (Rothman and Salovey 1997).

Persuasive risk communication should involve providing effective health messages relevant to the behavioral issue at hand in a manner that intended impact can be maximized on people’s thoughts and mind, and thus encourage people to adjust their behavior and to stimulate favorable outcomes in adopting suggested particular behaviors (Rothman et al. 2006). To increase the effectiveness of a health appeal, health relevant messages have often incorporated message framing method in terms of the expected benefits (gains) or costs (losses) associated with a particular behavior (Rothman and Salovey 1997). Message framing has provided a theoretical ground to the development of effective health messages (Rothman et al. 2006). An interesting pattern of findings on message framing and health promotion is that loss-framed messages motivates more in-depth processing, and when participants process health information in-depth, loss-framed messages are more persuasive than gain-framed messages (Block and Keller 1995; Maheswaran and Meyers-Levy 1990), whereas gain-framed messages are more persuasive than loss-frame ones when there is little emphasis on detailed processing (Maheswaran and Meyers-Levy 1990).

These findings suggest that loss-framed messages will be more motivational when they are incorporated with concrete and detailed level of health information, whereas gain-framed messages will be more persuasive when they are incorporated with abstract and general level of health information. To test this prediction, this study employs construal level theory. According to construal level theory, people mentally construe objects or events that are psychologically near in terms of low-level, detailed, and how-laden features, whereas at a distance they construe the same objects or events in terms of high-level, abstract, and why-laden characteristics ( Förster, Friedman, and Liberman 2004; Trope and Liberman 2003). As for linking message framing with temporal distance, a recent study demonstrated that people prefer loss-framed ad messages, when a purchase is temporally about too made, whereas when a purchase is temporally distant, gain-framed product messages become more appealing than loss-framed ones (Mogilner et al. 2008).

Drawing on this theory, the current study proposes that when low mental construal level of health information is loss-framed than when it is gain-framed, and when high mental construal level of health information is gain-framed than when it is loss-framed, favorable attitudes and greater intentions to follow the recommended behavior will be led. However, we predict that the effects of mental construal and message framing on attitudes and behavioral intentions will be observed only when health risk information is highly relevant to participants, but not when it is less relevant to them, because people are more (vs. less) likely to integrate information into a weighted overall evaluation when their perceived risk is high (vs. low) (Block and Keller 1995; Gleicher and Petty 1992; Rothman et al. 1993).

The results of two experiments demonstrate the influence of high versus low mental construal level information which is either loss- versus gain-framed on attitudes toward health-related messages and behavioral intentions. The results showed significant three-way interaction effects (i.e., experiment 1: $F(1,127) = 5.605, p < .02$; experiment 2: $F(1,152) = 11.277, p = .001$). Follow-up contrasts showed that when low mental construal level information was loss-framed, and when high mental
construal level information was gain-framed, attitudes toward the health messages were more favorable (experiment 1) and behavioral intentions to follow the recommended behavior was greater (experiment 2). As expected, the joint effects of message framing and mental construal were observed only when the health information presented was highly relevant to the participants. When the issue of health risk information was less relevant to them, however, the effect of matching the mental level of health information with different types of message framing was disappearing.

Across two experiments, the current study demonstrated that mental construal is an important antecedent of reactions to loss- versus gain-framed health-related messages. We believe that this research is one of the starting points in developing a framework for understanding information processing implications for persuasive and effective health relevant risk communication, where mental construal, perceived risk, and message framing are primary drivers. References are available upon request.

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BASES OF BRAND RELATIONSHIPS: REDUNDANT CONSTRUCTS OR MEANINGFUL DISTINCTIONS?

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SUMMARY

Differences exist in the literature regarding the measurement and description of relational constructs. For example, emotional bonds between consumers and brands, including firms and service providers, have been alternately described as emotional attachment, affective commitment, relatedness, identification, and brand love. Are researchers measuring different constructs, or simply using different names to describe the same construct?

To respond to this question, this paper presents a typology of selected constructs used to describe emotion-laden relationships with service providers, including: identification, relatedness, emotional attachment, and brand love. In order to address the lack of clarity around the constructs, which are frequently used interchangeably or measured using the same items, we define and propose relationships between the constructs. The goal of the proposed reconceptualization is to create a more fine-grained understanding of relationships between the constructs. If the constructs overlap, future research can use fewer constructs to create more parsimonious models. If the constructs do not overlap, researchers should stop using constructs interchangeably and further the research using common definitions.

Each construct is defined and categorized within a typology to help elucidate the role of each construct in consumer-brand relationships. We separate the related constructs into two groups: constructs that describe characteristics that exist within and across relationship classes (identification and relatedness) and constructs that describe forms or classes of relationships (emotional attachment and brand love). Further, we propose relationships between the constructs and important outcomes of relationships, including commitment, loyalty, and brand support.

The individual hypotheses include:

H1a–d: Identification is positively related to Relatedness, Emotional Attachment, Brand Love, and Commitment.

H2a–c: Relatedness is positively related to Emotional Attachment, Brand Love, and Commitment.

H3a–b: Emotional Attachment is positively related to Brand Love and Commitment.

H4a–c: Brand Love is positively related to Commitment, Brand Support and Loyalty.

H5a–b: Commitment is positively related to Brand Support and Loyalty.

We test the proposed model using 356 student responses to a survey about Target, a mass merchandise discount store. We demonstrate that each construct, when properly conceptualized, has a unique contribution to consumer relationships with service providers. The strongest relationship between the constructs occurs between the identification and relatedness constructs, which are classified as constructs that could be measured across all types of consumer relationships with retailers. Identification is conceptualized as a cognitive evaluation based on shared values. Relatedness is conceptualized as the retailer’s ability to make the consumer feel welcome, close or connected to the retailer. The strong relationships between commitment and loyalty and commitment and support were anticipated.

In spite of our ability to discriminate between the constructs, the findings also suggest that the constructs we studied are highly interrelated. When one construct, like identification, is elevated, cognitive and behavioral processes may elevate other constructs, like relatedness or emotional attachment. As a result, researchers may be tempted to treat these constructs or items that measure the constructs as interchangeable with one another. We hope that our findings inspire researchers in the consumer relationship area to make their assumptions explicit about the relationships between these constructs and to put those assumptions to empirical tests. Consequently, we view our findings as a starting point, not an ending point. We look forward to greater consistency and clarity, which is critical to advance our understanding of consumer relationships.
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CONVERTING TRANSACTION-BASED SERVICES TO RELATIONSHIP-BASED SERVICES: A CRITICAL ROLE OF INFORMATION

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SUMMARY

Extant literature has shed light on the role of service relationships in marketing (e.g., Bitner 1995; Gummesson 1998). Although not every service situation is perceived as relationship-based (Bitner 1995; Berry 1995), due to great mutual benefits customers and service providers still devote growing efforts to establishing relationships with each other (Parasuraman, Berry, and Zeithaml 1991). In line with prior studies (e.g., Dwyer, Schurr, and Oh 1987; Gutek 1995), the relationship-based service (RBS) is conceptualized as one where the customer, based on previous agreements, interacts with the service provider in an ongoing process, while the transaction-based service (TBS) refers to one where the customer interacts with the service provider with no relational foundations (e.g., shorter duration and sharper ending).

Information processing is suggested to facilitate relationships between customers and service providers (Parasuraman, Zeithaml, and Berry 1985). According to the commitment-trust theory (Morgan and Hunt 1994), information fosters the establishment of a relationship through positive effects of communication on trust. In addition, prior studies suggest that information processing aids consumers’ evaluation of services (Zeithaml 1981) and service providers’ innovations (Blazevic and Lievens 2008). In this paper, we maintain that the conversion from TBS to RBS depends on similarity between acquired information and customers’ knowledge. In line with extant studies, in our research a customer’s information acquisition consists of three stages: pre-service, service encounter (i.e., during service), and post-service. Consistent with Solomon et al. (1985), we refer to the service encounter as interactions between customers and providers, and it reflects the “during-service” stage of information acquisition.

Borrowing literature from both services marketing and consumer behavior areas, our research contributes to the literature by examining (a) the role of customers and their information/knowledge in services, (b) the differences in information processing between RBS and TBS, and (c) the conversion of TBS to RBS. Figure 1 reflects the framework of our research. References are available upon request.

FIGURE 1
Information Processing Services

Pre-Service Information Acquisition  
Information Acquisition in the Service Encounter  
Customer Knowledge (Time 1)  
Pre-Service Information Acquisition  
Information Acquisition in the Service Encounter  
Post-Service Information Acquisition  
Customer Knowledge (Time 2)  
Customer Knowledge (Time 3)  
Customer Knowledge (Time 4)  
Conversion  
Trust Satisfaction Anticipation  
Relationship-Based Service (RBS)  
Transaction-Based Service (TBS)
DOES PERSONALIZED RECOMMENDATION SERVICE INCREASE CUSTOMER LOYALTY?

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SUMMARY

Service firms such as Netflix.com and Amazon.com use recommendation systems to interact with individual customers, learn customer preferences, and recommend personalized products and services (Flynn 2006). When returning customers sign in, they get recommendations tailored to their interests the service firms have learned or inferred from previous service interactions. We refer to this individual marketing practice as personalized recommendation service (PRS hereafter).

Service firms believe that PRS will help them foster customer loyalty. However, the claimed loyalty effect has never been empirically tested. First, does PRS really increase loyalty? The individual marketing literature has raised serious doubts about the merit of learning relationships: customers often do not have stable, well-defined preferences for marketers to learn and, consequently, may fail to appreciate customized offers and learning relationships (e.g., Simonson 2005). Second, how do different aspects of PRS differentially influence loyalty, assuming that there is a loyalty effect? The individual marketing literature implies that the outcome aspect, i.e., offers tailored to individual preferences, may be the major contributor to loyalty (e.g., Pine, Peppers, and Rogers 1995). However, customers may respond not only to the outcome (what is recommended) but also to other aspects of recommendation services such as the process (how it is recommended) and the intentionality (inferences of why it is recommended). Yet, little is known about the relative importance of recommendation outcome compared with such aspects as process or intentionality of the recommendation services.

We theorize that PRS has three dimensions – accuracy, process value, and benevolence. We define recommendation accuracy as the extent to which a customer perceives that system recommendations closely meet his/her personal needs, interests, or preferences during extended service interactions. Recommendation process value refers to the extent to which a customer perceives that the process of interacting with the recommendation system is personally desirable over and beyond the outcome benefit of accurate recommendations. Recommendation benevolence refers to the extent to which a customer perceives that recommendations are personalized to represent the best interests of the customer as opposed to primarily the best interests of the service firm.

We test the validity of the three dimensions, their effects on and their relative importance in influencing customer loyalty by surveying 273 customers who had used personalized recommendation services. Data analysis supported our dimensionality of PRS. Our findings of their effects and relative importance were both affirmative and surprising. We found that all the dimensions had nontrivial contributions to loyalty. We also found that process value and benevolence had a comparable or bigger effect than accuracy.

Our research provided preliminary evidence for the loyalty effects of PRS, suggesting that it may be necessary to reconsider the implications of preference construction for individual marketing. Our findings also indicate that the typical focus on accuracy may be seriously incomplete for marketers who wish to influence loyalty and other customer relationship variables. Other aspects such as process and benevolence are not merely “adjuncts” to the accuracy of PRS; they are every bit as important to design into the system as is accuracy.

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PERFORMANCE IMPLICATIONS OF EMOTIONAL VERSUS COGNITIVE BRAND RELATIONSHIP QUALITY: AN EMPIRICAL STUDY OF FREQUENT FLYERS IN THE AIRLINE INDUSTRY

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SUMMARY

In today’s highly competitive business environment strong and long lasting consumer-brand relations play a key role for a brand’s sustainable competitive advantage (Srivastava, Fahey, and Christensen 2001). Thus, researchers and practitioners alike are highly interested in the prediction and control of the maintenance of consumer-brand relationships. A focus of interest has been on the quality of these relationships (so-called brand relationship quality (BRQ); e.g., Fournier 1994, 1998). BRQ can be defined as a “customer-based indicator of the strength and depth of the person-brand relationship” (Fournier 1994, p. 124). BRQ is perceived by the consumer and reflected in his thoughts, feelings, and behaviors toward a brand (Fournier 1994). Prior research has usually described and operationalized brand relationship quality as a higher-order construct with different interrelated relationship facets such as commitment, intimacy, and love (e.g., Aaker, Fournier, and Brasel 2004; Fournier 1998).

We argue that BRQ includes a cognitive and an emotional component. The cognitive component of BRQ results from an evaluative judgment based on cognitive beliefs and evaluations of the brand and its performance. Emotional BRQ, on the other hand, is reflected in the emotional feelings toward the brand and the personal connection to the brand. The differentiation between emotion and cognition is rooted in the classical distinction between feeling and knowing as two facets of human experience (Hilgard 1980) and has been applied in different academic fields. In attitude research, it has been stated that attitudes consist of affective and cognitive dimensions (e.g., Batra and Ahtola 1990; Breckler and Wiggins 1989; Crites, Fabrigar, and Petty 1994). Furthermore, social psychologists generally agree that relationships consist of cognitive and emotional components (e.g., Berscheid and Peplau 2002; Gabriel and Gardner 2004). Finally, in studies on brand relationships (e.g., Aaker, Fournier, and Brasel 2004; Fournier 1998; Park, Kim, and Kim 2002) marketing researchers have already identified dimensions of BRQ that are rather cognitive (such as satisfaction) and dimensions that are rather emotional (such as love and passion).

The explicit distinction between emotional and cognitive components of BRQ is of high relevance since prior research in psychology has argued that affect and cognition/evaluation have distinct influences on human behavior (Millar and Tesser 1986; Wilson and Dunn 1986). Consequently, we also expect the emotional and cognitive components of BRQ to have different consequences on consumer behavior and brand performance. To the best of our knowledge, the implications of cognitive versus emotional components of BRQ on brand performance have not yet been empirically examined.

In our study, we address this research opportunity. First, we conceptually discuss and empirically examine the emotional versus cognitive components of BRQ. Second, we analyze the brand performance implications of these components among real customers. Specifically, our objective is to examine the effects of emotional versus cognitive BRQ on word-of-mouth communication, consumers’ willingness to pay a price premium, consideration set size, share of wallet, and revenue per customer. Third, we investigate whether these performance outcomes vary across types of consumers by analyzing the effect of consumer’s product involvement as a moderator of the relationship between (cognitive and emotional) BRQ and brand performance.

Results and Implications

We tested the effects of emotional versus cognitive brand relationship quality in the context of an airline’s frequent flyer program. Based on a sample of 631 real customers of a large European airline company, the empirical study shows that BRQ has different implications for brand performance – depending on which component of BRQ is taken into consideration (cognitive versus emotional BRQ) and depending on which consumers we look at (consumers with low product involvement versus consumers with high product involvement). Our findings indicate that emotional BRQ has a stronger overall impact on brand performance than cognitive BRQ. While the effect of emotional BRQ on brand performance becomes even stronger among low involved consumers, cognitive BRQ becomes somewhat more relevant for brand performance among highly involved consumers.
Due to its impact on brand performance, BRQ has important implications for brand management. In analyzing real customers of a company and their actual turnover, we were able to show that BRQ really pays off, also in terms of economic performance implications. Overall, the results show that emotional BRQ is a stronger predictor of consumers’ loyalty behavior (in terms of a reduced consideration of competitive brands, a higher willingness to pay a price premium for the respective brand, and finally a higher revenue) than cognitive brand relationship quality. Cognitive BRQ, however, was found to strongly influence the consumers’ word-of-mouth. Thus, while the emotional relationship quality mainly increases the loyalty behavior of existing customers, cognitive BRQ helps to attract new customers via positive word-of-mouth communication of existing customers. Both the retention of existing customers and the attraction of new customers are crucial drivers for the sustainable future of a brand (e.g., Bruhn 2003). Marketing managers should, therefore, try to positively influence both emotional and cognitive BRQ of their customers. However, especially among low involved consumers, it may pay off to place more emphasis on the emotional component of a consumer-brand relationship, which supports the call for emotional branding as a central cornerstone of differentiation and sustainable competitive advantage (e.g., Atkin 2004). References are available upon request.
TOO LATE, OR JUST LATER THAN ANNOUNCED? EFFECTS ON BRAND TRUST BY DELAYING PRODUCT INTRODUCTIONS IN COMPETITIVE SITUATIONS

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SUMMARY

Announcements concerning future products foster early awareness and facilitate a quick diffusion of an innovation. Most of the companies in computer hardware, software, and telecommunications announce their new products prior to launch. However, approximately 70 percent of the announcing firms encounter some delay in introducing their preannounced products (Wu et al. 2004). On the one hand, it is difficult to keep an exact schedule for a launch, especially for innovative products that are complex and require intense development efforts. On the other hand, marketing managers induce some launch delays on purpose in order to gain competitive advantages. An early preannouncement increases the willingness to wait for a new product rather than purchase existing offerings, and a delay may raise consumer attention. However, such a strategy could cause negative word-of-mouth, negative publicity, and a loss in trust. Consequently, postponements could violate valuable consumer-brand relationships. Managers should consider positive and negative outcomes of launch delays carefully in order to utilize the advantages of preannouncements and to avoid risks for their brand.

Scholars assume that trust (reputation and credibility) concerning a firm is likely to decline if companies introduce new products later than announced (Bayus et al. 2001; Eliashberg and Robertson 1988; Kohli 1999; Sorescu et al. 2007). However, research has not yet provided empirical evidence. In the same vein, what is the impact of delays on trust toward more reliable competitors in the market? In two experiments we examine effects of launch delays on brand trust and identify risks managers might face in the case of postponing a preannounced launch. Our findings contribute to resolve the question of whether or not to preannounce a new product prior to its launch.

According to the commitment-trust theory of relationship marketing, trust leads to commitment and both are well-accepted key mediators to relational success (Morgan and Hunt 1994). However, one can also think of a moderating effect of the more stable brand commitment on the development of brand trust. Building on the idea that firms can violate customers’ trust by postponing the launch of a new product, this paper examines if highly committed consumers are likely to react to violations of brand trust in a different manner than less committed consumers. By analyzing the feedback effect of commitment on the development of brand trust, this research extents the rich stream of literature examining the effect of increased trust on commitment.

Method and Results

We conducted two experiments: (A) a laboratory experiment with a fictitious product launch of a single brand and (B) a field-experiment using real product launches of two competing brands and their existing customers. The overall experimental design for both studies was a 2 (delay: yes/no) x 2 (commitment: high/low) factorial design. The two studies differed in the product category. Both include repeated measures of brand trust as the dependent variable. While we measured brand trust toward the same brand in experiment (A) we measure brand trust toward competing brands in experiment (B).

Findings of both experiments reveal that brand trust is likely to decline as a result of a delayed product introduction. Further, we find a strong interaction between delay and commitment: A high degree of brand commitment is less likely to protect the violation of brand trust. In particular, highly committed consumers are more likely to feel betrayed by their devoted brand. The declining trust in the committed brand is associated by rising trust in a competitor’s brand. References are available upon request.
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CONSUMER ATTITUDES TOWARD PRIVATE BRANDS AND NATIONAL BRANDS

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SUMMARY

Brands today face consumers who are increasingly retrenching as a result of the recession plus growing competition from global companies. In addition, marketers of branded goods, especially consumer packaged goods, find that competition from private label goods (store brands, own labels) represents a growing threat to their financial health (Levy 2009; Retail Forward 2009). Although sales of private labels have grown overall for two decades in the U.S. (Retail Forward 2009), their relative gains versus national brands fluctuate with the overall state of the economy and with consumers’ feelings of affluence or anxiety reflected in price sensitivity (Levy 2009). Sellers of private labels pursue strategies to expand sales by improving quality, lengthening product lines, and strengthening their marketing, while national brands counter by investing in brand image, innovating new offerings, and stressing value for quality.

The present study was motivated by the questions, “what do private label buyers think and feel about the brands they buy” and “how do their evaluations compare with those of national brand buyers?” The purpose was to expand our understanding of private label buyers by comparing their attitudes with those of national brand buyers.

A review of the relevant literature resulted in the following hypotheses:

H1: Buyers of private label peanut butter brands feel that brands are less important or less of a concern than do national brand buyers, thus they are less brand consciousness.

H2: Buyers of national peanut butter brands are less likely to say that private label peanut butter brands are relevant or fit their values than are private label buyers.

H3: Private label buyers are more likely than are national brand buyers to feel that private label peanut butter performs equivalently to national peanut butter brands.

H4: Private label buyers of peanut butter rate the performance of private label peanut butter higher than do national brand buyers.

The data were collected via telephone interviews with members of a large advertising research firm’s online panel, matching U.S. demographics and limited to consumers 18 years of age and older. Although 21 packaged goods categories were included in the study we chose peanut butter, a commonly purchased category featuring significant private label competition. The original sample consisted of 5,389 panel members with each responding to a subset of the 21 categories. The sample size for peanut butter was 240, and the five brands included were Jif, Skippy, Peter Pan, Smuckers, and “Store’s Own Brand of Peanut Butter.”

There were some demographic differences between national and private brand buyers. Men were more likely to be national brand buyers (95%) than women (82%), and national brand households tended to be smaller and to have higher incomes than did private label households, consistent with results reported by Hoch (1996) and by Howell (2004).

The hypotheses tested whether the private brand buyers would (1) care less overall about brands of peanut butter, (2) feel that private labels performed as well as national brands, and (3) manifest more positive attitudes toward their private labels. All hypotheses were supported.

The results suggest that private label buyers are motivated to buy and are sustained in their purchase of private labels by more than just price. These buyers also seem to develop positive evaluations of these brands that are similar to those of national brand buyers. It is clear that they feel the quality (performance) of their brands is equivalent to that of national brands, and it appears that they also develop emotional attachments to these brands similar to those of national brand buyers. It is arguable that in the value-equals-benefits-minus-cost tradeoff that consumers make when they chose brands, private label buyers easily see equivalent benefits and lower prices yielding equivalent or even value superior to that of national brands. This is a topic worthy of further study.
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A PROPOSED PROCEDURE FOR CONSTRUCT DEFINITION IN MARKETING

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SUMMARY

Construct definition plays a critical role in the development of sound, generalizable theory in marketing research. Researchers should spend the effort necessary to properly define constructs prior to advancing to measurement development (Churchill 1979). Doing so will put the research program on a firm foundation. MacKenzie (2003) says that poor construct definition is common in manuscripts submitted to marketing journals. Summers (2001) adds that it is a major reason that manuscripts are rejected. Jarvis, MacKenzie, and Podsakoff (2003) state that poor definitions can cause measurement model misspecification.

Scientists have long struggled with the problem of definition and philosophers of science have expended considerable effort in formulating guidelines for creating definitions (Achinstein 1968). In marketing, researchers often face the added difficulty of defining constructs. Latent constructs do not have a physical manifestation as they represent ideas in the mind of the theorist (Edwards and Bagozzi 2000). Constructs allow marketing and other social scientists to represent and explore unobservable phenomenon that would otherwise remain inaccessible to research.

The abstract nature of constructs presents serious problems when defining them. One problem involves finding terms to use in the definitions that do not require definitions themselves. So called primal terms can stop this infinite regress, but no commonly accepted group of primal terms exists (Hunt 1991; Hempel 1952). Some have suggested the use of a formal language making use of only primal terms and terms defined by primal terms, but marketing research does not currently have such a formal language (Teas and Palan 1997). Others have suggested the use of very narrow definitions for constructs that include all of the components of the construct and the specific rater entity providing the measures; while this extreme specificity assists with proper definition, the resulting loss of generalizability limits cross study comparison (Rossiter 2002).

Construct Definition

Researchers use nominal definitions for latent constructs; these follow the rule of replacement whereby the construct and its definition can replace one another in a sentence (Hempel 1952). There are acknowledged requirements for proper nominal definition. The definition must attend to the constructs denotation, intension, extension, and connotation (Caws 1965; Teas and Palan 1997). Multiple constructs for the same phenomena cause problems with comparison across studies and accretion of knowledge in an area and so conservation in creating overlapping constructs is needed (Wacker 2008). Also, defining constructs via antecedents or outcomes presents a problem as the resulting theory can be true by definition and defining constructs merely by examples yields definitions that are typically not adequately delimited (Summers 2001; MacKenzie 2003).

Proposed Procedure

The following describes a simple, programmatic and broadly applicable procedure for construct definition or redefinition.

1. Write the preliminary definition. This allows maximum flexibility to preserve creativity prior to further checking of the salient literature. Attention to the construct’s level of abstraction, what is and is not included in the construct’s domain, and taking care to avoid defining the construct in terms of relationships with other constructs dominate this step.

2. Build the nomological network. Cronbach and Meehl (1955) argue that the construct’s placement within the nomological network gives the construct an implicit definition. In this step we attend to building and evaluating this network and assess the stability, fertility, and changeability of the construct (Davis 1985).

3. Consult the literature and refine the construct. Here an assessment of the contribution to the explanatory and predictive power is made while searching for similar constructs in the extant literature. If the construct shows promise, development should continue, if not, the researcher should employ an existing construct.

4. Refine the definition. Procedures to fight ambiguity and vagueness include the use of specific nouns and adjectives, elimination of unnecessary words and care in the use of conjunctions.
5. Expert judging process. At least two outside experts within the domain are asked to judge the construct and its contribution to the nomological network.

6. Adjust definition and iterate. The adjustments suggested by the earlier steps are integrated and a decision is made as to whether the researcher should iterate steps three to six, use an existing construct or enter the construct into the next step of scale development. References are available upon request.

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A REVIEW OF META-ANALYSIS IN MARKETING

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SUMMARY

In its 100-year history, marketing scholars have produced a tremendous outcome of their research activities. A keyword search for marketing in electronic databases yields over 66,000 articles published in more than 100 scholarly journals. Given the enormous amount of marketing knowledge available, it is very difficult for an individual to capture all aspects of previous work. It seems reasonable when marketers and scholars argue that the discipline has matured to the point where it is indispensable to summarize the accumulated knowledge systematically.

Although research synthesis can be done in many ways, meta-analysis is the most used instrument in science in general, as well as marketing. An elaborate search strategy conducted by the authors yielded a set of 163 meta-analyses in the field of marketing. Online databases like ABI/INFORM, EBSCO, and Science Direct were used for a computerized bibliographic search. An issue-by-issue search of several marketing journals was conducted while the Web was searched for working papers, books, abstracts and conference proceedings. Although the amount of conducted studies lags compared to other disciplines, the absolute number of meta-analyses in the field of marketing is substantial.

The purpose of this study is to critically review the use of meta-analysis in marketing. The need for research synthesis and the high popularity of the technique call for a comprehensive examination of all previous conducted meta-analyses in the field of marketing. The authors used Buzzell’s definition of a scientific inquiry for summarizing and evaluating previous studies. According to his framework, two criteria are essential for assessing the use of meta-analysis in marketing: the nature and scope and the methodological rigor of previous studies. Additionally, these criteria enable the authors to make statements about the discipline of marketing and its scientific status.

The identified studies are highly skewed in terms of publication source, title, and year. Currently, the JMR has published the most meta-analyses (14.8% of all studies). The AMA Conference Proceedings have published 10 papers on research synthesis while the next cohort of studies are almost evenly distributed among six marketing publications: JBR, JM, IJRM, JPPM, ML, and MS. Studies in the six journals account for approximately 23 percent of all meta-analyses. The remaining meta-analyses (approximately 45%) are spread over 42 different journals.

The publication date of the studies shows an underlying trend. While 33 research syntheses were conducted in the seventies and eighties, the number of studies almost doubled in the nineties to 59 studies. Between 2000 and 2008, the number of meta-analyses surpassed the prior two decades: 70 meta-analyses were published in the last eight years. In short, quantitative research synthesis in general and meta-analysis in particular has grown in importance as the discipline matures.

Turning to the substantive findings of this research study, note that the total number of 163 meta-analyses is grouped into 10 categories. The most dominant sub areas are promotion (which includes advertising, sales management and direct marketing (41; 25.2%)) and research methodology (which includes meta-analyses about the rigor of the technique itself and studies about response rate and reliability (36; 22.1%)). Categories such as product management (18; 11.0%), international marketing (16; 9.8%), marketing strategy (13; 8.0%), pricing (12; 7.4%), and consumer behavior (11; 6.7 %) are moderately researched areas. Only partially covered by meta-analysis are channel management (6; 3.7%), and business-to-business marketing (5; 3.1%). Five papers, which could not be grouped logically with one of the nine above mentioned categories, were categorized under “miscellaneous.” They account for 3.1 percent of all studies.

In addition to the substantive characteristics, the methodological rigor of previously published meta-analyses was also analyzed. For this purpose, all papers were reviewed for their analytic procedures:

Coding is a crucial preliminary step in conducting a meta-analysis. Therefore, it is highly recommended that multiple coders are used and the categories are thoroughly defined in advance. Coding reliability is a measure of consistency between two or more coders. Categories differ substantially in terms of reported coding reliabilities. Relative frequencies range from 62.5 (marketing strategy) to 0 (pricing) percent.

Adjustments due to effect size are even more important in conducting a meta-analysis. Two approaches are applied frequently in marketing meta-studies. Sample weighting allows authors of meta-analyses to compare empirical studies with small and large sample sizes. Additionally, corrections for attenuation due to measurement errors are recommended to calculate an unbiased combined effect size. However, the latter adjust-
ment is limited to empirical studies which report scale measurement reliabilities. Unfortunately, this is not often the case and, thus the proportion of reliability adjustments lags considerably behind the correction of sample-weighting in most of the categories, e.g., international marketing, channel management or business-to-business marketing. Noticeable exceptions are studies on marketing strategy and product management. All of them completely follow the attenuation recommendations.

The meta-analysis technique has been criticized because it is subject to publication bias. Critics claim that research synthesis of primary studies is biased due to the fact that non-significant studies are less likely to be published. Most authors address this issue by calculating the number of insignificant studies that are necessary to reverse the findings. Again, methodological accurateness differs between the sub disciplines of marketing. Although some sub areas show low frequencies (e.g., channel management, consumer behavior), the calculation of fail-safe N can be regarded as a widely accepted approach included in most of the recent meta-analyses.

Future recommendations include the increase of meta-analyses in all sub areas of marketing. The number of studies done in other disciplines (e.g., medicine 7,856, psychology 3,558) is quite large compared to marketing. In particular, the authors would like to see more meta-analyses on channel management, e-commerce, and organizational marketing. From a methodological perspective, the rigor of conducting a meta-analysis has been improved a lot. However, some studies still do not follow standard procedures nor do they report relevant parameters of the study. The latter aspect holds true for primary studies as well. Some corrections of the combined effect size, e.g., reliability adjustments, can only be calculated if the data basis covers all relevant information.

Overall, meta-analysis is a valid method used to systematically organize accumulated knowledge of a discipline. It has been frequently used in disciplines such as medicine, education, and psychology. This study shows that meta-analysis plays an important role in marketing as well. A further increase in the use of meta-analysis will ensure that marketing is viewed as a science and help managers to keep track what has been discovered to date, and therefore, make better marketing decisions.

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CUSTOMER-FOCUSED LEARNING IN GOVERNMENT ORGANIZATIONS

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SUMMARY

Organizations are social systems, and by their very nature they are conducive to learning (DiBella, Nevis, and Gould 1996). Hence, organizational learning is a natural phenomenon that occurs in all organizations regardless of their structural and demographic characteristics. Government organizations have been under enormous pressure to adopt market behaviors and become more flexible and customer-focused (Paarlberg 2007). This transformation, however, can be challenging for government organizations known for their hierarchical culture and bureaucratic control systems, which dramatically inhibit market information processing (Batac and Carassus 2009; Moorman 1995; Vinyard 2004). This paper proposes a model of customer-focused learning in government organizations. Drawing on organizational learning literature, customer focused learning is conceptualized as a function of top management customer orientation, customer feedback, and individual employee learning orientation. The model posits a series of relationships among customer-focused learning, employees’ job perceptions (job ambiguity and self-efficacy) and job outcomes (job satisfaction and organizational citizenship behaviors).

Organizational learning refers to the development of new knowledge or insights that could potentially produce behavior change leading to improved performance (Slater and Narver 1995). The roots of organizational learning are grounded in individual employees’ interactions with the environment (Argyris and Schön 1978). Employees’ interpretations of environmental responses provide the input for the creation of organizational memory that reflects shared beliefs, assumptions, and norms. This organizational memory evolves independently of employees’ tenure with the organization and ensures the preservation of knowledge to be used by individuals other than its progenitor (Sinkula 1994).

Consistent with this cyclical view of organizational learning, customer-focused learning refers to a process of continuously improving actions through better knowledge and understanding of customer needs (Cummings and Worley 1997; Fiol and Lyles 1985). The effectiveness of customer-focused learning depends on organizational values, customer feedback and learning orientation of employees. Organizational values influence the propensity of the organization to create and use knowledge (Moorman 1995; Sinkula, Baker and Noordewier 1997; Slater and Narver 1995) while unrestricted access to customer feedback facilitates information processing behaviors that transform information into knowledge (Morgan 2004). Yet, even with customer-focused organizational values and ready access to customer feedback some employees may be averse to changing their established routines. Hence, learning orientation of individual employees is an important enabling factor that is likely to influence the extent and the rate of organizational customer-focused learning.

Customer-focused learning has important implications for employees’ job perceptions and job outcomes. First, management plays a critical role in reducing role ambiguities that inevitably arise as employees are encouraged to become more customer focused (Singh and Rhoads 1991). In turn, reduced role ambiguities enhance employees’ self-efficacy, which is an important predictor of job outcomes such as job satisfaction and OCB.

Similarly, customer feedback allows employees to analyze task requirements, make attributions about the results of the service delivery experience, and assess personal and situational resources and constraints. In turn, these evaluations result in updated self-efficacy beliefs that influence employees’ service delivery behaviors (Gist 1987; Gist and Mitchell 1992).

Finally, employee learning orientation is likely to have a strong positive influence on employees’ role perceptions and self-efficacy beliefs (Button, Mathieu, and Zajac 1996; Ford et al. 1998; Kozlowski et al. 2001; Phillips and Gully 1997). Learning-oriented employees welcome challenging tasks regardless of their confidence in having the adequate skills and abilities to produce successful results. They believe that necessary abilities can be acquired as a result of learning and, therefore, they persist despite difficulties and a prospect of failure (Ames and Archer 1988; Elliott and Dweck 1988). Hence, employees with high levels of learning orientation are likely to hold broader role perceptions that allow them to step outside the boundaries of their job description in order to acquire new skills and experiences. In addition, learning-oriented employees do not interpret negative feedback as a failure message (Elliott and Dweck 1988; Hong et al. 1999; Sujan, Weitz, and Kumar 1994). Instead, they consider it a signal that the strategy for a given task requires changes (Anderson and Jennings 1980; Porter and Tansky 1996).
The model was tested with structural equation modeling. Cross-sectional survey data was collected from employees of a state service organization participating in a workplace environment study. The results of the analysis provided strong support for the proposed model of customer-focused learning. One interesting finding that merits further investigation deals with the effect of role ambiguity on OCBs. In this paper, role ambiguity had a negative effect on OCBs, suggesting that the more uncertain an employee feels about his role expectations, the less likely he or she is to engage in extra-role behaviors. Another interesting finding refers to positive effects of self-efficacy on civic virtue and conscientiousness OCBs. Although not hypothesized, these effects are actually quite intuitive. People who hold strong beliefs about their competence and personal effectiveness are likely to take active part in organizational governance because it offers them an opportunity to demonstrate leadership, which is both intrinsically and extrinsically rewarding. Similarly, they are likely to be more conscientious in regard to their in-role and extra-role behaviors because it reinforces their belief in personal effectiveness. References are available upon request.

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ENHANCING CUSTOMER PURCHASE LIKELIHOOD THROUGH MARKET DRIVING STRATEGIES

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SUMMARY

Market driving is an important strategy for achieving competitive advantage, complementing existing predominant view that firms should be driven by markets, i.e., understanding and responding to preferences and behaviors of market players within a given market structure (Jaworski, Kohli, and Sahay 2000; Carpenter and Nakamoto 1994). Jaworski et al. (2000, p. 45) define market driving in a broad manner as “influencing the structure of the market and/or the behaviors(s) of market players in a direction that enhances the competitive position of the business.” On the other hand, Carpenter and Nakamoto (1994, p. 572) focus on product attributes and define market driving as “shaping consumer tastes.” Our work contributes to current literature on market driving in three main ways. First, we define market driving from the perspective of customer decision-making process thus distinguishing between three different levels at which market driving can be done: need, category, and attribute level. Second, this contribution distinguishes between market driving efforts, i.e., orientation of an organization to drive markets, and market driving outcomes, i.e., the actual change induced in customer decision-making process which makes focal product perceived as providing greater utility. As an outcome, market driving is analyzed in much the same way as innovation (with the components of change and its meaningfulness, as in, e.g., Chandy and Tellis 1998), and thus can even be referred to as market innovation. The third contribution is that we relate components of market driving outcomes (i.e., the actual change) to customer purchase likelihood increases, which is closely related to revenue increase (DeKinder and Kohli 2008). In that sense, we provide propositions about possible differential effectiveness of market driving components under specific consumer-, product-, and environment-related contingencies.

In economics and predominantly in business, consumer preferences generally are taken as relatively fixed and exogenous, although literature shows growing evidence that this is not the case (Carpenter and Nakamoto 1994; Schmalensee 1982; Tversky, Shmuel, and Slovic 1988). Seeing customer preferences as manageable, market driving was conceptualized as a way to obtain competitive advantage by altering customer preference structure to make it “favorably asymmetric” (Jaworski, Kohli, and Sahay 2000; Carpenter and Nakamoto 1989). Literature streams that have contributed to the market driving discussion are primarily environmental management literature (e.g., Clark, Varadarajan, and Pride 1994; Zeithaml and Zeithaml 1984) and the customer education literature (e.g., Staelin 1978).

Following the stages of generic decision making process (Kotler and Armstrong 2009) and taking into account research on categorization (Viswanathan and Childers 1999) we see the consumer’s decision-making process as going through three distinct phases: being motivated to satisfy the need, searching and evaluating alternative categories, and selecting product alternatives having favorable attributes. So, product choice is the outcome of a problem (need or want) that the decision maker must solve (Amir and Levav 2008; Simon 1957). In that sense, the customer is assumed to follow his/her utility maximization when making the choice, but allowing for existence of different utility functions across customers. Thus, customer utility from the focal product can be expressed as

$$U_{focal} = \sum_{i \in \Omega} \sum_{j \in \Theta} \sum_{k \in \Phi} N_i \cdot C_{ij} \cdot A_{ijk}.$$  

Need importance change (as one aspect of market driving outcomes) is the extent to which a firm increases consumers’ motivation to satisfy needs that can be addressed by the firm’s products. This also encompasses the possibility of introducing new needs to the consumer mind-set, i.e., increasing the motivation from zero to a certain positive level. Need driving also implies that the firm can reduce the relative importance of needs for which its products are not applicable. Category importance change is defined as the extent to which a firm increases consumer’s perceived opportunity to satisfy a particular need better by using the category to which firm’s product belongs as compared to using any alternative category. The third aspect is attribute driving leading to attribute importance change which is defined as the extent to which firm increases the relative weight that a customer gives to attributes on which the firm’s product outperforms its within-category competitors. In that sense, attribute driving changes the attributes that customer considers crucial within the focal category when assessing product’s ability to satisfy her need.
The idea expressed in the equations below is that changes in purchase likelihood increase differ depending not only on the actual utility increase, but also on the expected customer responsiveness to utility change (based on ex-ante attitudes). Building on this, we propose that consumer-related variables (brand loyalty, category usage, need recognition), product-related variables (dominance, life-cycle stage, essentiality) and environmental variables (within-category competitive intensity, cross-category competitive intensity) imply assumptions about ex-ante values of focal attribute, category and need importance. Consequently, these variables imply different effectiveness in terms of translating driving outcomes into actual purchase likelihood (i.e., behavior).

For managers this research indicates how to approach market driving. In that sense, different aspects should be driven based on the target customers, focal products and environmental characteristics. In that sense, needs importance change is expected to be the most effective in case of customers who do not represent “traditional” market segments, and for non-essential products which are in the late stage of their life cycle. Category importance change is the most effective for enhancing purchase likelihood of loyal customers for dominant products early in their life cycle facing low within-category and high cross-category competition. Attribute driving is the most appropriate for customers who recognize the category but are not loyal to the focal brand; for products that are non-dominant and in their intermediate life cycle stage facing low cross-category and high within-category competition.

ENDNOTE

1 $U_{focal}$ – is the utility customer perceives from the focal product, with $U_{focal}$ $\in \{0,1\}$; $N_i$ – is the motivation to satisfy the i-th need, where $i = \{i: N_i \in N\}$; $N^*$ is set of focal needs, and $0 \leq \sum_{i=1}^{M} N_i \leq 1$ with $M$ being the total number of needs (which can even be considered to be infinity with some needs having weight of 0); $C_{ij}$ – is the opportunity to satisfy i-th need using j-th category, where $j = \{j: C_{ij} \in C\}$; $C^*$ is set of focal categories, and $0 \leq \sum_{j=1}^{P} C_{ij} \leq 1$ with $P$ being the total number of categories satisfying the focal need $i$; $A_{ijk}$ – is the importance of attribute $k$ for choosing products within j-th category used for satisfying i-th need, where $K = \{k: A_{ijk} \in A\}$; $A^*$ is set of focal attributes, and $0 \leq \sum_{k=1}^{Q} A_{ijk} \leq 1$ with $Q$ being the total number of attributes characterizing products within the focal category $j$ which addresses the focal need $I$.

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THE IMPACT OF UNPROFITABLE CUSTOMER ABANDONMENT ON CURRENT CUSTOMERS’ EXIT, VOICE, AND LOYALTY INTENTIONS: AN EMPIRICAL ANALYSIS

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SUMMARY

In recent years, the topic of (unprofitable) customer abandonment has received increasing interest in academic research, fueled by several studies showing that such customers can represent a significant share of a company’s client base (e.g., Haenlein et al. 2007; Niraj et al. 2001). Haenlein et al. (2006) showed, for example, that the value of the real option of abandoning unprofitable customers can be substantial and needs to be considered when calculating customer lifetime value to avoid biased results. Unsurprisingly, the idea of “firing” unprofitable customers also received attention in the business press (e.g., Haenlein and Kaplan 2009; Mittal et al. 2008). Adopting the (unprofitable) customer’s perspective, it seems likely that such abandonment will be perceived as negative and create a certain level of dissatisfaction which may result in negative publicity and potentially lead to the involuntary loss of other (profitable) clients the company would like to retain. However, until now, the processes underlying such mechanisms have not been formally investigated. Our manuscript intends to provide a contribution in this area. Based on a survey conducted among 385 customers, we investigate the reactions of the abandoning firm’s current customers toward unprofitable customer abandonment and the influence that the strength of the relationship between the abandoned customer and the current customer under investigation has on these reactions. In doing so, our work represents a first step toward estimating the likely indirect cost associated with abandoning unprofitable customers.

The conceptual framework, which builds the foundation for our empirical study, combines Hirschman’s (1970) exit-voice-loyalty theory with literature in the area of social influence, specifically the concept of tie strength as introduced by Granovetter (1973). Within this general conceptual framework, we use three constructs to characterize the reaction current customers can show toward unprofitable customer abandonment. These are the current customer’s exit, voice and loyalty intention. In addition to these three outcome variables we also investigate the role of relationship characteristics (i.e., overall satisfaction) and structural constraints (i.e., alternative attractiveness, switching cost) in driving these reactions. Finally we analyze the moderating impact of tie strength on these processes.

Our empirical analysis results in the following four findings: First, none of the three behavioral intentions for exit, voice, and loyalty differ significantly across the five levels of tie strength manipulated in our study. This provides an indication that the reactions toward unprofitable customer abandonment may not be significantly affected by the strength of relationship between the abandoned customer and the current customer under investigation. Second, the mean absolute intention score for loyalty is significantly lower than those for exit and voice. This implies that current customers are least likely to respond to unprofitable customer abandonment passively by remaining attached to the organization and waiting until someone else acts to improve matters, but rather tend to react actively either by leaving the abandoning firm or by raising their voice against unprofitable customer abandonment. Third, none of the paths between structural constraints and exit/voice/loyalty intentions is significant which implies that satisfaction and alternative attractiveness do not significantly influence the choice between exit, voice, and loyalty. Fourth, all remaining structural paths in our model are significant and show signs along with our expectations, except for the relationship between alternative attractiveness and loyalty intention where we observe a positive instead of a negative correlation. Combined, this provides full support for the assumed relationship between alternative attractiveness and exit/voice intention as well as the stage-like sequence between loyalty, voice, and exit intentions and partial support for the link between alternative attractiveness and loyalty intention.

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WHY DO USERS OF SECOND LIFE BUY VIRTUAL PRODUCTS? ANTECEDENTS OF BRAND PURCHASING INTENTIONS AND BEHAVIORS IN THE 3D VIRTUAL ENVIRONMENT

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ABSTRACT

Online virtual environments have been identified as emerging marketing channels, whereby consumers can learn about brands through the trial or purchasing of virtual products. Using survey data from a panel of registered users (N = 209) of the popular virtual world Second Life, this research extends the theory of reasoned action model for examining drivers of purchase intentions and behaviors in the virtual world. The study results suggest that social influences may vary depending on the marketing channel, virtual product trial is useful for predicting purchase intentions and behavior, and consumers’ perceived behavioral consistency across channels affects the intention-behavior relationship.

INTRODUCTION

A number of technologies have developed that allow consumers to search for information, interact with brands, communicate with other consumers, try out products, and buy real and digital products over the internet. Some examples of these types of technologies include online product trial (e.g., test driving automobiles, virtually trying on clothes), and the use of avatars (“animated representations of the user”; see Holzwarth et al. 2006) for engaging in virtual worlds (e.g., Second Life) or chatting with online sales-representatives. Many consumers use multiple marketing channels, and employ the internet as an information source before making purchases in the real world (Venkatesan, Kumar, and Ravishanker 2007). Online virtual environments have been identified as an emerging marketing channel (Li, Daugherty, and Biocca 2002), whereby consumers can engage in information search, trial, and purchasing.

An inexpensive and low-risk way that consumers can learn about brands and products is through the trial or purchasing of virtual products in 3D virtual environments. The purchasing of virtual products and brands in virtual worlds, such as Second Life, is not only a source of additional revenue for the firm, but more importantly, they can provide valuable experiences and interactions with the brand (Arakji and Lang 2008). Firms are particularly interested in how these virtual world brand experiences may impact consumer attitudes and purchasing behavior in other marketing channels. Several companies, such as Adidas, Reebok, Coca-Cola, Sony, IBM, and Dell, have begun to use virtual worlds as a potential platform for understanding and modifying purchasing behavior in real world marketing channels.

The primary research question in this study looks at why users of virtual worlds purchase virtual world branded products (i.e., digital representations of real world branded products). The Theory of Reasoned Action (TRA; Fishbein and Ajzen 1975), an established model for predicting behavior in the consumer psychology literature, is used as a theoretical framework and is extended through expansion of the social influences construct and addition of variables pertaining to the virtual environment context. Specifically, this paper explores the effects of cognitions (i.e., attitudes, behavioral intentions), social influences (i.e., social norms, self-image congruency), and the virtual trial of brands on consumer purchasing of brands in the virtual world. While a handful of papers in the marketing and e-commerce literature have looked at several of these constructs independently (Li et al. 2002; Suh and Lee 2005), this paper develops and tests a framework which considers each of these factors simultaneously to determine the relative effect of the antecedents on purchase intention and behavior in the virtual environment.

This paper makes several contributions to the computer-mediation, product trial, and social influence literature. In order to determine if both real world and virtual world social influences have an effect on virtual world purchasing intentions and behavior, real world and virtual world dimensions of social norms and self-image congruence are examined. The perceived diagnosticity construct (i.e., how useful the virtual world brand experience is for evaluating the brand), an established construct in the virtual product trial literature (Jiang and Benbasat 2005), is examined as a potential moderator of the relationship
by behavioral intentions, and behavioral intentions are determined by two antecedents: attitudes and subjective norms. Attitudes and subjective norms are derived from underlying behavioral and normative beliefs. Each of the antecedents of intention may have different levels of importance depending on the behavior and situation (Ajzen 1991). In the TRA model behavioral intentions fully mediate the impact of attitudes (i.e., overall evaluation toward performing the behavior) and subjective norms (i.e., perceived social pressure as to whether the behavior should be performed) on behavior. When people develop an attitude toward a behavior, and perceive whether people important to them approve of the behavior, the determinants should provide good predictions of intention (Conner and Sparks 2005). In accordance with the TRA model it is hypothesized that attitudes toward the brand will positively influence the intention of consumers to purchase virtual world brands, and virtual world purchase intentions will positively influence actual virtual world purchasing behavior.

**H1:** There is a significant, positive relationship between attitudes toward the brand and purchase intentions.

**H2:** There is a significant, positive relationship between purchase intentions and purchase behavior.

**Social Influences (i.e., Social Norms and Self-Image Congruency)**

The TRA model suggests that subjective norm is an antecedent to purchase intentions. However, several authors have expressed uncertainty regarding the subjective norm construct. For instance, Thorbjørnsen et al. (2007) has suggested that the subjective norm concept is insufficient for explaining how identity and social influences impact behavioral intentions. In a meta-analysis, Armitage and Conner (2001) found the subjective norm construct to be a relatively weak predictor of intentions. Thus, several researchers have advocated that models such as the Theory of Reasoned Action and Theory of Planned Behavior should include other social and identity-related variables, beyond the subjective norm construct.

In addition to the social norm construct, this study attempts to expand the breadth of social influences considered by including the self-image congruency construct (Sirgy et al. 1997), and examining both the real world and virtual world dimensions of social norms and self-image congruency. The self-image congruency construct has been identified in the marketing literature as the degree to which a product or brand matches a consumer’s self-concept (Kressmann et al. 2006). Self-image congruency theory suggests that individuals prefer to interact with products and brands that fit with their self-image, and they tend to hold more favorable attitudes toward these products and brands (Sirgy et al. 1997). Consumers also prefer products and brands that they perceive to be used by...
people who they can relate to and who match their self-identity. Consumers who perceive product and brand experiences in the virtual world to be consistent with their self-image are likely to have higher purchase intentions.

Real world and virtual world dimensions of the social norm and self-image congruency constructs are measured in order to determine which types of social pressures are more accessible and influential in the virtual environment channel. It is hypothesized that both real world and virtual world dimensions of the social norm and self-image congruency constructs positively influence a consumer’s virtual world purchase intentions.

H3a: There is a significant, positive relationship between real world social norms and purchase intentions.

H3b: There is a significant, positive relationship between virtual world social norms and purchase intentions.

H4a: There is a significant, positive relationship between real world self-image congruency and purchase intentions.

H4b: There is a significant, positive relationship between virtual world self-image congruency and purchase intentions.

Virtual World Product Trial and Perceived Diagnosticity

Based on the differentiation in the literature between direct (e.g., physical) experience and indirect experience (Hoch and Ha 1986; Fazio 1990; Kempf and Smith 1998), research has found virtual experience to be similar to direct experience, because it offers a high degree of interactivity with products and other avatars (Li et al. 2002). Studies have shown that consumer interactions with products in the virtual environment have the potential to increase product knowledge, purchase intentions, leads to more confident brand attitudes, and reduces perceived risk (Li et al. 2002; Suh and Lee 2005).

The perceived diagnosticity construct is a key variable in the product trial and virtual reality literature. Perceived diagnosticity has been defined as “the extent to which a consumer believes that a particular shopping experience was helpful for evaluating the product,” and higher perceived diagnosticity has been shown to strengthen consumers’ beliefs and belief confidence (Jiang and Benbasat 2005). Because online product and brand experiences are limited by certain sensory information such as physical inspection of the product, it is important to understand how helpful an online experience has been for a consumer in evaluating a product (Kempf and Smith 1998). It is likely that the more helpful a virtual experience has been for evaluating a product, the more confident the consumer will hold their beliefs and attitudes, and the greater influence the virtual experience will have on real world purchase intentions and behavior. It is hypothesized that virtual world product trial will lead to higher virtual world purchase intentions, and that perceived diagnosticity moderates the relationship between trial and intentions.
H$_5$: There is a significant, positive relationship between virtual world trial of the brand and purchase intentions.

H$_6$: Perceived diagnosticity positively influences the strength of the relationship between virtual world trial of the brand and purchase intentions.

**Perceived Behavioral Consistency**

It has been empirically established in the consumer psychology literature that behavioral intentions do not always lead to actual behavior, as people tend to overestimate their willingness to engage in a behavior (Ajzen et al. 2004; Brown et al. 2003). Thus, identifying variables that strengthen the intention-behavior relationship is crucial, especially for firms that rely on purchase intention data for developing marketing strategies. In order to improve the relationship between virtual world purchase intentions and behavior, this paper proposes a newly developed construct, perceived behavioral consistency, as a potential moderator. The perceived behavioral consistency construct is defined as a user’s belief that their behavior is consistent across marketing channels (i.e., the real world and virtual world channel), and was developed based on the metacognitive, and multiple selves literature. Some users of the virtual world may behave similar to how they act in the real world, and they may even consider their avatar to be an extension of themselves. Other users may use the virtual world to behave in ways that they normally would not in the real world, and to try out new personas in the virtual world. People have multiple selves, which sometimes contradict each other (Mandel 2003). Yet people have a need for behavioral consistency in order to establish a strong sense of self. People are more likely to rely on attitudes and intentions when they are based on multiple instances of past behavior (Petty 2006). When a person’s intention is not compatible with their self-identity, and their prior behavior, they tend to have a weak intention-behavior relationship (Granberg and Holmberg 1990). It is hypothesized that consumers who perceive their behavior to be highly consistent across the real world and virtual world are more likely to act on their purchase intentions.

H$_7$: Perceived behavioral consistency positively influences the strength of the relationship between purchase intentions and purchase behavior.

**METHOD**

**Design and Procedure**

An online questionnaire was administered to registered users of the virtual world, Second Life. Each respondent had to be 18 years or older, had a Second Life account for at least three months, and had encountered real life brands in Second Life. These criteria were established in order to verify that respondents would have at least a basic level of experience using Second Life.

The survey asked respondents to think about real life brands that they have encountered in Second Life, and to list up to five of these brands. Respondents were then instructed to select one brand, from the brands that they listed, that they have had the most memorable experience within Second Life. Throughout the remainder of the questionnaire, respondents were asked to answer the questions with this brand in mind. A single wave of data was collected using the questionnaire. A pre-test was conducted prior to full administration of the online survey, to identify and revise any questions that were reported to be confusing. As this study collected data for both dependent and independent variables using the same method (self-report scales), Harmon’s one-factor test (Podsakoff et al. 2003) was conducted to test for common method bias. A substantial amount of common method variance was not evident.

**Respondents**

Respondents were 209 registered users of the virtual world, Second Life. Gender and nationality (U.S. vs. international) was counterbalanced in order to obtain a representative sample of Second Life users. The gender, age, and nationality statistics for the sample were similar to the average reported statistics for the overall population of registered users in Second Life (KZero Consulting 2007).

**Measures**

The components of the extended TRA model were measured with multi-item scales. To reduce the effects of response bias, some of the measures consisted of a number of negatively worded items, which were reverse-scored prior to constructing the scales.

**Dependent Variables**

*Virtual World Purchase Intentions.* A single categorical (e.g., yes/no) item was used to assess a respondent’s intention to purchase the selected brand in the virtual world.

*Virtual World Purchase Behavior.* A single categorical (e.g., yes/no) item was used to assess a respondent’s purchasing behavior of the selected brand in the virtual world.
Independent Variables

Attitude. Attitude toward the brand, that respondents selected as having the most memorable experience with in Second Life, was assessed by four 7-point semantic differential scales (α = .969). The four attitude items were adapted from Smith et al. (2007).

Real World Subjective Norm. Subjective norm was assessed by two items on a 7-point scale (α = .832, scored strongly disagree [1] to strongly agree [7]). The two items were adapted from Bamberg, Ajzen, and Schmidt (2003). Respondents were asked to indicate the extent to which important referents in the real world think they should buy products with the selected brand.

Virtual World Subjective Norm. Respondents were also asked to indicate the extent to which important referents (other avatars) in the virtual world think they should buy products with the selected brand (e.g., “My friends (other avatars) in Second Life think that I should buy products with this brand.” “My friends (other avatars) in Second Life have bought products with this brand.”) (α = .685, scored strongly disagree [1] to strongly agree [7]).

Real World Self-Image Congruency. Self-image congruence was assessed with two items on a 7-point scale (α = .834, scored strongly disagree [1] to strongly agree [7]). The two items were adapted from Sirgy et al. (1997).

Virtual World Self-Image Congruency. Similar to the subjective norm construct, respondents were also asked to indicate the extent to which they identified with users of the brand in the virtual world (e.g., I am very much like the typical avatar that uses products with this brand in Second Life.”) and self-concept (“The brand image is highly consistent with how I see myself in Second Life.”) (α = .823, scored strongly disagree [1] to strongly agree [7]).

Virtual World Brand Trial. A single categorical (e.g., yes/no) item was used to assess a respondent’s trial of the selected brand in the virtual world.

Perceived Diagnostcity. Perceived diagnosticity was assessed by two items on a 7-point scale (α = .886, scored not helpful at all [1] to extremely helpful [7]). The two items were adapted from Jiang and Benbasat (2005) and Kempf and Smith (1998).

Perceived Behavioral Consistency. Perceived behavioral consistency was assessed with four items on a 7-point scale (α = .763, scored strongly disagree [1] to strongly agree [7]). Respondents were asked how consistently they perceived their actions to be across the real world and virtual world (e.g., “My actions in the virtual world reflect how I behave in the real world,” “I consider my avatar to be an extension of myself,” “My behavior in the virtual world is consistent with my behavior in the real world.”).

Control Variables

Virtual World Usage. Respondents were asked to indicate on average, how many hours they spend in Second Life each week.

Virtual World Purchase Frequency. Respondents were asked to indicate how often they purchase any type of virtual product in Second Life. This was assessed using a 7-point scale (scored very rarely [1] to very frequently [7]).

RESULTS

Two hierarchical regression analyses were performed. The first regression analysis tested the ability of brand attitudes, social influences (e.g., social norms, self-image congruency), and virtual brand trial to predict virtual world purchase intentions, in addition to exploring the moderation effect of perceived diagnosticity. The second regression analysis was conducted to test the ability of purchase intentions to predict virtual world purchase behavior, in addition to exploring the moderation effect of perceived behavioral consistency. Virtual world usage and purchase frequency were controlled for in each model.

Preliminary Analyses

The means, standard deviations, correlations, and reliabilities of the variables are reported in Table 1. As shown in Table 1, several significant low-to-moderate correlations were found among the variables. The following discussion presents descriptive statistics for the sample data. The average number of years that respondents had been a member of Second Life was 1.71 years (SD = .937). On average, users reported spending 25.9 hours (SD = 23.4) in Second Life per week. About 66 percent of the respondents reported that they frequently purchase virtual products in Second Life, and 55 percent of respondents reported trying out products with the brand that they selected. When asked to select the real life brand that they have had the most memorable experience with in Second Life (e.g., from the list of real life brands that they recalled from memory), the following show the frequency that each real life brand was selected: IBM (11.9%, n = 25), Adidas (6.2%, n = 13), Coca-Cola (5.26%, n = 11), Dell (4.78%, n = 10), and Nike (4.30%, n = 9.4%).

Regression Analysis Predicting Virtual World Purchase Intentions

A hierarchical multiple regression analysis was conducted in which virtual world purchase intentions was regressed onto the revised TRA model (see Table 2).
Attitudes, along with the control variables virtual world usage and purchase frequency, were entered into Step 1; with virtual world social norms, real world social norms, virtual world self-image congruency, and real world self-image congruency at Step 2. Virtual world brand trial and perceived diagnosticity were entered at Step 3, and the interaction between brand trial and perceived diagnosticity was entered in Step 4. All continuous variables were mean-centered before computing the interaction in order to minimize problems of multicollinearity.

The Step 1 variables (e.g., attitudes, virtual world usage, purchase frequency) accounted for only 3.6 percent of the variance in virtual world purchase intentions, $F(3, 205) = 2.51, p = .059$, with all three of the predictors reported as not significant. The Step 2 variables significantly accounted for an additional 13.1 percent of the variance in purchase intentions, $F(4, 201) = 5.73, p < .000$, with virtual world social norms and virtual world self-image congruency found to be positively and significantly related to purchase intentions. The Step 3 variables significantly accounted for an additional 21 percent of the variance in purchase intentions, $F(2, 199) = 13.33, p < .000$, with virtual world social norms and virtual world self-image congruency found to be positively and significantly related to purchase intentions. The Step 3 variables significantly accounted for an additional 21 percent of the variance in purchase intentions, $F(2, 199) = 13.33, p < .000$, with virtual world social norms and virtual world self-image congruency found to be positively and significantly related to purchase intentions. The Step 4 variables accounted for an additional 10.5 percent of the variance in virtual world purchase intentions, $F(9, 196) = 15.69, p < .000$. The interaction between virtual world purchase intentions and perceived behavioral consistency was entered at Step 4.

As shown in Table 3, the Step 1 variables explained 38.5 percent of the variance in virtual world purchase behavior, $F(3, 205) = 42.77, p < .000$, with virtual world purchase intentions, and the control variable virtual world usage, reported as significant. The Step 2 variables accounted for an additional 10.5 percent of the variance in virtual world purchase behavior, $F(9, 196) = 15.69, p < .000$. Virtual world purchase intentions, virtual world brand trial, and the control variable virtual world usage, were found to be significant and positive predictors.
Inclusion of the interaction term between virtual world purchase intentions and perceived behavioral consistency at Step 3 accounted for a further 1.1 percent of the variance in purchase behavior, $F(1, 195) = 15.03, p < .05$. The final model accounted for 50.1 percent of the variance in virtual world purchase behavior, with virtual world brand trial, virtual world intentions, the interaction between intentions and perceived behavioral consistency, and the control variable virtual world usage, found to be significant predictors. Thus, hypotheses H2 and H7 are supported.

**DISCUSSION AND IMPLICATIONS**

Using an extended version of the Theory of Reasoned Action model, this study tested several antecedents of consumer’s intentions to purchase virtual world products from a focal brand. The relationship between virtual world purchase intention and actual purchasing behavior was also examined. Based on a unique dataset from actual users of an online virtual world (i.e., Second Life), virtual world social norms, and virtual trial of products with the focal brand, were found to be significant and positive predictors of consumer’s intentions to purchase the virtual product. Virtual world self-image congruency was also found to be a significant predictor of purchase intentions throughout portions of the regression analysis.

It is interesting that virtual world social influences were found to be significant predictors of virtual world purchase intentions, while real world social norms and self-image congruency were not significant. This suggests that researchers may need to consider the particular context and marketing channel when measuring social influences. For both marketers and researchers, this finding may indicate that social influences in the virtual world are more accessible, and have a greater influence on decision making when consumers are immersed in the virtual world environment.

In accordance with the TRA model, virtual world purchase intentions was found to be a significant and positive predictor of virtual world purchase behavior. Although, not hypothesized ex ante, virtual world trial of products with the focal brand was also found to be a significant predictor of purchase behavior. In predicting both virtual world purchase intentions and behavior, virtual product trial was consistently a significant predictor. This finding suggests that online product trial may be essential for influencing consumer purchase intentions and behavior. When virtual product trial was entered into the regression model, the attitude construct changed from being moderately significant to not significant. This may suggest that the trial construct explains more variance than attitudes in predicting purchase intentions, and thus may be a more useful predictor of future consumer interaction with the brand.

While virtual product trial was found to significantly predict both virtual world purchase intentions and behavior, perceived diagnosticity was not found to interact with

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**TABLE 2**

Results of Hierarchical Regression Analysis

<table>
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<tr>
<th>Predictor</th>
<th>$R^2$</th>
<th>$R^2$ Change</th>
<th>$F_{\text{change}}$</th>
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<td>.036</td>
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<td></td>
<td>VW Purchase Frequency</td>
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<td>Step 2</td>
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<td>.131</td>
<td>7.902***</td>
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<td>RW Social Norms</td>
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<tr>
<td></td>
<td>VW Self-Image Congruency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RW Self-Image Congruency</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 3</td>
<td>VW Brand Trial</td>
<td>.376</td>
<td>.210</td>
<td>33.430***</td>
</tr>
<tr>
<td></td>
<td>Perceived Diagnosticity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 4</td>
<td>VW Brand Trial x Diagnosticity</td>
<td>.377</td>
<td>.001</td>
<td>4.11</td>
</tr>
</tbody>
</table>

*Note. VW = virtual world, RW = real world. Continuous interaction predictors were mean centered. *$p < .05$. **$p < .01$. ***$p < .001$.**
the product trial construct. This finding is surprising, as past research, using a controlled laboratory study, has found this interaction to be significant (Jiang and Benbasat 2005). This finding may suggest that future research should seek to understand consumer’s preferences for virtual world product experiences that use realistic simulation strategies or fantasy-based strategies.

This study provides a pretest of the perceived behavioral consistency construct, a new measure developed in this paper, which may help strengthen the relationship between purchase intentions and actual purchasing behavior in the online marketing channel. It is well recognized by both researchers and marketers that behavioral intentions frequently do not translate into actual behavior. The results of this study show that the perceived behavioral consistency construct was found to significantly moderate the relationship between virtual world purchase intentions and purchasing behavior. This finding suggests that the relationship between purchase intentions and purchasing behavior in the online marketing channel may be affected by a user’s general perceptions about their behavior. This effect may have parallels to Bem’s self-perception theory (1972), where people look to their own behaviors to determine their current attitudes and behavioral intentions. In future research, marketers and researchers should seek to understand how consumers view their behavior across offline and online marketing channels.

This paper has several limitations which should be noted. First, the study relied on self-report measures which may have impacted responses. However, several attempts were made to reduce common method variance or response bias by including negatively worded items and through the use of multi-item measures. Also, items assessing constructs that might be prone to common method variance bias were not presented together on the survey. A second limitation of the study is the inability to demonstrate causality. It is suggested that future studies employ either longitudinal (multi-wave data) or experimental designs to convincingly demonstrate causal effects between variables.

### TABLE 3

Results of Hierarchical Regression Analysis

<table>
<thead>
<tr>
<th>Predictor</th>
<th>R²</th>
<th>R² Change</th>
<th>F change</th>
<th>Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitudes</td>
<td>.385</td>
<td>.385</td>
<td>42.774***</td>
<td>.593***</td>
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<tr>
<td>VW Usage (hrs. per week)</td>
<td></td>
<td></td>
<td></td>
<td>.138***</td>
</tr>
<tr>
<td>VW Purchase Frequency</td>
<td></td>
<td></td>
<td></td>
<td>.021</td>
</tr>
<tr>
<td>Step 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitudes</td>
<td>.490</td>
<td>.105</td>
<td>4.483***</td>
<td>-.037</td>
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<tr>
<td>VW Social Norms</td>
<td></td>
<td></td>
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<td>.079</td>
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<td>RW Social Norms</td>
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<td>.005</td>
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<td>VW Self-Image Congruency</td>
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<td></td>
<td>.088</td>
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<tr>
<td>RW Self-Image Congruency</td>
<td></td>
<td></td>
<td></td>
<td>-.081</td>
</tr>
<tr>
<td>VW Brand Trial</td>
<td></td>
<td></td>
<td></td>
<td>.367***</td>
</tr>
<tr>
<td>Perceived Diagnosticity</td>
<td></td>
<td></td>
<td></td>
<td>-.042</td>
</tr>
<tr>
<td>Diagnosticity x Brand Trial</td>
<td></td>
<td></td>
<td></td>
<td>-.025</td>
</tr>
<tr>
<td>Behavioral Consistency</td>
<td></td>
<td></td>
<td></td>
<td>.032</td>
</tr>
<tr>
<td>Step 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intentions x Behavioral Consistency</td>
<td>.501</td>
<td>.011</td>
<td>4.130*</td>
<td>.370*</td>
</tr>
</tbody>
</table>

*Note. VW = virtual world, RW = real world. Behavioral Consistency = perceived behavioral consistency. Continuous interaction predictors were mean centered. *p < .05. **p < .01. ***p < .001.

### REFERENCES


__________, T.C. Brown, and Carval (2004), “Explain-


EFFECTS OF ONLINE STORE ATMOSPHERIC QUALITIES ON CONSUMER BEHAVIOR: HOLISTIC VS. EXPERIMENTAL APPROACHES

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Spiros P. Gounaris, Athens University of Economics & Business, Greece
Christos D. Koritos, Athens University of Economics & Business, Greece

SUMMARY

Despite the slow pace of growth in online retail sales, academic and industry experts, as well as online retailers, agree that online retailing has already become an integral part of the marketing strategy of most major players in most retail sectors. In fact, a growing number of customers are becoming loyal users of the online distribution channel, both for finding information and purchasing specific types of goods and services. As a result competition among retailers for attracting these customers has increased. However, as the sophistication of recommendation agents improves, product benefits and pricing incentives fail to deliver sustainable competitive advantages to online retailers. Most importantly, competition is a click away. This situation makes an imperative for online retailers, to design their websites in such a way that will not only attract but engage and keep customers in the site for the longest possible time. However, research in the role of online store atmospherics qualities remains scarce, and online retailers are left experimenting with single guidance the normative tastes of website designers.

To start feeling this gap academic research has borrowed theoretical frameworks from the field of consumer behavior in offline retail contexts. More specifically the “Stimulus-Organism-Response” model (SOR – Mehrabian and Russell 1974) which has dominated research on the role of atmospheric elements in a variety of offline retail shopping contexts (Turley and Milliman 2000) has been empirically validated across a number of websites (e.g., Dailey 2002; Eroglu, Machleit, and Davis 2003; McKinney 2004; Mummalaneni 2005; Oh, Fiorito, Cho, and Hofacker 2008; Wu, Cheng, and Yen 2008).

However, one limitation of the majority of these studies is the use of experimental designs. Although using experimental designs to study customer reactions to variations of one AQ contributes importantly to our understanding of consumer online behavior, it ignores the fact that consumer’s perceptions result from the combined effects of AQ (Bittner 1992; Kotler 1973–1974; Mehrabian and Russell 1974; Turley and Milliman 2000). In other words, experimental designs fail to capture changes in participants’ perception with regard to other atmospheric elements that are being affected by changes of the manipulated atmospheric element(s).

Thus, in order to capture the role of online shopping atmosphere in a holistic way, one needs to take into consideration consumer perceptions of an almost exhaustive number of online store AQ. To this end, Eroglu, Machleit, and Davis (2001), the empirical validation of this framework has a number of limitations. Firstly, Eroglu, Machleit, and Davis (2003) use only fictitious online stores. Secondly, they consider a retailer from a single industry (apparel). Third, they incorporate attitude in the SOR framework with no theoretical justification. Forth, they have not developed a battery of items representing their categorization of online store AQ. Last but not least, the study results have not been validated within service contexts (i.e., service websites). Thus, the major goal of this paper is to provide a thorough examination of Eroglu, Machleit, and Davis (2003) framework, by adequately filling the above mentioned gaps.

To do this, we chose two types of services websites (i.e., resorts and banks) representative of the hedonic/utilitarian continuum (Babin et al. 1994). Two independent judges examined the websites of all banks in Greece and all resorts located in the wider area of the capital city (Athens) and selecting two website as the most representative of each category. This process revealed a 50 percent inter-rater agreement. In other words, authors agreed on one resort and one bank as being representative of the total listed. In addition to this, following standard scale development processes, authors developed a measurement instrument for capturing the importance of a number of website atmospheric elements representative of the three categories suggested by Eroglu, Machleit, and Davis (2001). Via mall intercepts respondents were invited to browse the website of either resort or bank, and fill in the survey questionnaire. This process yielded 460 useful questionnaires for each website.

Data analyses via SEM validate once more the significance of the relationships suggested by the SOR
framework across both websites. Furthermore, the three-
category organization of the website atmospheric quali-
ties suggested by Eroglu, Machleit, and Davis (2001)
proved significant antecedents of the SOR framework.
Importantly, with, the exception of a direct effect from the
product-related information AQ to satisfaction, these
effects follow the same route observed in offline shopping
contexts, that is, via the customer affective (pleasure/
arousal) and cognitive-attitudinal (satisfaction) responses.
The partial mediation of affective responses (pleasure/
arousal) on the relationship between product-related
information and satisfaction, is in line with Belk’s (1976)
contention regarding the inability of this psychological
taxonomy of responses to account for all types of situ-
tational stimuli. In other words, in online shopping con-
texts, product-related information AQ do not affect atti-
tudes and behavioral intentions only via affective
responses. Other types of organismic responses such as
cognitive, learning and motivational (Belk 1976) can also
mediate the effect of certain online store atmospheric
stimuli on consumer behavioral responses, an issue which
warranties further investigation. References are available
upon request.

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EFFECTS OF WORD-OF-MOUTH AND E-WORD-OF-MOUTH ON INNOVATION USE IN THE PRESENCE OF NETWORK EXTERNALITIES

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SUMMARY

For many years studies of new product diffusion have tied new product adoption to positive word-of-mouth communication about innovative products (Mahajan and Muller 1979; Mahajan, Muller, and Bass 1990; Rogers 1995). A complementary perspective examines the diffusion of innovation use among adopter populations (Chuan-Fong and Venkatesh 2004). Extrapolating from insights in the adoption literature, the authors examine the impact of innovation use of two types of word-of-mouth communication: personal communication with friends and acquaintances (pWOM) and electronic communication with consumers who are not friends and acquaintances (eWOM). The authors argue that, in addition to directly influencing product use, both types of word-of-mouth can influence consumer perceptions of network externality variables, which have been linked in recent research to perceptions of product advantage and ease-of-use (Song, Parry, and Kawakami 2009).

The paper develops a conceptual model that incorporates both pWOM and eWOM as antecedent variables associated with the intensity and variety of new product use. In addition to this direct relationship between WOM variables and product use, the authors hypothesize that word-of-mouth indirectly affects product use through its impact on consumer perceptions of network externality variables: (1) an innovation’s installed base and (2) the availability of complementary products. In turn, these perceptions of network externality variables are hypothesized to influence both the intensity and variety of innovation use. In this way the conceptual model integrates elements from the network externalities and word-of-mouth literatures into a single model designed to predict the dimensions of new product use.

The authors test their hypotheses using data describing consumer perceptions of recently introduced, new generation portable game players such as the Nintendo DS and the Sony Play Station Portable. Survey development followed the procedures recommended by Dillman (1978) and Douglas and Craig (1983). The finalized questionnaire was sent to a marketing research company, who administered the survey in February 2009. This process yielded 639 usable responses, including 247 from consumers who had adopted a new generation portable gaming device (an adoption rate of 38.7%). The concepts and measures of this study are available from the authors upon request.

Having established the validity of our measurement model, the authors use structural equation modeling to test their research hypotheses (Anderson and Gerbing 1988). Model coefficient estimates are reported in Figure 1. The associated fit statistics meet well-established thresholds (Chi-square = 373.00, d.f. = 154, CFI = .91, IFI = .91, RMSEA=0.076). Results indicate that, relative to eWOM, pWOM has a stronger relationship with post-adoption use behavior. In particular, pWOM has a positive and significant relationship with both intensity of use and variety of use. In addition, pWOM has a positive indirect relationship with both usage variables that is mediated by consumer perceptions of the availability of complementary products. In constrast, eWOM is positively and significantly related with variety of product use, but not with intensity of product use. The latter result arises from the insignificant relationship between eWOM and consumer perceptions of the availability of complementary products is insignificant. From an academic perspective, the results contribute to the innovation use literature by examining the impact of word-of-mouth on innovation use and discriminating between the effects of personal and electronic word-of-mouth.
ENDNOTE

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HOW BRAND-SPECIFIC INTERNET SEARCHES AFFECT PURCHASE BEHAVIOR: AN EMPIRICAL STUDY OF INTERRELATIONS IN ONLINE ADVERTISING

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Andreas Engelen, RWTH Aachen University, Germany

SUMMARY

The question how advertising works and how effective it is has been the topic of research for decades. Various models have been developed to explain the persuasion process from advertising input to consumer behavior. With the advent of the internet and its growing importance as a place to do business, advertising on the internet has become a topic in academic research. Internet advertisers have since moved from classic banner advertising to new advertising models (e.g., "on-demand" advertising such as search engine advertising and price comparison websites) that make better use of the internet’s unique potential for interaction between consumer and advertiser, often blurring the line between advertising, promotion and sales as defined in the offline world. Research into how these new advertising channels interact, e.g., how banner advertising affects search advertising, is still missing. In our study, we address the questions: How do online advertising channels work and interact? How do clicked and unclicked ads affect sales, and each other? And in particular, what is the role of price comparison websites in online advertising?

Drawing on the established elaboration likelihood model we develop an advertising effects model in the presence of interrelations between advertising channels. We then apply this model using a comprehensive database obtained from the .com-website of a leading online-platform for used and antiquarian books. We include four channels in our analysis: e-mails, affiliate advertising, search-engine advertising, and advertisements on price comparison websites. The sample spans a period of 365 days, eliminating seasonal effects in the books market. It provides, on a day-by-day basis, indicators on advertising activity and sales. In total, the data contain more than 2.8 million purchases and 25 million website visits.

For data analysis we use structural equation modeling (SEM), as it allows for the assessment of structures in complex research models. We apply AMOS 16.0 as an implementation of a covariance-based SEM approach, enabling us to assess the overall model quality. As all our data are observed variables, our model is comprised only of the structural model with no associated measurement models to be tested. The model quality assessment indicates a very good fit of the model.

We find that there are significant interrelations among advertising channels, as advertising affects not only sales but other advertising channels. In particular, consumer-initiated ad exposures on search engines and price comparison websites are a likely effect of advertising. While Cho in his 1999 article predicts virtually no attitude change from unclicked ads, our findings clearly show an impact of ad impressions on sales and on further ad exposures. These results confirm the findings of previous studies. A second interesting finding is the weak negative effect of affiliate ad impressions on search ad clicks, together with their positive effect on search ad impressions. A possible explanation for this is that users who reacted to the banner exposure by using a search-engine rather than clicking the banner, thus causing a search ad impression, are apparently equally reluctant to click this self-initiated advertisement. Similarly, the strong effect of unclicked affiliate ad impressions on purchases can be explained by this widespread reluctance to click banners. With respect to our research question on the role of price comparison websites, we find that they are an important step in the decision-making process of online consumers. In addition to extant research showing that brands matter in price comparison shopping, we find that previous ad exposures also matter and increase clicks.

Our finding of significant advertising channel interrelation has wide-ranging implications for practitioners, as the common tracking approach using cookies or hyperlinks does not account for these effects. Typically, neither tracking of unclicked ad exposures nor of multiple (clicked) exposures is possible. Therefore, the total sales effect of advertising channels affecting other channels is systematically underestimated, as only the last channel in the navigation sequence will be measured by direct tracking. Further, we find that a large part of ad effects is caused by unclicked exposures, and thus cannot be measured with current tracking approaches. The limitations in direct tracking necessarily cause advertisers to question their current policies, and lead to suboptimal allocation of resources to advertising channels due to missing and misleading data. We therefore suggest that advertisers...
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HOW CUSTOMER SATISFACTION AND LOYALTY PROGRAMS INFLUENCE CUSTOMERS’ CASH FLOW VARIABILITY: IMPLICATIONS FOR MARKET SEGMENTATION

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Ruth Bolton, Marketing Science Institute, Boston
Anders Gustafsson, Karlstad University, Sweden
Beth Walker, Arizona State University, Tempe

SUMMARY

The cash flow a company is expected to generate determines its economic value. Customer relationships represent the essential source of business cash flow. Customer relationships can increase shareholder value by increasing the level and reducing the variability of a firm’s cash flow (Srinivastava, Shervani, and Fahey 1998). Under these circumstances, besides return, the variability associated with specific market segments should be considered when managers allocate marketing efforts. Despite its importance, customer revenue variability and its drivers have not been addressed in research focused on identifying the optimal portfolio of customers to be targeted with marketing investments (Dhar and Glazer 2003; Tirenni et al. 2007). This omission is surprising because the expected value of a customer portfolio is substantially affected by variability.

This study investigates how variation in customer revenues (specific cash flow patterns), can be explained using a combination of customer satisfaction and demographic, relational and market characteristics. We develop a model that links variability in the cash flow of individual customers to actionable market segmentation variables.

In this paper we develop propositions regarding the effects of customer characteristics on cash flow. We develop propositions as opposed to hypotheses because – being the first to test the relationship between customer characteristics and cash flow – we are unsure regarding the form of the relationship (linear versus nonlinear, simple effects versus interaction). We will test several functional forms: simple linear effects, interaction model, where the relationship between customer characteristics and customer cash flow is moderated by satisfaction, multiplicative, exponential and semi-log. We test our propositions in two study contexts: financial services and telecommunications. In both studies we focus on a random sample of current customers, for which we gather survey data which we combine with company’s records that include customers’ demographic information and purchasing data. In both contexts, according to all three criteria for model comparison (Akaike Information Criterion (AIC); log-likelihood; and R-Square) the semi-log model outperformed the other models. Consistent in both contexts, our results indicate that satisfaction reduces the variability of cash flows, while participation in customer loyalty programs increases it. Interestingly, characteristics associated with high levels of customer cash flow (young age, lengthy relationship, and high cross-buying) are also associated with an increase in cash flow variability.

The contribution of our research to the marketing literature and practice is three fold. First, we show that by managing the composition of the customer base and relationships with individual customers, firms can go beyond the simple management of customer wealth according to the expected level of cash flow, by considering the variability and therefore correctly estimating the expected value. A key outcome of our study is that it encourages marketers to look beyond the level of customer purchases to consider variability over time. Second, we show that satisfaction, besides positively impacting the level of cash flow, it also increases the expected value of future cash flows by reducing variability. Third, we shed light on the true implications of employing loyalty programs: even though participation in loyalty programs is generally characterized by an increase in the level of revenue (Seiders et al. 2005), the variability increases in both contexts. Probably, we still have to come up with effective loyalty programs.

Currently, firms and marketers assume that if a firm has a large enough customer base, variability is not an issue, but this assumption is invalidated by the large variability and seasonality observed in most companies’ sales. The assumption that by adding new customers the variability can be reduced does not hold if the new customers exhibit similar behavior patterns with the extant customers. Through our research we offer insight on how to assess and manage the variability of the customer base, and open the door toward future research to uncover how to build efficient customer portfolios, that might maximize return for a certain level of risk (variability) or minimize risk for a desired level of return. References are available upon request.
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INVESTIGATING THREE-DIMENSIONAL MODEL OF CUSTOMER COMMITMENT IN THE CELL PHONE SERVICE SETTING

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Jikyeong Kang, Manchester Business School, United Kingdom

SUMMARY

Customers’ bargaining power makes it particularly important that marketers investigate the distinctive nature of customer commitment. The emerging role of technology has become a source of pressure to companies, which gives customers access to a wide range of alternatives, and urges companies to intensify their customer retention efforts. Customers become active players in dynamic and fast-growing marketplace, and more powerful than ever before in customer-firm relationship.

Although the extent literature in relationship marketing investigated customer commitment as unidimensional or two-dimensional concept, this research, based on commitment theory from the organizational behavior, extend our understanding of the nature of customer commitment and conceptualize it as a three-dimensional concept; affective desire-based, calculative cost-based, and normative obligation-based in an attempt to contribute to the literature of relationship marketing area. Their impacts have been investigated on a range of loyalty outcomes; intention to stay, word-of-mouth and willingness to pay. A sample of 525 individual contractual customers in the cell phone service setting was used to test the research model using structural equation modeling.

The affective desire-based had positive impacts on loyalty outcomes, while the cost-based had detrimental effects. Normative commitment, surprisingly, had negative effects in relation to loyalty outcomes. It seems customers stay with the company because they like staying, however, those who committed because of obligations develop negative attitude toward the company as a matter of reactions to treatments they received and most likely defer when the obligations end. References are available upon request.

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THE REFERRAL LIKELIHOOD REFERRAL OF REWARD PROGRAMS:  
THE MODERATING EFFECT OF COMMUNICATION MEDIA AND  
PRODUCT INVOLVEMENT

Yimin Zhu, Sun Yat-sen University, China

SUMMARY

Recently, the practice of rewarded referral program is widespread in China. Based on the research of Gangseog Ryu and Lawrence Feick (2007), we also adopt an exchange theory framework for examining consumers’ responses to referral reward programs. This article reports the results of two studies that investigate the impact of referral reward programs on referral likelihood. According to our studies, we examine the effect of the presence or absence of a reward, reward size, and reward recipient (i.e., does the existing customer, or both and existing and new customers get the reward?). We also examine the moderating impact of communication media (i.e., traditional or online media) and of product involvement (i.e., high or low involvement).

In Study 1, we propose three hypotheses as following: H1: Compared with no reward, the presence of a reward will increase referral likelihood. And the referral likelihood will be enhanced with the increase of referral rewards. H1a: The impact of offering a reward on referral likelihood depends on communication media. The presence of a reward (compared with no reward) increases referral likelihood more through online communication media (i.e., MSN) than through traditional communication media (i.e., word-of-mouth). H1b: The impact of offering a reward on referral likelihood depends on product involvement. The presence of a reward (compared with no reward) increases referral likelihood more for low-involvement products than for high-involvement products.

Study 1 was a 3×2×2 between-subjects factorial experiment in which we varied the reward size (no reward, smaller, larger), the communication media (traditional, online), and the product involvement (high, low). Three hundred fifty undergraduate students from a major university in South China were randomly assigned to the experimental conditions.

In study 1, we found that if the company chooses traditional communication media in its reward program, rewards may increase the referral likelihood, but there is no significant difference between smaller rewards and larger rewards. This means a challenge for the marketing manager. Even you increase the promotional budget in this condition, the effect of programs may not be higher as you expect before. However, when the company chooses online communication media in its reward program, there is a significant difference between different rewards size. Providing a small reward may increase the referral likelihood greatly through online media because the convenience usage of internet and the less social-psychological costs. Furthermore, the impact on referral likelihood between rewards size are also different for high- and low-involvement products. For example, for high-involvement product, consumer would like to make the recommendation even without rewards. But for low-involvement product, the reward program will increase the consumers’ referral likelihood. In other words, reward programs are more important for low-involvement products than for high-involvement products. When company wants to develop a promotional program, the marketing manager should consider the involvement level of their products.

In Study 2, we propose three other hypotheses as following: H2: Reward allocation scheme will have impacts on referral likelihood. Consumers are most likely to make a referral in the Reward Both condition, followed by Reward Me. H2a: The impact of reward allocation scheme on referral likelihood depends on communication media. Through traditional communication media (word-of-mouth), consumers are most likely to make a referral in the Reward Both condition, followed by Reward Me. Through online communication media (MSN), consumers are most likely to make a referral in the Reward Me condition, followed by Reward Both. H2b: The impact of reward allocation scheme on referral likelihood depends on product involvement. For high-involvement products, consumers are most likely to make a referral in the Reward Both condition, followed by Reward Me. For low-involvement products, consumers are most likely to make a referral in the Reward Me condition, followed by Reward Both.

Study 2 was a 2×2×2 between-subjects factorial experiment in which we varied the scheme of the reward distribution (Reward Me, Reward Both), the communication media (traditional, online), and the product involvement (high, low). Two hundred thirty-five undergraduate students from a major university in South China were randomly assigned to the experimental conditions.

In study 2, we found that the rewards scheme have an impact on the referral likelihood. If the company uses the traditional media in its reward program, they may just
provide the rewards to both existing and new consumer (Reward Both) other than to existing consumer (Reward Me). Furthermore, for low-involvement products, Reward Me (providing rewards to the existing consumer) will be more effective than Reward Both. And for high-involvement product, things will be the opposite. Therefore, the marketing manager should choose scheme like Reward Both if their products are high-involvement ones and choose scheme like Reward Me if their products are low-involvement ones.

In general, our results show that offering a reward and Reward Both will increase referral likelihood. However, in order to design more effective promotional program, company should consider the communication media they choose in the program and the involvement level of their products at the same time.

ENDNOTE

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ASYMMETRY OF CONSUMER UNCERTAINTY AND ITS IMPACT ON BRAND DECLINE

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Ajay Kohli, Georgia Institute of Technology, Atlanta

SUMMARY

A brand becomes increasingly weak when consumers expect low levels of brand performance in the future (i.e., point expectation) or considerable variability in the level of these performances (i.e., range expectation) (Rust et al. 1999). We extend this stream of literature and argue a brand’s decline, measured as low likelihood of brand repurchase, is also determined by the distribution of consumers’ range expectation above and below the point expectation of brand performance.

Asymmetric distributions arise when consumers’ range expectation is not symmetrically distributed around the point expectation – that is, consumers have uneven expectations that a brand will exceed or underperform their expectation for brand performance (i.e., point expectation). We propose that asymmetric distributions of the range expectation (i.e., asymmetric uncertainty) impact the longevity of consumers’ relationship with the brand. We argue that elements of temporal sequences of brand experiences, such as the presence of a trend and peak are sources of asymmetric uncertainty.

We suggest that consumers who experience an increasing trend of brand encounters estimate a lower above range as compared to participants exposed to a non-trended sequence of experiences, which leads to the formation of negative asymmetric uncertainty. On the other hand, decreasing trends tend to be associated with a low below range of expectation as compared to a non-trended series of experiences, leading to the formation of positive asymmetric uncertainty.

Peaks, the most extreme values of series of experiences are the most positive experiences a consumer has with a brand. We suggest that the distinctiveness of a peak depends on its location in the sequence relative to the other experiences of the sequence. When a peak is preceded and followed by experiences of a much lower level, the resulting discrepancy accentuates the peak’s high value and its distinctiveness from the series’ other experiences. When experiencing a high contrast peak, we expect consumers to be influenced by the easier recall and the perceived positive valence of the peak experience and expect future performances to likely exceed the point estimation (Kahneman and Tversky 1973). This in turn results in a larger above range of expectation as compared to a series of experiences with a low contrast peak, leading to the formation of positive asymmetric uncertainty.

We argue that holding the point expectation and range expectation constant, consumers’ asymmetric uncertainty influences their brand choices. When consumers hold negative asymmetric uncertainty, they expect a disproportionately lower level of brand performance (vis-à-vis their point expectation), and discard the possibility of an equally high level of brand performance. Thus, a consumer who holds negative asymmetry of expectations is less likely to continue to purchase the brand.

We argue above that negative asymmetric uncertainty jeopardizes the longevity of the brand relation (holding the point expectation and the range expectation constant). We are thus interested in identifying ways to reduce negative asymmetric uncertainty and help consumers continue their relationships with brands. Here, we identify a commonly used practice by companies – providing promises of better future performance along with explanations for past performances. We argue that when consumers experience an increasing trend of experiences, advancing company promises of improved future performance result in expectations of even higher levels of performance above the point expectation; that is, we expect to see a larger above range of expectation, even after a potential increase in the point expectation. The now larger above range of expectation reduces the inequality between the above and below ranges, leading to lower negative asymmetry.

We argue that when consumers experience a decreasing level of brand performance, a company’s promises may result in a trade-off: consumers will expect a higher point expectation (which increases the longevity of the brand relation) but at the same time will lower the positive asymmetry of uncertainty and its benefits. Consumers may interpret the promise and explanation as a desperate attempt to hide a real cause of the decline in performance; consumers may thus become more uncertain about the brand’s future performance and estimate a larger below range, even after a potential increase in their point expectation. The now larger above range of expectation reduces the inequality between the above and below ranges, leading to lower positive asymmetry. We conducted two studies which validated the hypotheses presented above.
Our findings contribute to the expectation literature. We argue here that expectations should be conceptualized as a range and not solely as a point in order to understand the consequences of expectations on brand choices.

REFERENCES


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UNINTENDED CONSEQUENCES: HOW BRAND EXTENSIONS MAKE BRANDS MORE VULNERABLE TO CONSUMER CONFUSION

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SUMMARY

One of the topics at the intersection of marketing, psychology, and the law is the frequently studied topic of source confusion (e.g., Foxman, Berger, and Cote 1992; Howard, Kerin, and Gengler 2000), which is defined as a consumer’s perception that an imitator brand (the junior mark) is made by or associated with the maker of an original brand (the senior mark). We evaluate two potential antecedents of source confusion: (1) a brand extension in which a competitor of the senior mark has extended into the junior mark’s product category, and (2) the extent of a consumer’s motivation to carefully make the purchase decision. We identify an interaction between these two factors – an effect that is opposite to that generally identified in the literature and counterintuitive to the assumptions that guide much of the law in this area.

Rather than the extended brand becoming more vulnerable to source confusion, this research demonstrates it is the competitors of the extended brand that are made more vulnerable to source confusion. This circumstance is commonplace. For example, the 2008 brand extension of Froot Loops breakfast cereal into the clothing category caused all the competitors of Froot Loops to become more vulnerable to source confusion from similar junior marks in the clothing category. A review of trademark records shows 24 senior marks in the breakfast cereal category that were identical to junior marks in the clothing category (e.g., Honeycomb breakfast cereal and Honeycomb clothing). In this way, brand extension has a wider sphere of influence than previously considered in the literature – a single brand extension makes all competitors of the extended brand more vulnerable to source confusion.

In the search for possible antecedents of source confusion, previous researchers have not tested brand extension, but they have tested motivation to deeply process information. The findings have been mixed, with Foxman, Muehling, and Berger (1990) finding less source confusion among consumers with higher motivation, and Howard, Kerin, and Gengler (2000) finding more source confusion among such consumers (for brands that are similar in semantic meaning).

We propose a broad theoretical approach to explain the role of motivation in source confusion. From a schema-theory perspective, the cognitive process undertaken by a consumer when he or she encounters a product and identifies its brand (i.e., identifies the product’s source) is a categorization process. This suggests that when consumers are offered a junior-marked product that is strongly incongruent with the senior mark (e.g., a Cadillac brand notebook computer), consumers are unlikely to subtype and therefore unlikely to suffer source confusion.

However, we propose that if one of the senior mark’s competitors in the original product category extends its brand into a new product category, consumers will view as more plausible a similar extension of the senior mark (or a junior mark that appears to be the senior mark).

H1: If a competitor of the senior mark extends its brand into a new product category, the likelihood of source confusion from a junior mark in the new product category will increase (vs. no brand extension by a competitor of the senior mark).

The theoretical rationale underlying H1 describes consumers as undertaking a number of cognitive processes. Models of categorization commonly suggest that such schema retrieval and consideration requires cognitive effort (Cohen and Basu 1987). As is frequently observed in the literature (e.g., Luna and Peracchio 2002), consumers expend the effort to perform cognitive processes only when motivated to do so. The effects described in H1 will be slight or even absent among consumers who lack the motivation to update their schemas and carefully categorize the junior mark. Two separate sources or forms of motivation are considered here: enduring involvement and need for cognition. We propose that either form could fully motivate consumers to diligently update their schemas and carefully perform the categorization task.

H2a: If a competitor of the senior mark extends its brand into a new product category, consumers with higher enduring involvement in the original product category are more likely to be confused by a junior mark in the new product category (vs. consumers with lower enduring involvement).

H2b: If a competitor of the senior mark extends its brand into a new product category, consumers with higher...
need for cognition are more likely to be confused by a junior mark in the new product category (vs. consumers with lower need for cognition).

In an experiment, participants (n = 206) viewed one of three stimuli: an ad for a typical Dell laptop computer, an ad for a new Dell laptop computer with luxurious positioning (e.g., with leather trim and titanium body), and an ad for a Mercedes-Benz brand extension into the laptop computer category (with the same luxurious positioning). Participants then viewed a text-only ad for a “Cadillac brand notebook computer.” Source confusion was measured (as in Simonson 1994), as well as enduring involvement and need for cognition.

H1 was supported by an observation that the likelihood of source confusion in condition 3 (the Mercedes-Benz brand extension) was higher than in conditions 1 and 2 (no brand extension). This indicates that a brand extension by one of the senior mark’s competitors into the junior mark’s category causes an increase in source confusion.

H2a and H2b were also supported. Among participants who viewed the Mercedes-Benz brand extension, the results of a logistic regression model indicate that confusion is more likely if the participant has high motivation of either form: enduring involvement or need for cognition. This suggests that motivation moderates the effect of brand extensions on source confusion. Consumers who are highly motivated (i.e., either high in enduring involvement or high in need for cognition) expend the cognitive effort necessary to carefully update the relevant memory schemas with information about the brand extension and carefully categorize the junior-marked product. After performing these cognitive processes, these consumers are more likely to suffer source confusion. Consumers who lack motivation (i.e., low in enduring involvement and low in need for cognition) are less likely to perform the cognitive processes necessary for the brand extension to have its effects, making such consumers less likely to suffer source confusion.

Taken together, these findings expand the collective understanding of source confusion at the intersection of marketing, psychology, and the law. This study is the marketing literature’s first empirical examination of brand extension as a potential antecedent of source confusion. Furthermore, this is the first application of schema theory to the source confusion question, thereby identifying a moderating role of motivation in source confusion that is opposite to the effect usually assumed in the literature.

This research has many implications for marketing practice. Our findings suggest that even if consumers have high motivation, managers of established brands should be vigilant to protect their brand from infringement by junior marks in other product categories. Likewise, our findings suggest that every brand extension by a competitor makes the senior mark more vulnerable to infringement. Therefore, such competitor moves should be considered in the context of litigation that protects the established brand from infringement.

Our findings also have implications for marketing managers who are choosing names for new brands. Such managers should already be aware that branding decisions are limited by “legal boundaries” in the law of “passing off” (Hennessy, Bell, and Kwortnik 2005, p. 65) and of the trademark infringement standard of the “likelihood of confusion.” Our findings add important nuances to these legal boundaries for brand managers operating in the context of brand extension. In that increasingly commonplace context, our findings suggest that such managers should avoid choosing a brand name that is similar to a senior mark that consumers view as plausibly extending the brand, particularly if the consumers are high in involvement.

This research also has implications for the law. For the many trademark infringement cases that are brought before the courts each year, previous brand extensions by competitors (embraced in the legal notion of “bridging the gap”) should be considered in the judicial evaluation of trademark infringement. In addition, most courts consider consumer motivation (part of the legal notion of “consumer sophistication”) to be negatively associated with source confusion. Our findings suggest that the truth is much more complicated, with consumer motivation sometimes positively associated with source confusion. This provides grounds for the courts to adopt a more nuanced – and more realistic – approach in trademark confusion cases. References are available upon request.

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LABOR PRODUCTIVITY IN RETAILING: A MODERN ASSESSMENT

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SUMMARY

Labor productivity – output per unit of labor input – is a key driver of (i) higher profitability for business and (ii) better living standards for society. Historically, the growth of labor productivity growth has been slower in retailing than in manufacturing which has caused retailing to take the larger share of the blame for stagnant living standards. Although over the past two decades, productivity growth in retailing as a whole has improved, the four worst performing retail sectors (motor vehicle dealers, gasoline stations, grocery stores, and restaurants) account for over half of all retail establishments, sales, and employment. Understanding what constrains productivity growth in these four lagging retail sectors may be of assistance in guiding the enhancement of labor productivity in all of retailing.

Somewhat surprisingly, published research in this area has used data that is at least 30 years old. Given dramatic changes in retail structure over the past three decades which includes the emergence of warehouse clubs and erosion in the base of mom and pop stores, it is certainly time to update our knowledge. Indeed, there is a distinct possibility that past inferences about the drivers of labor productivity may no longer be valid. Furthermore, earlier research only examined individual retail sectors (e.g., grocery stores) without considering interactions between sectors. In contrast, the four sectors we analyze include a complementary pair (motor vehicle dealers and gasoline stations) and a competing pair (grocery stores and restaurants). Thus, we are able to assess whether macro-environmental impacts on labor productivity are common for complementary and competing retail sectors.

Central to our argument is a belief that micro-level actions taken by retail firms must be compatible with the macro-environment within which they operate. Our study is targeted toward understanding the macro-level determinants of labor productivity. We use data from the most recent U.S. censuses that have complete information – the 2002 Economic Census and the 2000 Census of Population and Housing Characteristics – to investigate the macro-level determinants of cross-sectional variations of labor productivity in the afore-mentioned four key retail sectors. Our database covers 379 Metropolitan Statistical Areas (MSAs) which accounts for more than 83 percent of the U.S. population.

We derive nine hypotheses from the extant literature to predict the impacts of a set of socio-economic, geographic, competitive, and marketing-mix factors on labor productivity (measured as dollar sales per employee). This provides us with a good comparison of our results and those of the previous studies; thus, we can draw inferences whether macro-environmental variables exert the same impact on retail labor productivity that they did in earlier studies.

Our OLS regression results indicate that our independent variables explain between 52 percent and 71 percent of the cross-sectional variation in labor productivity across the four lines of trade. The average explanatory power is 57 percent; this is comparable to previous studies. Additionally, three-fourths of our hypotheses are validated. Since some beta coefficients are of (significantly) different signs from earlier studies, there is evidence that macro-environmental changes have altered the impact on labor productivity. Of course, differences in effect directions across lines of trade are indicative of differential impacts of environmental factors across retail sectors.

This study is our first step toward a series of investigations of retail labor productivity. We conclude our paper by proposing three directions for future research: (1) analyzing more retail sectors, (2) conducting a time-series study to explore the historical changes of retail labor productivity across MSAs, and (3) including more macro-determinant variables in the analysis. References are available upon request.
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TEAM STEWARDSHIP IN CUSTOMER SERVICE TEAMS:
ANTECEDENTS AND CONSEQUENCES

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SUMMARY

Introduction

To effectively handle customer complaints and use customer feedback to their advantage, more and more companies install customer service teams dedicated to solving customer problems and collecting new insights. Previous research has indicated that customer service teams achieve greater flexibility and adaptability in the performance of service activities if the delegation of authority is moved to the frontline. In addition, a “command and control” structure is difficult to implement in customer service teams, as the team members are often geographically dispersed from each other and the company. With reduced possibilities to monitor and control service performance, managers face the question of how they can be confident that employees will act in the best interest of the organization and the customer. We introduce team stewardship as a governing principle. We define team stewardship as a collectively held sense of responsibility to oversee and improve performance in the service team’s area of responsibility in congruence with the best interests of the organization and the customer. We build on self-determination theory to identify four drivers of team stewardship and consider frontline employee service performance as the ultimate outcome. In addition, following stewardship proponents, we examine whether control mechanisms from agency theory and intrinsic motivation from stewardship theory display synergies or dissynergies in affecting employee performance.

We selected a large international car manufacturer as the empirical setting to test our conceptual model. We distributed 437 questionnaires to customer service employees working in Western Europe; our final sample consisted of 234 respondents, organized in 30 teams. Next, we asked 30 supervisors who managed these teams to complete a survey that would rate the performance of each of their supervised employees over the last six months. After verifying the validity and reliability of the measures, we apply multilevel regression analysis to test our conceptual model. As a first important insight, we show that team stewardship is a vital factor in influencing service employee behavior. Most important, a shared understanding to oversee and improve performance in congruence with the best interests of the organization and the customer can drive extra-role service performance. However, at the same time, team stewardship reduces in-role service performance. Perhaps the team members are so involved in doing their utmost best for the customer that they tend to forget about the formal service guidelines. Alternatively, the employee and the customer may have developed a long-lasting relationship that tempts a service employee to cross formal guidelines. Second, we find that the control mechanism of contingent reward smooths the effects of stewardship on service employee performance. More specifically, both the negative effect of team stewardship on in-role service performance and the positive effect on extra-role service performance are weakened when a team manager rewards the team for their efforts in achieving performance targets. Third, team stewardship is most strongly driven by structural relatedness. That is, when a team has goals that are compatible with the goals of the organization, the team members act responsible and are willing to work in the best interests of the organization. Besides structural relatedness, affective relatedness is also a driver of team stewardship. Finally, an interesting finding is the nonsignificance of autonomy as an antecedent of team stewardship

The results suggest that adequate group reward structures should be used to strike the right balance between the counteracting effects of team stewardship on employee performance. Managers of customer service teams should therefore be both empowering as well as controlling to achieve optimal results. An effective method to build stewardship is to enhance structural relatedness, for instance by involving team members in backoffice operations.

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THE EFFECTS OF CUSTOMER ORIENTATION AND IDENTIFICATION ON THE SERVICE EMPLOYEE: COMMITMENT AND JOB BURNOUT

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SUMMARY

Service marketers have long known about the importance of hiring good service employees. The personal interaction between the service provider and the customer is critical to achieving satisfying exchanges (Heskett et al. 2008). Service employees have been credited with increasing customer satisfaction (Rust, Zahorik, and Keiningham 1996; Donavan and Hocutt 2001) as well as customer loyalty and retention (Heskett et al. 2008; Jones and Sasser 1995).

On the employee side, research demonstrates that outstanding service personnel have higher job satisfaction and commit more organizational citizenship behaviors — those behaviors that go beyond specific job requirements by promoting positive work outcomes (Donavan, Brown, and Mowen 2004). However, a question remains unanswered regarding the effect of the service environment on employee retention. In many cases, psychological withdrawal (e.g., dissatisfaction) from a job or organization tends to occur prior to behavioral withdrawals (e.g., turnover). Thus, understanding psychological factors within a service environment such as organizational commitment and job burnout that may influence turnover is important for service managers and researchers. The purpose of this study is to examine both the individual and organization elements that may affect two variables related to retention: organizational commitment and job burnout. We investigate two levels of customer orientation: (1) the organizational service orientation (i.e., OSO), and (2) the individual employee’s customer-oriented disposition. Additionally, this study investigates the effect of the service worker’s identification (i.e., identity overlap) with the firm.

OSO addresses customer orientation at the organizational level, whereas customer orientation has been studied at the individual level as well. Brown et al. (2002) defined customer orientation as an employee’s tendency or predisposition to meet customer needs in an on-the-job context. From an employee’s perspective, CO is associated with higher levels of job satisfaction, commitment and altruism toward fellow service workers (Donavan, Brown, and Mowen 2004). Service orientation, at the organizational level, is defined as an organization-wide embracement of a basic set of relatively enduring organizational policies, practices and procedures intended to support and reward service-giving behaviors that create and deliver “service excellence” (Lytle, Hom, and Mokwa 1998, p. 459). While CO is defined as a disposition, based partly on the personality characteristics of the individual, the environment may also play a role in determining a service employee’s customer orientation. Thus, organizational service orientation should positively affect a service worker’s customer orientation. Additionally, as “service excellence” is rewarded within the OSO culture, organizational commitment should increase and job burnout should decrease.

Organizational identification is defined as the degree to which the individual defines him/herself with the same attributes as the organization (Dutton, Dukerich, and Harquail 1994). In this sense, organizational identification represents the employee’s relationship with the focal firm. Strong organizational identification is associated with attendance (Bhattacharya, Rao, and Glynn 1995) and employee helping behaviors (Bergami and Bagozzi 2000). We propose that as the overlap between individual self-schema and organizational schema becomes stronger, the service workers will become more customer-oriented, resulting in a decrease in employee burnout and an increase in organizational commitment.

A field study was conducted with a food service firm in a Midwestern city in the United States. Employees of the food service firm completed a survey that included measures of customer orientation (Donavan, Brown, and Mowen 2004), organizational service orientation (Lytle, Hom, and Mokwa 1998), organizational identification (Bergami and Bagozzi 2001), organizational commitment (Mowday, Steers, and Porter 1979), and job burnout (Singh, Goolsby, and Rhoads 1994). The theoretical framework was tested using structural equation modeling. The results of the analysis largely supported the anticipated structure of relationships ($\chi^2 = 272.96$, df = 142, $p < .01$; $CFI = .97$; $TLI = .96$; and $RMSEA = .05$). Overall, the findings demonstrate that, while previous research suggests that basic personality traits predict CO, employee’s CO is also predicted by environmental issues such as organizational service orientation and organizational ID. These findings suggest that while firms may not be able to alter the individual’s personality, firms can work to change the organizational culture which may improve service
performance. Surprisingly, a positive relationship between OSO and burnout was revealed. This finding suggests that perhaps a firm can over-emphasize the “service” culture to a point of annoying employees. References are available upon request.

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COMPANIES’ INNOVATION ORIENTATION AND PRODUCT PROGRAM INNOVATIVENESS: THE MODERATING ROLE OF INTERFUNCTIONAL CONSENSUS

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SUMMARY

The pathways to companies’ innovativeness mostly remain a black box for both practitioners and academics (Cooper and Kleinschmidt 1995; Szymanski, Kroff, and Troy 2007). In order to shed more light on this phenomenon, fundamental research has focused on the drivers of innovation (Chandrashekaran et al. 1999), such as “soft” drivers like an innovation-oriented organizational culture (e.g., Tellis, Prabhu, and Chandy 2009) and “hard” drivers like an innovation-oriented organizational structure (e.g., Hauser, Tellis, and Griffin 2006). Researchers and practitioners alike further emphasize the importance of an interfunctional approach to support a company’s innovativeness (Siguaw, Simpson, and Enz 2006). In particular, interfunctional consensus has been discussed as an important mechanism to support the realization of strategic orientations (e.g., Atuahene-Gima, Slater, and Olson 2005) and to foster companies’ innovativeness (e.g., Xie, Song, and Stringfellow 2003).

Extant research on strategic consensus, which has defined the phenomenon as the “[. . .] agreement among top-, middle-, and operating-level managers on the fundamental priorities of the organization” (Floyd and Wooldridge 1992, p. 194), largely focuses on top-management team members (e.g., Homburg, Krohmer, and Workman 1999). Less attention has been drawn on consensus between middle-level managers of different functional units (e.g., Bowman and Ambrosini 1997). However, a better understanding of the role of consensus between marketing and R&D is in particular important in order to grasp the pathways to companies’ innovativeness: Marketing and R&D perhaps play the most crucial roles for companies’ innovativeness (Atuahene-Gima and Evangelista 2000), their relationship is nevertheless often portrayed as far from harmonious (e.g., Griffin and Hauser 1996). Thus, we need to learn more about how interfunctional consensus affects companies’ innovativeness.

The purpose of this paper is to provide a deeper understanding of the role of interfunctional consensus for the implementation of companies’ innovation-oriented culture and structure. The basic structure of our framework comprises direct links between “hard” and “soft” aspects of companies’ innovation orientation and its product program innovativeness (PPI) under varying conditions of interfunctional consensus. More specifically, we argue that both innovation orientation of organizational culture and structure positively affect different dimensions of PPI (i.e., newness, frequency, and value), with organizational culture being of higher importance. Interfunctional consensus between marketing and R&D is hypothesized to strengthen these relationships.

Analysis and Results

We empirically test our framework based on a study comprising data from 126 companies, representing the manufacturing and the services sector. From these companies, dyadic data from marketing and R&D managers were collected. In order to rule out common method bias (Scandura and Williams 2000), R&D managers were asked to assess the antecedents of companies’ innovativeness, while marketing managers assessed companies’ actual innovativeness. Following suggestions to validate marketing managers’ assessments of innovativeness from a customer’s perspective (Szymanski, Kroff, and Troy 2007), we further gathered customer data for 49 of these companies.

Our research hypotheses were tested using hierarchical moderated regression analysis (Aiken and West 1991). Results indicate that the innovation orientation of organizational culture positively affects the newness, frequency, and value of companies’ PPI. Interestingly, we find that the innovation orientation of structure affects PPI characteristics differently. While organizational structure has a positive impact on frequency of innovation, we fail to find statistical support for a positive impact on PPI newness and value. Thus, organizational culture is indeed more important for a company’s overall PPI. Furthermore, our analysis shows that the evidenced direct effects of culture and structure on the different dimensions of PPI are significantly strengthened under conditions of higher consensus among marketing and R&D managers.

Discussion and Implications

Our present study provides theoretical reasoning and empirical evidence concerning antecedents of a company’s innovativeness and the conditions under which these antecedents are most effective. It has several important implications. From a conceptual perspective, our study is
one of few to consider innovativeness at the program level. In contrast to the majority of extant research, we integrate three meaningful dimensions of companies’ innovativeness (newness, frequency, and value) into our framework in order to gain a more comprehensive picture of this complex phenomenon. From a methodological perspective, this study is among the first study in the field of innovation marketing which empirically integrates three different perspectives on companies’ innovativeness. We collected data from marketing and R&D managers. The use of customer data to triangulate managerial responses allows gaining a more valid picture of companies’ innovativeness. Finally, from a content-related perspective, our findings reveal that organizational culture is preeminent for companies’ innovativeness, in particular when compared to organizational structure. We find that interfunctional consensus is an important condition under which companies’ innovation orientation can flourish. These findings are also of managerial relevance as managers have to make the “right” choices when designing their organizations for innovation. References are available upon request.

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WHEN DOES OPEN INNOVATION IMPROVE PERFORMANCE? AN INVESTIGATION OF RELATIONAL CAPABILITY AND FLEXIBILITY

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SUMMARY

The process of leveraging sources external to the firm for new product development (NPD), which Procter & Gamble calls Connect and Develop, has been termed generally as open innovation. Open innovation means that firms actively embrace the use of external ideas and external paths to markets as the firm advances its technologies (Chesbrough 2003, 2006). Despite its appeal, we understand little about the performance implications of open innovation. Does it always lead to superior firm performance? What, if any, internal or external conditions enhance or inhibit firm performance gains from open innovation? Drawing on resource-based views where the firm is depicted as a bundle of resources and capabilities (e.g., Barney 1991; Dutta, Narasimhan, and Rajiv 1999; Wernerfelt 1984), we explore these questions and argue certain resources and capabilities enhance the performance gains realized from open innovation.

Open innovation involves a deliberate programmatic approach underpinned by complex routines (Nelson and Winter 1982) built to seek, access, combine and deploy external sources of ideas, knowledge, and technologies, thus we characterize it as a dynamic capability (Eisenhardt and Martin 2000). We argue that open innovation results in superior economic rewards in terms of forward looking indicators of the firm’s economic performance (i.e., Tobin’s q).

Open innovation hinges on a firm’s connection to external sources for NPD inputs such as intellectual property, technology, ideas, and etc. This connection happens through a firm’s boundary spanning activities that take a variety of forms, and can involve outsourcing relationships, strategic alliances, deep partner-style relationships with upstream suppliers or downstream customers, or even arms length relationships with upstream suppliers or downstream customers. We argue that the ability to make and manage relationships is vital in realizing the potential rewards from open innovations. This ability to make and manage interfirm relationships, that is the firm’s relational capability (e.g., Dyer and Singh 1998; Johnson, Sohi, and Grewal 2004; Sivadas and Dwyer 2000), entails learned ways of behaving including, for example, procedures, interaction patterns, and operational issues in interfirm relationships.

Building on the extant literature (Johnson, Sohi, and Grewal 2004) we conceptualize relational capability in terms of relevant interfirm knowledge including interpersonal and functional knowledge stores, and introduce initiation knowledge stores. We argue that relational capability – the amalgam of these three interfirm knowledge stores – positively moderates the impact of open innovation on firm performance ($H_1$). Specifically we suggest that relational capability will work to enable open innovation because of the firm’s enhanced capacity to engage in effective external search and connect with external sources for new product inputs.

We believe that other elements in a firm’s resource bundle also come into play when combined with relational capability, namely flexibility. Flexibility has been conceptualized from a number of perspectives (e.g., Johnson et al. 2003). Here, consistent with recent research (e.g., Fang, Palmatier, and Steenkamp 2008; Lee and Grewal 2004), we focus on resource slack because such slack instills flexibility in the firm (Lee and Grewal 2004). From this perspective, flexibility involves a cushion of resources that allows firms to adapt and respond to opportunities and to ebb and flow in the innovation process (Nohria and Gulati 1996).

While relational capability enables open innovation through an increased capacity for external connecting and boundary spanning, resource slack serves as an additional enabling mechanism that allows firms to take advantage of and act on potential opportunities derived from external searches. This relational capability and flexibility empower open innovation capacity and further increase the speed and sustainability of new product generation and introduction, which leads in greater firm performance ($H_2$).

We test our hypotheses with primary and secondary data from 204 high tech firms. As the bases for the complex moderated effects we hypothesized, we expected and found that open innovation positively impacted performance. To support $H_1$ we found that
relational capability moderated the influence of open innovation on Tobin’s q. While we did not find evidence for the linear relationship for resource slack combining with relational capability to further enhance performance gains from open innovation, we did find evidence of a non-linear relationship.

Our findings show that open innovation is related to financial performance, and firms following open innovation achieve superior performance. While this evidence is consistent with P&G’s open innovation success, more importantly we find firms can be even more successful if they have the ability to connect with their environment. Hence interfirm relationships are critical to the success of firms following open innovation.

While investigating the role of flexibility in moderating the effect of relational capability and open innovation, we explore the impact of maintaining slack resources on enhancing firm performance. We find evidence of a nonlinear relationship for resource slack in increasing the effectiveness of relational capability and open innovation in improving financial performance. Those firms following open innovation, maintaining a relational capability, and either lean or rich in resource slack outperformed firms possessing moderate levels of resource slack. This threshold-like effect suggests firms must maintain some minimal level of resource slack in order to be flexible enough to respond to external opportunities. Measures, tables, figures, and references are available upon request.

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WHICH INFORMATION SOURCES HELP COMPANIES TO GAIN SUPERIOR PRODUCT PROGRAM INNOVATIVENESS?
INSIGHTS FROM COMPANY AND CUSTOMER DATA

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SUMMARY

“Innovate or die” has been a slogan in many U.S. companies in order to gain sustained competitive advantage. While incumbents that fail to innovate face the risk of losing their industry leadership position, relatively small companies can increase their market share through product innovations (Srinivasan, Lilien, and Rangaswamy 2002; Tellis, Prabhu, and Chandy 2009). The acquisition of information is seen as important driver for the generation of product innovations (Li and Calantone 1998; Rindfleisch and Moorman 2001). Wadhwa and Kotha (2006) argue that companies can acquire information from different sources regarding product innovations. However, empirical research on the link between information and product program innovativeness has focused mainly on isolated sources of information, for example customers (e.g., Fang 2008) or cooperation between companies (e.g., Rindfleisch and Moorman 2001). Furthermore, there is little known under which conditions information acquisition from different sources affects product program innovativeness.

Transactions cost analysis (TCA) provides a theoretical framework for studying information acquisition from different sources. In terms of information acquisition, companies can choose between three alternative coordination mechanisms: market, hierarchy, and hybrid forms. In the context of innovation generation, customers (Fang 2008; Veldhuizen, Hultink, Griffin 2006) and experts (Shu, Wong, Lee 2005; Zahra and Nielsen 2002) are identified as important market sources. Regarding hierarchy, employees have been examined as relevant source of innovation-related information (Zahra and Nielsen 2002). The hybrid mechanism is typically represented by cooperation between the company and other organizations (White and Lui 2005).

Transaction cost analysis provides valuable insight about conditions, under which the aforementioned sources of information affect product program innovativeness positively or negatively. Specifically, efficiency of the three coordination mechanisms market, hierarchy, and hybrid form depends on the degree of uncertainty and asset specificity (Rindfleisch and Heide 1997). Though exchange is a key task of marketing (Rindfleisch and Heide 1997), TCA has been applied scarcely in research on product innovations. Thus, an important contribution of the paper is the application of TCA on product innovation research.

The paper entails a model consisting of antecedents and performance outcomes of product program innovativeness. The antecedents comprise customers, experts, cooperation, employees as sources of information acquisition. Additionally, our framework includes moderating variables, namely market turbulence and innovation-related human asset specificity. Drawing on transaction cost analysis, it is argued that market turbulence and innovation-related human asset specificity moderate the link between different sources of information acquisition and product program innovativeness.

To test our hypotheses, we conducted a large-scale, quantitative survey among companies in manufacturing and service industries. A particular contribution of this paper is the triadic design of our survey. We collected data from marketing managers, R&D managers as well as customer companies, whereas marketing managers and R&D managers were selected from the same supplier company. We were able to obtain 109 triads. This is one of the first studies providing an analysis of triadic data in the context of product innovation.

We used structural equation modeling to analyze our conceptual model. Results from 109 triads indicate that in the case of high market turbulence, customers and experts are the most promising sources of information acquisition in order to achieve superior product program innovativeness. In contrast, results reveal that information acquisition from employees improves product program innovativeness when innovation-related human asset specificity is high. Furthermore, analysis shows a significant effect of product program innovativeness on market performance. References are available upon request.
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HE WHO DIES WITH THE MOST ALTERNATIVE FUEL WINS: AN ALTERNATIVE USE OF TERROR MANAGEMENT THEORY

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SUMMARY

Since the Industrial Revolution, the burning of fossil fuels such as coal and oil has significantly increased the emission of greenhouse gasses including carbon dioxide, water vapor, methane, nitrous oxide, and ozone (Lenton and Schellnhuber 2007). In turn, the rise in greenhouse gasses has caused the “greenhouse effect” which is changing Earth drastically with severe effects including the retreat of glaciers, increased intensity of extreme weather events (e.g., tsunamis), drought, and species extinction. To curb the effects of global warming, climate experts argue that it is critical that humans change their energy consumption from fossil fuels to alternative sources of energy (Davidson and Robson 2007).

In this study, the efficacy of terror management theory as an effective promotional tool to influence consumers’ attitudes and behaviors toward an alternative fuel is examined. For the purposes of this study, BioHeat is used as the alternative fuel of interest as BioHeat, (1) can be used efficiently in residential heating boilers, with no additional parts needed, and (2) provides good quality heat and performs consistently (National Biodiesel Board 2009).

Terror Management Theory

Terror management theory (TMT) is a psychological theory that studies how the anxiety of one’s own death affects individuals. According to TMT people manage their death-related anxiety with an anxiety buffer, made up of two components, an individual’s cultural worldview (an individual’s concept of reality constructed by a group to which the individual belongs) and his/her self esteem (e.g., Greenberg et al. 1986).

The two components of the anxiety buffer have resulted in two basic hypotheses. The first is the anxiety-buffer hypothesis which hypothesizes that strengthening an individual’s self esteem should relieve anxiety due to death related thoughts. The second hypothesis, and the one that is manipulated in this study, is the mortality salience hypothesis. This hypothesis states that reminding people of their death will increase the need for structure in their cultural worldview, leading the individual to have more positive reactions toward people and things that support their worldview (Pyszczynski et al. 1997).

In Western societies, where “cash is king,” it has been argued that materialism defines many people’s worldview; possessing luxury items bolsters one’s sense of mortality and value in their culture (Solomon et al. 2004). Corroborating this, studies have found that after experiencing a mortality salience induction, people increase their materialistic pursuits as a way of sustaining their worldview or belief that they are worthy within their culture (e.g., Mandel and Heine 1999; Choi et al. 2007).

While alternative fuels may not necessarily be viewed as a luxury item, when faced with mortality consumers may still desire to purchase such fuels as they can be viewed as “green” by their peers. “Being green” has become a trendy lifestyle that many look to as an increase in status. Hence, we hypothesize here that individuals who are manipulated to think of about death will react more favorably to a materialistic representation of BioHeat, than those who are not directed to contemplate death.

Experiment

The experiment employed a 2 (mortality salience vs. control) X 2 (materialistic BioHeat ad vs. non materialistic BioHeat ad) design. Participants were 80 adults, 20 per condition (who were randomly assigned). The average age range of participants was between 46–50, and the average annual household income group ranged from $90,000 – $99,000.

Results

In brief, results revealed no significant main for either between subjects factor; mortality salience and ad type. The results did reveal, however, a significant mortality salience X ad type interaction. As predicted, mortality salient participants’ interest in BioHeat was significantly greater when they viewed the materialistic BioHeat ad than when they viewed the non-materialistic BioHeat ad. In contrast, non-mortality salient participants expressed greater interest in BioHeat when viewing the non-materialistic BioHeat ad than when they viewed the materialistic bio-heat ad.

These results are interesting in that they align with past TMT research regarding the positive impact of mortality salience on a consumer’s desire to purchase luxury goods (e.g., Choi et al. 2007; Fransen et al. 2008). Yet in
this instance, the luxury good was alternative fuel, an inconspicuously consumed (more utilitarian) product. On a theoretical level, this study adds to the large body of research on TMT’s effect on consumer behavior. To the authors’ knowledge, no studies have investigated the impact of TMT on commodities or more inconspicuously consumed products. Hence, a contribution of this study is that it strongly suggests that TMT, and specifically inducing thoughts of one’s own mortality can significantly influence consumer’s purchase intentions of all items, luxury and non luxury. This opens up an entire sector of purchasing behavior that has not previously been examined using TMT. References are available upon request.

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CUSTOMER CONFUSION AND PRODUCT LINE SIZE: IMPLICATIONS FOR PRODUCT LINE MANAGEMENT

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SUMMARY

In a competitive environment, product portfolio management remains a critically important challenge for companies (Hauser, Tellis, and Griffin 2006). Often, companies try to handle this challenge by expanding their product lines (Hoch, Bradlow, and Wansink 1999). However, the advantageousness of large product lines has been questioned by researchers for customers and companies alike (Gourville and Soman 2005). Extended product lines can overload customers with information. This often makes it more difficult for them to find their favored product (Fasolo et al. 2009). In this regard customer confusion can appear. Customer confusion is predominantly the consequence of information processing errors which are caused by information overload (e.g., Leek and Chansawatkit 2006). It can be the reason for undesirable customer behavior such as rescheduling and cancellation of purchase decisions (e.g., Mitchell and Papavassiliou 1999).

Despite the relevance of customer confusion for companies’ economic success research with regard to negative post-purchase consequences of customer confusion is still lacking. Therefore, this study will empirically analyze the occurrence of customer confusion within a purchase process. Furthermore, we will analyze its most crucial consequences for companies, more specifically, its influence on customers’ purchase intention and word of mouth intention. Additionally, we will test a tool that should help companies to reduce customer confusion.

The environmental psychological Mehrabian-Russel model provides an explanatory basis for several customer behavior responses to customer confusion. It consists of a two-stage process of customer behavior (Mehrabian and Russell 1974). In the first stage, exogenous (i.e., environmental stimuli as perceived by individuals) and endogenous effects induce a positive or negative emotional reaction of an individual. In the second stage, a positive emotional reaction leads to an approach behavior while a negative reaction results in avoidance behavior. These reactions manifest themselves in the degree of the individual’s motivation to act or communicate (Donovan et al. 1994). The concept of information overload is appropriate to explain the emergence of customer confusion (e.g., Leek and Chansawatkit 2006). The exceedance of humans’ limited information processing capacities due to the large number of information carrying products can lead to confusion and suboptimal decision making (Malhotra 1982).

In our experiment participants were asked to imagine a scenario in which they decided to buy a jar of jam. The stimuli were different product lines of jam. We manipulated these product lines regarding the product number and the product complexity. Based on a literature review and the results of 20 store-checks we chose 6, 12, and 27 products to represent the different size categories of product lines. The degree of product complexity was modeled by using two different numbers of attributes (3, 6) which describe the products (Burnham, Frels, and Mahajan 2003). We also manipulated the extent of information about the product line which was provided to the customers. One group of the respondents was given an attribute-based consumption vocabulary which contained all product attributes including the corresponding values previous to the actual purchase decision. The other group did not receive any assistance in the purchasing process. The two groups consisted of an equal number of respondents. This procedure is suggested by West, Brown, and Hoch (1996).

With our study we considerably add to existing research on the phenomenon of customer confusion. Analyzing experimental data of 1,128 consumers we found that with increasing product line size customer confusion increases as well. We further detected that the confusion causing effect of product line size increases with increasing product complexity. Moreover, we identified customer confusion as a total mediator of the negative effects of product line size on purchase intention and positive word of mouth intention. Furthermore, we found that customers with a high level of product knowledge perceived less customer confusion than those with lower levels. On the contrary, customers who tend to maximize were more strongly suffering from confusion than those who are satisficing. Finally, a consumption vocabulary turned out to be a suitable instrument to reduce customer confusion. In addition, this managerial tool worked more effectively in the experimental conditions with large product lines.

Our findings have important implications for product line management. First of all, product line managers have to be aware of the potential problematic of customer
confusion when expanding their product lines. Consequently, product line decisions have to be reviewed from a customer’s perspective to investigate undesirable outcomes. However, if customer confusion occurs, countermeasures must be taken by managers. In this context a downsizing of the product line size can be recommended. Finally, measures which help customers to obtain a suitable amount of product information within the purchase situation and to learn their preferences regarding the product attributes should be pursued (Huffman and Kahn 1998). Since our study is restricted to the product category of jam, future research could enhance the generalizability of our findings by studying other product categories. References are available upon request.

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HOW DO CONSUMERS REACT TO SERVICE MERGERS?

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SUMMARY

Mergers are a common worldwide strategic business alternative. Merger deals are especially prevalent in the services sector, with several multi-billion dollar service mergers occurring in the past decade (e.g., Sirius and XM Radio in 2008; Northwest Airlines and Delta in 2008; Wachovia and Wells Fargo in 2008; Alltel and TPG in 2007; AT&T and BellSouth in 2006). Often during the merger process, managers become overly focused on elements such as ongoing negotiations, legal and regulatory issues, and financial details and overlook the concerns and perceptions of important stakeholder groups such as consumers (Balmer and Dinnie 1999; Kumar and Blomqvist 2004). As a result, consumers may experience uncertainties about their future relationship with the merging firm and eventually switch to a competitor. Therefore, it is vital to understand the effects of service mergers on consumers. The present study examines pre-merger brand valence in the context of balance theory. Pre-merger brand attitudes toward the consumer’s own brand and service quality expectations are hypothesized to affect the consumer’s perception of a merged service brand.

The influence of pre-merger brand valence on post-merger brand attitudes and service quality expectations is assessed via an online experiment. Perceived fit of the merging brands is also measured. In an effort to maintain experimental control in this study, fictitious telecommunication brands are used in the study to control for prior experience. Balance theory provides the foundation for the 2 x 2 between-subjects design in which the valence of brands is manipulated via fictitious consumer reviews. MANOVA is used to analyze the data and proposed hypotheses.

As expected, the main analyses indicate consumers react more positively toward service mergers involving two positive brands than mergers involving a negative brand. Vice-versa, consumers generally reacted more negatively toward service mergers involving two negative brands than mergers involving a positive brand. Based on balance theory, it is hypothesized that when a consumer has a negative brand, a merger might signal a possible positive change even when the merger is with another negative brand because of the balanced nature of the attitudes toward the merging firms. In addition, the consumer could hypothetically think, “could the service get any worse?” Although the main analyses are not fully consistent with balance theory, the subsequent analyses involving perceived fit do appear to support the previously mentioned notions when a consumer’s own negative brand is involved in a merger. In contrast, customers react more negatively when their own positive brand is involved in a merger.

Obviously, consumers have varying reactions depending on the valence of the merging brands. A merger involving a negative brand damages the image of the merged brand regardless of how positive the other brand is perceived before the merger. The results indicate that mergers involving two positive valence brands outperform mergers involving a negative brand. Moreover, when two positive brands merge it leads to higher levels of post-merger brand attitudes and service quality expectations. Thus, mergers of two positive service firms do not suffer as much as mergers involving a negative firm, which supports Basil and Herr’s (2006) notion of a “balance boost.” In addition, the results for the mergers involving the negative valence brands also support their idea of a “contamination effect.” Contrary to balance theory, the “contamination” is even more extreme in the mergers involving two negative brands with the respondents having the lowest levels of post-merger brand attitude and service quality expectations. Although respondents perceive two negatively valenced service firms as fitting together, which indicates balance, the merging firms are definitely not deemed a pleasant pair.

Service mergers involving a negative and positive valence brand may be more common in the real world because the successful firm is in a position to take over the flailing firm. Thus, it is critical to understand the influence of a merger on the current customers of either a negative or a positive firm with a firm of opposite valence. The results of the mergers involving the opposite valence brands provide vital managerial information. Customers fond of their service provider have adverse reactions to a merger with a negative brand with lower levels of post-merger brand attitudes and service quality expectations. Thus, the pre-merger positive brand suffers as a consequence of the merger. On the other hand, the pre-merger negative brand fares better when merged with a positive brand. These customers have more positive post-merger brand attitudes and service quality expectations.
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SUMMARY

In recent years, many companies have introduced a sales model that is commonly referred to as an “open architecture” model. In this model, companies that are both manufacturers and distributors of their own products and services open their distribution channels to their own competitors (Kelleher and Wood 2007). For instance, many retail banks do not only sell their own investment products (such as mutual funds) to their clients, but also those of other banks. Integrating competitor products into a company’s offering bears obvious risks, such as loss of market share, dilution of one’s own value proposition, and erosion of brand image. These potential downsides would need to be outweighed by a strong and positive overall customer reaction, such as an increase in satisfaction or loyalty. However, the current literature has not examined consumers’ reactions to open architectures in detail. In our paper, we address this gap in the literature and examine whether an open architecture model triggers positive or negative perceptions. Specifically, we (1) map out a “typology” specific cues that are likely to cause or influence these perceptions.

Attributions Triggered by an “Open Architecture” Model

Attribution theory has been used to account for the different views customers might form of an “open architecture” offering. If a company has been selling only its own products, customers will have formed an expectation about the company’s offering – namely, that it does not include any products from other brands or manufacturers. If the company then shifts to an open architecture model, this will not be in line with what customers have come to expect. Researchers have shown that “disconfirmed expectancies” are one of the main causes for attributional thinking (e.g., Hastie 1984; Hunt, Domzal, and Kernan 1982; Weiner 1985). We can therefore assume that the introduction of an open architecture triggers attributional thinking.

We expand this idea by arguing that customers may generate both favorable and unfavorable attributions in response to an open architecture model. On the positive side, research has often found that a violation of expectancies has favorable effects. For instance, disconfirmed expectancies may lead to higher acceptance of a sales message (Hunt, Domzal, and Kernan 1982) and more favorable attributions regarding the motives of a salesperson (Smith and Hunt 1987). However, attributions can also be unfavorable – this is frequently the case when consumers are suspicious about a salesperson’s behavior and start thinking about ulterior, undisclosed motives (Fein 1996; Friestad and Wright 1994). This line of reasoning extends the range and complexity of potential attributions. Rather than attributing the cause for an open architecture to benevolent motives (e.g., “better service to the client”), some customers might perceive the offering of third-party products as part of a sophisticated scheme.

In order to improve their sales effectiveness, companies will want to foster the instigation of favorable attributions and to avoid or counteract unfavorable attributions. With this goal in mind, we sought to understand whether there are specific “cues” that influence whether attributions are positive or negative. For instance, Campbell and Kirmani (2000) suggest that persuasion motives can transpire in the sales episode itself, through the agent’s behavior. In a similar vein, Fein (1996) argues that a customer might recognize cues in a salesperson’s behavior that seem to hint directly or indirectly at certain ulterior motives. We also have reason to believe that customers may treat the very fact that a company includes third-party products as a powerful cue – namely, when they perceive this behavior either as non-typical (Sujan, Bettman, and Sujan 1986) or as opposing the company’s best interest (e.g., Koesc and Crano 1968; Smith and Hunt 1978; Etgar and Goodwin 1982). Overall, it seems very likely that cues will have an influence on whether unfavorable or favorable attributions prevail in the attitude-forming process.

Method, Results, and Discussion

We conducted a qualitative study to develop a typology of the attributions caused by an open architecture model and the cues that might influence the polarity of these attributions (favorable vs. unfavorable). This exploratory step is a critical precondition for the quantitative, confirmatory research we will undertake at a later point. In our research, we focused on the Swiss banking industry which has recently introduced open architecture models. Specifically, we conducted 20 semi-structured
interviews that lasted between 40 to 70 minutes. All respondents were banking clients who had been told that they participated in a research study on their general experiences with banking services.

The results provide support for our theoretical reasoning. Firstly, the vast majority of our respondents expected that their bank would only offer them its own investment products to choose from. When this expectancy was disconfirmed, respondents actively searched for reasons behind the open architecture and produced very different attributions. Finally, our qualitative results suggest a number of cues that seem to impact the strength, location and polarity of attributions. These results are not only of theoretical interest, but are also of relevance to practitioners. By actively managing the cues identified in our research, managers may present their own and their competitors’ products in a way that fosters favorable attributions and inhibits unfavorable ones. This, in turn, may lead to higher customer satisfaction and loyalty. References are available upon request.

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A SUSTAINABILITY TYPOLOGY FOR NONPROFIT ORGANIZATIONS: INHERENT CHALLENGES AND NORMATIVE STRATEGIES

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SUMMARY

Nonprofit organizations emerge to serve a societal need that has not been met by either the business or government sectors. Insufficient profitability and insufficient public benefit are likely reasons for the failure of these two larger sectors of society to address the need. Therefore, nonprofits enter into environments that by their nature present barriers to organizational success. In order to survive and thrive, a nonprofit organization must achieve fiscal sustainability and remain relevant by addressing a significantly important social need. This paper proposes a diagnostic typology of nonprofit organization sustainability based on these two dimensions and prescribes strategies to achieve sustainability.

Nonprofit organizations typically emerge to satisfy needs that neither the business nor public sectors satisfy (Etzioni 1972; Kotler and Murray 1975; Pestoff 1992). Usually, the business sector does not satisfy the need because it cannot do so profitably. Additionally, government cannot satisfy the need because there is not enough public support to do so. Therefore, nonprofit organizations often pursue missions that are neither financially nor politically viable. Despite the fundamental challenges that the sector faces, the evidence indicates that the number of nonprofits and their collective economic impact is increasing. However, there is a consensus among researchers, policy planners, and professional managers that nonprofits operate in an increasingly competitive environment (Chetkovich and Frumkin 2003).

Given the inherent challenges of nonprofits and this increased competitiveness, how do these organizations sustain themselves as they address societal needs that neither the private nor government sectors are able to address? As nonprofits cannot rely solely on operational profit, and they lack government’s taxing authority (Hansmann 1980), nonprofits employ a unique operational model in which success depends on multiple stakeholders to provide necessary resources to function.

Long-term success requires nonprofit organizations to adopt strategies to ensure that they satisfy significant social needs in a fiscally sustainable manner. This paper presents a typology of sustainability based on the two dimensions that lead to the emergence of nonprofits: fiscal sustainability and significant social need. Then, drawing from the diverse extant literature, we suggest normative strategies to help nonprofits move toward the positive ends of the typology’s two dimensions.

The typology presented here is intended to be used strategically as a diagnostic and prescriptive tool based on organizational performance measured both financially and socially, i.e., mission outcome. These are the “double bottom line” metrics commonly demanded of nonprofits (Chetkovich and Frumkin 2003; Sawhill and Williamson 2001). We suggest that nonprofit organizations can be classified based on the long term financial viability of the organization’s operations and on its social viability, i.e., the perceived enduring significance of the social need it is attempting to address.

In the proposed typology, nonprofit entities can be categorized by the strength or weakness of financial resources and performance. In addition to the fiscal dimension, nonprofit organizations can be ranked as high or low along the dimension of addressing a perceived significant social need. Based on the organization’s categorization, we suggest normative strategies that will help it to improve or sustain its operations.

Proposed strategies to achieve fiscal sustainability include both revenue enhancing and cost reducing strategies. Other proposed strategies focus on a need-based sustainability that is achieved by remaining relevant to society, through effective service delivery and the management of society’s perceptions of the organization’s contribution. By selecting the appropriate normative strategies based on where the organization fits in the typology, the nonprofit may hope to improve its long term survival and success.

Implications for professional nonprofit managers and researchers are presented, as are suggestions for future research in the area. References are available upon request.
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SUSTAINABILITY AND INSURANCE: AN APPROACH TO SUSTAINABILITY SEGMENTATION

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ABSTRACT

This study integrates customers’ environmental and social concerns into an insurer’s pricing and marketing process. The established procedure measures customers’ sustainability: (1) perceived knowledge of sustainability; (2) attitude toward sustainability; and (3) sustainably sensitive behavior. Insurers can respond to sustainably sensitive customers and consider their (1) security orientation, (2) insurance orientation, and (3) claims history.

INTRODUCTION

Sustainability is more than a recent trend. Persons are increasingly expressing their opinion and lifestyle through sustainable attitude and behavior. They demonstrate their position in their sustainable sensitive beliefs, in the products that they buy, or in the transportation that they choose (Autio et al. 2009; Krystallis et al. 2008; Dunlap and Catton 1979; Schwepker and Cornwell 1999; Laroche et al. 2001; Getzner and Grabner-Kräuter 2004). In this context, sustainability seems to become a very important business issue (Kirkpatrick 1990). However, it is a challenging task for companies to consider sustainable attitude of their customers. They need to identify customers’ sustainable concerns, respond to them, and manage their needs effectively.

In the context of the insurance industry, security orientation, insurance orientation, and claims history are elements that companies must take into account when managing sustainable customers (Anderson and Anderson 2009). By predicting the influence of sustainable attitude on customers’ behavior, insurance companies can adapt their customer relationship strategy and adjust products and services. Accounting for customers’ sustainable concerns and employing sustainability attributes can create a competitive advantage for insurers. Sustainability attributes differ from standard actuarial variables and, therefore, can provide additional useful underwriting information. Thus, a reliable and valid segmentation framework based on sustainable factors can assist insurers in developing a strong sustainable image, identifying sustainable profile, managing sustainable customers, and predicting losses.

Although several studies investigate alternative attributes such as, e.g., personal characteristics, as classification variables (e.g., Brocket and Golden 2007), no empirical approach addresses these opportunities and challenges for insurers dealing with sustainable customers. The present paper aims to adapt the, in scientific literature established sustainability measurement, to the insurance industry. In particular, our study, first, predicts the impact of sustainable knowledge, attitude, and behavior on customers’ insurance orientation and risk profile, and second, groups insurance customers with similar sustainability and loss profile. A sustainability model based on the theory of planned behavior (TPB) (Fishbein and Ajzen 1975; Ajzen and Fishbein 1980) is developed and extended by insurance-specific elements. The final model comprises six dimensions: (1) perceived knowledge of sustainability, (2) attitude toward sustainability, (3) sustainably sensitive behavior, (4) security orientation, (5) insurance orientation, and (6) claims history.

So far, no empirical study has identified the sustainable attributes of customers in the insurance industry. Thus, this paper investigates the sustainable profile of insurance customers in terms of their knowledge, attitude, and behavior. Therefore, this study empirically tests the proposed model of insurance and sustainability on a large dataset. We conduct an empirical survey of insurance customers in Germany. This study starts by investigating the relationship among customers’ sustainable concerns, security orientation, insurance orientation, and claims history. The relationship between the sustainability and insurance dimensions is predicted by linear regression analysis. Latent Class Analysis (LCA) is then performed to identify the response patterns of individuals with similar sustainability profiles. Moreover, a regression analysis for four classes is conducted, using claims statistics as independent variables and sustainability indicators as predictors. Four classes were labeled as “attitude-oriented,” “mobility-oriented,” “behavioral-knowledge,” and “mobility-rhetoric.” The quality of derived measures is assessed by means of model fit and by identification of sustainable predictors that discriminate among the classes.

The paper is structured as follows. The next section summarizes the research on customer segmentation based on sustainability characteristics, and proposes an insurance-specific sustainability model. The proposed model is empirically tested in the third section. A summary of results is given in the final section.

TOWARD SUSTAINABILITY SEGMENTATION IN THE INSURANCE INDUSTRY

The rationale for segmentation is that customers can be grouped based on their needs and behavior (McDonald 1995; Piercy and Morgan 1993). Members of groups are...
likely to show similar responses to marketing activities or similar behavior in creating losses. According to economic pricing theory, through market segmentation, profit can be maximized when pricing levels discriminate among segments (Frank et al. 1972). Empirical research shows that companies that apply segmentation perform better, because they can fine-tune their customer offerings (Beane and Ennis 1987; Wind 1978). Marketing distinguishes qualification from attractiveness as segmentation criteria (Dibb 1999). These criteria are relatively simple to interpret, and they allow for an evaluation of the segmentation process: robustness of segmentation output and assessment of business issues, such as the profitability of a segment. Despite the attention that the segmentation of sustainable concern receives in the marketing literature, this approach has not yet found its way into the insurance literature. However, an important development in the insurance industry is the use of alternative attributes as psychobehavioral variables, to classify insurance customers (Brockett and Golden 2007).

**Alternative Segmentation Variables in the Insurance Industry**

Recent developments in the field of predicting losses focus on additional alternative attributes, such as biological, psychological, and behavioral attributes to forecast risky automobile driving and insured losses (Brockett and Golden 2007; Monaghan 2000; Kellison et al. 2003; Miller and Smith 2003). Brockett and Golden (2007) argue why individuals’ bio-psychological constitution influences driving performance and financial behavior. As early as 1949, Tillman and Hobbs (1949) examined lifestyle variables and stated” . . . a man drives as he lives” (p. 329). They identified the relationship between the personality characteristics, social background, and accident rates of taxi drivers. High-accident drivers had similar life histories, including emotional instability, disrespect for authority, school-related problems, juvenile criminal behavior, and short-term employment. Similar results are obtained from other studies in this field (Shihar and Compton 2004; Sommers et al. 2000; Arnett 1990; Grey et al. 1989). High-accident drivers are characterized by aggressive driving, impulsive behavior, disregard for others, and disrespect for authority. They take more risks while driving, and are more likely to participate in socially deviant behavior, such as having poor personal relationships, driving for emotional reasons, and having noticeably more moving violations. Further studies identify several personal characteristics that influence driving behavior and involvement in driving accidents. For example, risk perception is correlated with anxiety, sensation seeking, and aggression (Jonah and Dawson 1987). Thus, drivers with high-risk acceptance are more likely to be involved in accidents than are responsible drivers. Finally, young drivers are found to perceive less danger in driving situations and take greater risks than older drivers (Wison and Jonah 1988).

**Demographic Segmentation Variables in Marketing**

In the literature on sustainable consumer behavior, or “green” marketing, the profiles of sustainable customers are based on traditional variables (Kilbourne and Beckmann 1998). Empirical studies of sustainable segmentation attempt to identify the demographic variables that determine environmental and social attitude and behavior (Dunlap and Catton 1979; Schewperker and Cornwell 1999; Laroche et al. 2001; Getzner and Grabner-Kräuter 2004). These variables allow for efficient segmentation of customers. For example, the variable of “age” is explored, and the assumption that “green” consumers are younger has been supported (e.g., Anderson and Cunningham 1972; Kinnera et al. 1974; Aaker and Bagozzi 1982). Nevertheless, the goodness of these variables is controversial because the results of the empirical studies are inconsistent. For instance, Roberts (1996) identifies the environmentally conscious consumer as older than the average consumer. Gender, as another demographic variable, has influence on ecological awareness; women are more ecologically conscious than men are (Anderson and Cunningham 1972; Stern et al. 1993; Laroche et al. 2001). MacDonald and Hara (1994) disprove this. Nevertheless, numerous authors state that demographic variables do not sufficiently explain the ecologically friendly concerns of customers. As a result, they favor psychographic variables such as attitude, knowledge, and behavior (e.g., Schlegelmilch et al. 1996; Schewperker and Cornwell 1991; Straughan and Roberts 1999).

**Psychographic Variables for Sustainability Segmentation**

Employing psychographic variables to classify sustainable customers is founded on TPB. According to this theory, personality traits, personal values, and lifestyle are predictors of actual behavior (Fishbein and Ajzen 1975; Ajzen and Fishbein 1980). Simply claiming to be “sustainable” is no longer enough to predict a consistent sustainable profile. In this study, the sustainability profile consists of three components: (1) knowledge of sustainable issues, (2) attitude toward sustainability, and (3) sustainably sensitive behavior.

**Knowledge**

Knowledge is an important predictor in decision-making. In order to be environmentally and socially “sustainable,” people need to understand the consequences of their behavior. A knowledge component therefore has to be factored into any accurate measure of sustainability.
Several studies have found that knowledge is a considerable predictor of environmentally friendly behavior (e.g., Vining and Ebreo 1990; Chan 1999). However, other studies refute these findings. For example, Schlegelmilch et al. (2001) do not find a statistically significant relationship between respondents’ knowledge about environmental and social topics and their environmental and social-friendly purchasing behavior. The authors attribute these results to the difficulty of objectively capturing environmental knowledge. Another explanation is that knowledge and belief have distinct influences on behavior. For example, customers are unlikely to consume “green” products because they are aware of the shortcomings (Getzner and Grabner-Kräuter 2004).

**Attitude**

Several studies have identified attitude as a good predictor of sustainable behavior (Schwepker and Cornwell 1991; McCarty and Shrum 1994; Roberts 1996; Chan 1999; Laroche et al. 2001). In general, a positive attitude toward environment leads to respective behavior. In consequence, attitudes and values, which refer to a specific perception about environmentalism, are closer to actual behavior (Demkowski and Hamner-Lloyd 1994). For example, McCarty and Shrum (1994) find that the more inconvenient respondents believe that recycling is, the less likely they are to recycle. Krystallis et al. (2008) have confirmed consumer values and beliefs as predictors of organic purchasing.

**Behavior**

Several studies segment sustainable groups based on the membership in environmental and social organizations (Murphy 1989), on the recycling of materials, on the purchase of environmentally friendly products (Laroche et al. 2001; Bohlen et al. 1993), and on investment in “green” shares (Grabner-Kräuter 2004). For example, environmentally conscious behavior is supposed to be an important predictor for customers’ willingness to pay a higher price for environmentally friendly products or to abstain from unecological consumption. However, the empirical findings unexpectedly indicate the opposite (Laroche et al. 2001): although respondents agree to recycle and buy environmentally friendly products, they are not willing to pay a higher price for them. Autio et al. (2009) have examined the ways in which young consumers construct their images of green consumerism. They find that young people need to believe that their actions really make a difference.

This ambiguous result might be attributed to social pressure and to the researcher response bias, for example, the desire to receive an environmentally friendly answer from respondents (Laroche et al. 2001). However, Getzner and Grabner-Kräuter (2004) argue that the desirable response bias is a general problem when investigating the relationship between attitude and behavior. Therefore, the willingness of respondents to behave in a certain way should be interpreted as a general preference rather than as a predictor. For this reason, the present study accounts for objectively verifiable behavior (e.g., actual use of public transport) in addition to the general behavioral attitude (e.g., expressed intention to use public transports).

### Conceptual Model of Sustainability and Insurance

This empirical study explores the influence of sustainability on insurance customers by: (1) investigating the influence of distinct sustainability dimension on insurance dimension; and (2) identifying the target group of sustainable customers (see Figure 1). As outlined above, this study employs psychographic criteria such as knowledge, attitude, and behavior to predict customers’ sustainability profile. Therefore, the final conceptual model is developed as a TPB model, that the assumes sustainability dimension is an important predictor of customers’ insurance profile (Fishbein and Ajzen 1975; Ajzen and Fishbein 1980). Thus, the effect of customers’ sustainable orientation on their behavior, which is of relevance to insurers, is determined (e.g., readiness to assume risk, insurance orientation, product individualization, and claims history). Further, by segmenting individuals who exhibit similarities in sustainable knowledge, attitude, and behavior (sustainably sensitive mobility and sustainably sensitive behavior), companies can manage the target group, respond to its needs, and predict losses of sustainable customers.

### SUSTAINABILITY AND INSURANCE

Our findings are reported in three sections. First, the empirical procedure and the participants of the study are described. Second, the influence of sustainability on insurance customers is investigated. We determine customers’ risk and insurance orientation and their claims history by using linear regression analysis. Third, in order to identify the target group in the insurance industry, we segment insurance customers according to their sustainability profile by using Latent Class Analysis (LCA).

### Participants and Procedure

Our sample is taken from German insurance customers for automobile and household insurance. Of the 15,000 prospective respondents, 1,226 returned completed questionnaires (response rate = 8.2%). The participants’ age ranged from 27 to over 60 (27–30 = 17.5%; 31–40 = 28.7%; 41–50 = 23.2%; 51–60 = 16.5%; more than 60 = 14.1%). The proportion of females was 44.9 percent.

The questionnaire comprises six measures: knowledge, attitude, behavioral intention, verifiable behavior,
insurance orientation, and claims history. All measures conform to common practice in this field of research (e.g., Diamantopoulos et al. 2003; Dunlap et al. 2000). Influence of Sustainability on Risk and Insurance Orientation

First, we employ explorative factor analysis to test the internal consistency of the construct variables and to verify the conceptual model, consisting of the sustainability and insurance dimensions. As a result of the statistical identification of the factor loadings, each of the model dimensions requires at least two indicators (McDonald and Ho 2002). In the first step, we include all items of the survey, and in the second step, we perform factor analysis with fewer items. The indicators with low reliabilities, low factor loading, and no apparent relationship to the construct dimensions are excluded from further analysis.

Table 1 presents an overview of the included items of the final construct and factor weighting. Finally, we condense 31 selected items of the survey to 11 factors. Thus, the sustainability comprises four factors (sustainable behavior, sustainable mobility, sustainable attitude, and sustainable knowledge). Three factors represent customer attitude toward risk and insurance (readiness to assume risk, insurance orientation, and product individualization). Furthermore, four factors represent customers’ claims history (liability insurance, comprehensive insurance coverage, part insurance coverage, and householder’s insurance coverage). The final model integrates customers’ sustainable profile, customers’ risk, insurance attitude, and their claims history. The sustainability dimensions represent the independent variables as drivers toward security orientation, insurance orientation, and claims history (details for the result of factor analysis appear in Table 1). We perform linear regression analysis to predict the causal relationship between sustainability and insurance. As hypotheses in the conceptual model (see Figure 1), we determine the effect of customers’ sustainability on their insurance profile. In addition, we confirm the goodness of fit of the model and the statistical significance of the estimated parameters. We check for goodness of fit by the R-squared. For statistical significance, we check by t-tests of individual parameters. To measure the effect of independent variables on dependent variables, we refer to standardized β-coefficients. In general, different antecedents drive customers’ attitude toward security and insurance (see Table 2). More specifically, customers’ readiness to assume risk is determined by sustainable attitude (β = .078). However, the effects of sustainable mobility and sustainable knowledge are insignificant. In the case of insurance orientation, sustainable knowledge appears to be a negative driver (β = .089). Testing the influence of sustainability on product individualization, sustainable value (β = .063) and sustainable knowledge (β = .07) appear to be positive drivers. Overall, the results confirm that sustainable orientation of customers’ needs to be considered separately. Whereas sustainable mobility reduces customers’ readiness to assume risk, sustainable

![Figure 1: Conceptual Model of Sustainability and Insurance](image-url)
<table>
<thead>
<tr>
<th>Construct</th>
<th>Underlying Items</th>
<th>Factor Loading</th>
<th>KMO</th>
</tr>
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<tbody>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Sustainability dimensions</strong></td>
<td></td>
<td></td>
<td>.721</td>
</tr>
<tr>
<td>1 Sustainable behavior</td>
<td>Ecological purchase</td>
<td>.744</td>
<td></td>
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<td></td>
<td>Fair-trade purchase</td>
<td>.718</td>
<td></td>
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<tr>
<td></td>
<td>Shopping in ecostore/local market (obj.)</td>
<td>.64</td>
<td></td>
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<tr>
<td></td>
<td>Engagement in social/environment projects (obj.)</td>
<td>.484</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Donation (obj.)</td>
<td>.497</td>
<td></td>
</tr>
<tr>
<td>2 Sustainable mobility</td>
<td>Public transport network</td>
<td>.644</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sustainable travelling</td>
<td>.71</td>
<td></td>
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<tr>
<td></td>
<td>Hold travel card (obj.)</td>
<td>.483</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Use local public transport (obj.)</td>
<td>.776</td>
<td></td>
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<tr>
<td>3 Sustainable attitude</td>
<td>Media reports about climate change</td>
<td>.586</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Governmental contribution to environment</td>
<td>.674</td>
<td></td>
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<tr>
<td></td>
<td>Abstain from sth. because of environment</td>
<td>.636</td>
<td></td>
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<td></td>
<td>Individual contribution to environmental protection</td>
<td>.736</td>
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<tr>
<td>4 Sustainable knowledge</td>
<td>Alternative fuel</td>
<td>.612</td>
<td></td>
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<td></td>
<td>Erosion of ozone layer</td>
<td>.631</td>
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<td></td>
<td>Ecological footprint</td>
<td>.498</td>
<td></td>
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<td></td>
<td>Provision</td>
<td>.497</td>
<td></td>
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<tr>
<td><strong>Dependent variables</strong></td>
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<tr>
<td><strong>Insurance dimensions</strong></td>
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<td></td>
<td>.496</td>
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<tr>
<td>5 Readiness to assume risk</td>
<td>Individuals’ risk appraisal</td>
<td>.784</td>
<td></td>
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<td></td>
<td>Individuals’ risk behavior in free time</td>
<td>.789</td>
<td></td>
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<tr>
<td>6 Insurance orientation</td>
<td>Organization of personal insurance issues</td>
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<tr>
<td></td>
<td>Trust in insurance companies</td>
<td>.778</td>
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<tr>
<td>7 Product individualization</td>
<td>Information of personal driving behavior</td>
<td>.774</td>
<td></td>
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<td></td>
<td>Demand of individualized automobile insurance</td>
<td>.674</td>
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<tr>
<td><strong>Claims history</strong></td>
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<td>.528</td>
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<tr>
<td>8 Liability insurance</td>
<td>Number of claims</td>
<td>.959</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amount of claims</td>
<td>.961</td>
<td></td>
</tr>
<tr>
<td>9 Comprehensive insurance coverage</td>
<td>Number of claims</td>
<td>.948</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amount of claims</td>
<td>.950</td>
<td></td>
</tr>
<tr>
<td>10 Part insurance coverage</td>
<td>Number of claims</td>
<td>.949</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amount of claims</td>
<td>.921</td>
<td></td>
</tr>
<tr>
<td>11 Householder’s insurance coverage</td>
<td>Number of claims</td>
<td>.945</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amount of claims</td>
<td>.946</td>
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</tbody>
</table>

*Notes: Extraction method: principal component analysis. Rotation method: varimax with Kaiser Normalization. Rotation converged in four iterations. All factor loadings are significant at the 0% level.*

behavior increases it. Customers with high level of sustainable knowledge we assume as to be more independent, and thus, in general, less insurance-oriented. On the one hand, they are more likely to organize their insurance themselves, which is in line with less trust in insurance companies. On the other hand, sustainable knowledge and sustainable mobility increase customers’ demand for individualized products and services. When testing the impact of customers’ sustainability on their claims history, the results indicate a distinct impact of sustainable behavior and attitude. Whereas sustainable attitude has significant impact on low claims amounts and frequencies
in liability insurance ($\beta = -.099$), sustainable behavior influences the claims history for comprehensive insurance coverage ($\beta = .177$). The results of sustainability and claims history suggest that, overall, sustainable behavior stimulates customers’ activity and leads to higher frequency and larger claims in motor insurance.

**Sustainable Target Groups in the Insurance Industry**

In this section, we conduct LCA to identify the response patterns of people with similar sustainable attitude and behavior. LCA assumes that each individual belongs to only one class. However, class membership cannot be observed. It is treated as probabilistic. In general, LCA assumes that answers to a set of items are independent of the class membership, but class membership is correlated to individual responses. We run regression models for four classes using claim statistics as independent variables, sustainability indicators as predictors, and demographic items as covariates. First, we test whether sustainability variables adds useful information beyond what is already captured through demographic data. Therefore, we run three models: First, we run a full model, which includes both, demographic variables as covariates and attitudinal variables as predictors. Further, we run a restricted model, which excludes the demographic variables as covariates. Finally, we estimate a traditional model, which excludes attitudinal variables but accounts for demographic variables as predictors.

The likelihood ratio test reported in Table 4 shows that the restricted and traditional models, which consis-

<table>
<thead>
<tr>
<th>TABLE 2</th>
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<tbody>
<tr>
<td>Results of the Regression Analysis</td>
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<tr>
<td>Dependent Variable</td>
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<tr>
<td>Security and insurance orientation</td>
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<tr>
<td>Readiness to assume risk</td>
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<td>Insurance orientation</td>
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<tr>
<td>Product individualization</td>
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<td></td>
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<tr>
<td>Claims history</td>
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<tr>
<td>Liability insurance</td>
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<tr>
<td>Comprehensive insurance coverage</td>
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<tr>
<td>Part insurance coverage</td>
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<td>Householder’s insurance</td>
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*Notes: *Regression is significant at the 0.1 level, **Regression is significant at the 0.05 level, ***Regression is significant at the 0.001 level.*
tently exclude attitudinal variables and/or demographic variables, provide a significantly worse fit. Demographics do not fully capture the same information as attitudinal data. However, including demographics in addition to the attitudinal model provides a better fit indicated by $L^2$. The larger the value, the poorer the model fits the data and the worse the observed relationships are described by the specific model. We identify four classes based on whether respondents agree or disagree with the statement. As indicated in Table 3, about 41 percent of the respondents belong to Class 1, 23 percent to Class 2, about 18 percent to Class 3, and the remaining 17 percent to Class 4.

The results for the estimated model are presented in Table 4. $R^2$ indicates how well the model explains the dependent variable. The $R^2$ is similar to the explained variance in analysis of variance and to item communalities in factor analysis. However, the Wald statistic test associated with a significant p-value means that the indicator does discriminate among the clusters. Overall, the dimensions of sustainable behavior, sustainable mobility, and sustainable knowledge can distinguish the four classes. Except for the statement *fair-trade purchase*, all items are significant predictors of the classes on a level of 1 percent rather than 5 percent. Concerning sustainable attitude, the items discriminate less significantly among the classes: the attitude item *governmental contribution* is a significant predictor on a level of 10 percent only.

If attitudinal groups are different, the claim statistic is expected to be significantly different across the four sustainability groups. The Wald statistic test is associated with a significant p-value support that the claims history differs among the groups. For example, the mean response on claims is lowest in Class 1 (mean = 0.10). The mean claim value in Class 2 is 0.11. Class 3 indicates a

| Table 3: Model Summary, Classification of Group Membership (N = 715) |

<table>
<thead>
<tr>
<th>Classification Modal</th>
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<tbody>
<tr>
<td><strong>Probabilistic</strong></td>
<td></td>
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<tr>
<td>Class 1 (41.03%)</td>
<td>260.76</td>
</tr>
<tr>
<td>Class 2 (23.66%)</td>
<td>16.38</td>
</tr>
<tr>
<td>Class 3 (18.18%)</td>
<td>8.81</td>
</tr>
<tr>
<td>Class 4 (17.13%)</td>
<td>7.54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>293.49</td>
</tr>
<tr>
<td>Class 1</td>
<td>260.76</td>
</tr>
<tr>
<td>Class 2</td>
<td>15.63</td>
</tr>
<tr>
<td>Class 3</td>
<td>6.59</td>
</tr>
<tr>
<td>Class 4</td>
<td>19.02</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>302.00</td>
</tr>
<tr>
<td><strong>Model summary</strong></td>
<td></td>
</tr>
<tr>
<td>Full model (including sociodemographic variables as covariates)</td>
<td></td>
</tr>
<tr>
<td>$L$-squared ($L^2$): 460.4315 (p-value = 1)</td>
<td></td>
</tr>
<tr>
<td>Log-likelihood (LL): -231.602</td>
<td></td>
</tr>
<tr>
<td>Classification errors: 0.1346</td>
<td></td>
</tr>
<tr>
<td>Restricted model (Excluding sociodemographic variables as covariates)</td>
<td></td>
</tr>
<tr>
<td>$L$-squared ($L^2$): 538.5158 (p-value = 0.068)</td>
<td></td>
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<tr>
<td>Log-likelihood (LL): -407.094</td>
<td></td>
</tr>
<tr>
<td>Classification errors: 0.4998</td>
<td></td>
</tr>
<tr>
<td>Traditional model (Including sociodemographic variables as predictors and excluding attitudinal variables)</td>
<td></td>
</tr>
<tr>
<td>$L$-squared ($L^2$): 753.857 (p-value = 0.0016)</td>
<td></td>
</tr>
<tr>
<td>Log-likelihood (LL): -487.3451</td>
<td></td>
</tr>
<tr>
<td>Classification errors: 0.4333</td>
<td></td>
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</tbody>
</table>

*Notes:* Classification modal indicates the highest membership probability, whereas the classification probabilistic indicates the probability to belong to alternative groups.
| Table 4 | Identification of Different Classes by Means of Sustainable Indicators (N = 715) |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Class 1 | Class 2 | Class 3 | Class 4 | Wald | p-value | Mean | Std. Dev. |
| R²      | 0.84    | 0.91    | 0.98    | 0.94 |          |      |          |
| Dependent |          |          |          |      |          |      |          |
| Claim (mean response; 0=no claim; 1=claim) | 0.10    | 0.21    | 0.18    | 0.68 |          |      |          |
| No      | 51.44   | -27.18  | 2.19    | 32.67 | 16.37   | 0.00 | 20.67    | 31.89 |
| Yes     | -51.44  | 27.18   | -2.19   | -32.67 | -20.67  | 0.00 | 31.89    |      |
| Predictors |          |          |          |      |          |      |          |
| Sustainable Behavior |          |          |          |      |          |      |          |
| Ecological purchase | 8.68    | 30.32   | -63.01  | 12.97 | 19.68   | 0.00 | 9.96     | 0.02 |
| Fair-trade purchase | 0.78    | -4.83   | 21.20   | -3.54 | 7.81    | 0.10 | 7.78     | 0.05 |
| Shopping in ecostore/local market (obj.) | 9.80    | -9.70   | 32.14   | -14.40 | 18.44  | 0.00 | 18.43    | 0.00 |
| Engagement in social/environmental projects (obj.) | 0.67    | -19.53  | -20.01  | 11.97 | 11.76   | 0.02 | 11.31    | 0.01 |
| Donation (obj.) | 22.67   | -21.64  | 30.97   | -12.77 | 19.80   | 0.00 | 18.32    | 0.00 |
| Sustainable Mobility |          |          |          |      |          |      |          |
| Public transport network | 10.85   | -16.58  | -5.61   | 21.16 | 16.83   | 0.00 | 16.59    | 0.00 |
| Sustainable travelling | -9.30   | -46.55  | 24.28   | 39.12 | 20.06   | 0.00 | 19.52    | 0.00 |
| Hold travel card (obj.) | -16.17  | 29.29   | -4.90   | -13.86 | 11.83   | 0.02 | 5.85     | 0.12 |
| Use local public transport (obj.) | -14.75  | 26.11   | -16.72  | -14.11 | 18.92   | 0.00 | 11.04    | 0.01 |
| Sustainable attitude |          |          |          |      |          |      |          |
| Media reports about climate change | 27.01   | -20.47  | 2.83    | 0.78  | 10.04   | 0.04 | 9.92     | 0.02 |
| Governmental contribution to environment | 16.88   | -3.98   | -7.99   | -2.26 | 9.02    | 0.06 | 7.13     | 0.07 |
| Abstain from sth. because of environment | -0.77   | 6.65    | -11.91  | 20.33 | 11.42   | 0.02 | 10.26    | 0.02 |
| Individual contribution to environmental protection | -8.80   | 1.08    | 14.86   | -11.16 | 10.22   | 0.04 | 8.60     | 0.04 |
| Sustainable knowledge |          |          |          |      |          |      |          |
| Alternative fuel | 4.22    | -10.99  | 3.83    | 9.46  | 12.42   | 0.01 | 8.13     | 0.04 |
| Erosion of ozone layer | -14.11  | 26.66   | -79.94  | 8.75  | 19.55   | 0.00 | 18.78    | 0.00 |
| Ecological footprint | -5.46   | -44.45  | 26.34   | -28.21 | 11.78   | 0.02 | 7.53     | 0.06 |
| Intercept | 2.19    | -1.24   | -2.27   | 1.32  | 2.10    | 0.55 |          |      |
| <Covariates |          |          |          |      |          |      |          |
| Driving history |          |          |          |      |          |      |          |
| -10,000 km | -0.78   | 1.25    | 0.68    | -1.15 | 35.01   | 0.00 |          |      |
| 10 - 15,000 km | -0.30   | 0.20    | 0.79    | -0.70 |         |      |          |      |
| 15 - 20,000 km | 2.34    | -0.85   | -2.94   | 1.45  |         |      |          |      |
| 20 - 25,000 km | -0.99   | 1.93    | -0.07   | -0.86 |         |      |          |      |
| 25,000 + km | -0.27   | -2.53   | 1.54    | 1.26  |         |      |          |      |
| Age |          |          |          |      |          |      |          |
| - 30 years | 0.27    | -2.07   | -0.29   | 2.09  | 36.79   | 0.00 |          |      |
| 31 - 40 years | -1.49   | 0.93    | 0.88    | -0.32 |         |      |          |      |
| 41 - 50 years | 0.55    | -2.29   | -0.02   | 1.76  |         |      |          |      |
| 51 - 60 years | -0.22   | 1.61    | -2.96   | 1.58  |         |      |          |      |
| > 60 years | 0.90    | 1.82    | 2.39    | -5.10 |         |      |          |      |
| Urbanity |          |          |          |      |          |      |          |
| - 5,000 inhabitants | 0.31    | -0.46   | -1.39   | 1.54  | 36.00   | 0.00 |          |      |
| 5,001 - 50,000 inhabitants | 1.15    | -0.29   | -2.52   | 1.66  |         |      |          |      |
| 50,001 - 150,000 inhabitants | -2.41   | 3.06    | 4.45    | -5.10 |         |      |          |      |
| 150,001 - 500,000 inhabitants | 0.04    | 1.77    | -2.02   | 0.21  |         |      |          |      |
| > 500,000 inhabitants | 0.91    | -4.08   | 1.48    | 1.70  |         |      |          |      |
mean value of 0.18. Class 4 shows the highest mean value (0.68).

As expected, the response pattern differs among the four groups. The beta effect estimates below the column labeled “Class 1” suggest that Class 1 is influenced by sustainable behavior. For example, ecological purchase (beta = 8.68), shopping in ecostore/local market (obj.) (beta = 9.80), and donation (obj.) (beta = 22.67) have positive effects on this class. In terms of sustainable mobility, Class 1 indicates a positive effect of knowledge about public transport network (beta = 10.85), whereas verifiable use of public transport (hold travel card, beta = -16.17) and use of public transport (beta = -14.75) have negative influence. In terms of sustainable attitude, members of Class 1 favor media reports about climate change (beta = 27.01) and governmental contribution to environmental protection (beta = 27.01), but they do not feel individual responsibility (beta = -8.80). Knowledge of sustainable issues, in particular, erosion of ozone layer (beta = -14.11) is lacking. In summary, Class 1 is labeled the “attitude-oriented-class.”

Members of Class 2 differ from the other classes by disapproving of sustainable behavior, e.g., engagement in social/environmental projects (obj.) (beta = -19.53) and donation (obj.) (beta = -21.64). Concerning sustainable mobility, the results indicate strong effects of verifiable mobility. Members of Class 2 are the only ones which hold travel card (obj.) (beta = 29.29) and use local public transport (obj.) (beta = 26.11). Having a look at knowledge about public transport network and sustainable traveling the effect is strongly negative, which indicates that sustainable mobility is not due to beliefs, but to convenience. Overall, sustainable attitude and sustainable knowledge are not a differential attributes. Members of Class 2 are the only ones who state knowledge about ecological footprint (beta = 26.34). To summarize, Class 2 is the mobility-oriented-class.

Class 3 suggests a strong positive influence of verifiable behavior. Respondents are distinguished by sustainable purchase, indicated by a positive effect of fair-trade purchase (beta = 21.20) and shopping in ecostore/local market (obj.) (beta = 32.14), although they reject the statement ecological purchase (beta = -63.01). Further, members of this class differ from other classes by donation (obj.) (beta = 30.97). In terms of sustainable mobility, Class 3 prefers sustainable traveling (beta = 24.28), although members of this class do not approve this by indicating knowledge about public transport net (beta = -5.61), hold travel card (obj.) (beta = -4.90), and use local public transport (obj.) (beta = -16.72). Class 3 is summarized as “behavioral-knowledge-class.”

Members of Class 4 favor sustainable mobility confirmed by the predictors knowledge about public transport network (beta = 21.16) and sustainable traveling (beta = 39.12). Since they cannot approve this, the influence of verifiable predictors is negative, e.g., hold travel card (obj.) (beta = -13.86) and use local public transport (obj.) (beta = -14.11). The results of sustainable attitude

| TABLE 4 (CONTINUED) Identification of Different Classes by Means of Sustainable Indicators (N = 715) |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                  | Class 1         | Class 2         | Class 3         | Class 4         | Wald            | p-value         | Mean            | Std. Dev.       |
| Education                        |                 |                 |                 |                 |                 |                 |                 |                 |
| High school                      | -0.99           | -0.16           | 0.86            | 0.29            | 33.92           | 9.20E-05        |                 |                 |
| Secondary school                 | -0.87           | 0.49            | 1.57            | -1.19           |                 |                 |                 |                 |
| A-level                          | 2.21            | 0.63            | -4.02           | 1.18            |                 |                 |                 |                 |
| University                       | -0.36           | -0.96           | 1.60            | -0.28           |                 |                 |                 |                 |
| Income                           |                 |                 |                 |                 |                 |                 |                 |                 |
| -1,000                           |                 |                 |                 |                 |                 |                 |                 |                 |
| 1,001 – 2,000                    |                 |                 |                 |                 |                 |                 |                 |                 |
| 2,001 – 4,000                    |                 |                 |                 |                 |                 |                 |                 |                 |
| 4,001 – 6,000                    |                 |                 |                 |                 |                 |                 |                 |                 |
| 6,001 – 8,000                    |                 |                 |                 |                 |                 |                 |                 |                 |
| +8,000                           |                 |                 |                 |                 |                 |                 |                 |                 |
| Gender                           |                 |                 |                 |                 |                 |                 |                 |                 |
| Male                             | -0.43           | -0.37           | 1.13            | -0.33           | 10.99           | 0.01            |                 |                 |
| Female                           | 0.43            | 0.37            | -1.13           | 0.33            |                 |                 |                 |                 |
are ambiguous. The statement *abstain from something because of environment* (beta = 20.33) is accepted, although persons do not agree with *individual contribution to environmental protection* (beta = -11.16). Sustainable knowledge exists concerning *alternative fuel* (beta = 9.46) and *erosion of ozone layer* (beta = 8.75), but no knowledge about *ecological footprint* (beta = -28.21). In summary, Class 4 is labeled the “mobility-rhetoric-class.”

In addition, we include sociodemographic and socioeconomic attributes as covariate, and environmental attitudes as predictors. As indicated by the model test (see Table 4), the demographic variables do not contribute significantly more additional information. Nevertheless, the demographics are significant on a 0% level or 1% level for gender, respectively. Education appears as a highly significant covariate (9.20E-05). The results concerning the covariates are quite contrary and the adaptability demographic variables for marketing application appear ambiguous (for details see Table 4).

**SUMMARY**

**Discussion**

Applying linear regression analysis, we identify the impact of sustainability on customers’ security, insurance orientation, and claims history. The results indicate that sustainable antecedents have significant impact on customers’ attitude toward security and insurance. Sustainable attitude is a significant driver of customers’ readiness to assume risk; sustainable knowledge drives customers’ interest in individualized services and products.

By applying LCA, it is possible to identify individuals who share a sustainability profile. For example, the sustainability indicators distinguish significantly among the segments and thus allow for a test of the model quality. The covariates allow for an estimation of segment attractiveness, such as profitability of customers in age and income. Taken together, the results stemming from LCA indicate that insurance customers can be classified into four distinct sustainability groups. The findings of LCA analysis support the limits of traditional attributes from demographics for determining customer behavior. While demographic variables fulfill statistical significance, they lack the qualitative explanatory power of the psychographic variables.

**Future Research and Limitations**

Marketing in the insurance industry can segment customers according to sustainable characteristics. Therefore, it is meaningful to replenish the traditional segmentation attributes such as gender and age, with sustainable attributes. The actuary must verify and integrate sustainable attributes into the premium calculation. With respect to the variables explored in this study that indicate verifiable sustainable behavior (e.g., prove actual sustainable behavior by showing temporary public transport card), it will be possible to consider sustainability, when predicting insurance losses. By controlling for the traditional attributes, psychographic variables might provide a more useful approach in segmenting insurance customers and give information distinct from standard actuarial variables.

There are limitations that must be taken into account when considering these findings. First, the customers’ security orientation and claims history relies on individuals’ self-report measures. While there might be methodological bias due to subjectivity, the sustainable profile needs to be verified based on objective claims history. Supporting these self-report measures with observational or behavioral measures would strengthen the findings. A second limitation is related to the sample. The objective of this study was to examine sustainable conscious attitude and behavior based on technical losses in automobile and household of insurance. Using a sample from another insurance sector, such as health insurance would extend the sustainability insurance profile. Future research might refine segmentation variables, identify additional sustainable criteria, and extend the findings to other domains of sustainability (e.g., economically conscious attitude and behavior).

**Managerial Implication**

Managers and researchers must request the adaptability of the typical sustainable consumer profile (young, mid and high income, educated, urban woman) in terms of marketing application. The results suggest that psychographic measures in general and the dimensions, especially, knowledge, attitude, and behavior discriminate sustainable conscious customer profiles. Therefore, applying either psychographic variables or a mixed model (incorporating a range of demographic and psychographic variables) should be preferred to traditional demographic profiling methods.

Furthermore, the tested dimensions are applicable predictors of customers’ security and insurance orientation. Hence, it yields useful underwriting information how they will react in creating losses, such as in automobile insurance and household insurance. Insurers are supposed to extend the traditional attributes and account for sustainable characteristics to predict customers’ risk profile, which is vital in the field of product development and pricing. By managing sustainability segments effectively, insurers can establish products and services, which are consistent with customers’ sustainable opinion and lifestyle. By predicting the influence of sustainable attitude on customers’ behavior, insurance companies can adapt their customer relationship strategy and adjust prod-
ucts and services. For example, insurers can offer individualized products to customers who differ in sustainable knowledge. In the insurance industry, risk-taking behavior and security perception are elements that insurers must take into account when dealing with sustainable customers.

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AN EMPIRICAL ANALYSIS ON THE ADOPTION OF ALTERNATIVE FUELS: CONSUMERS’ PERCEIVED RISKS ASSOCIATED WITH NATURAL GAS VEHICLES

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SUMMARY

The increasing world energy demand, the effect of global warming, and the recent worldwide financial crisis constitute economics’ major challenges, especially with direct effects on private transport (IPCC 2008; Kahn Ribeiro et al. 2007). Particularly in Europe, compressed natural gas (CNG) is regarded as a short call alternative for traditional combustion engines (IGU 2005; Ristovski et al. 2004). The European Union has declared the long-termed target to disengage from fossil fuels and to employ a significant amount of alternative technologies as well as fuels in private transport, especially gaseous fuels, biofuels, and hybrid vehicles (EurActiv Network 2008b). The principal factors that motivate European governments to pass and promote such a collective long-run traffic strategy include primarily environmental (e.g., reducing air pollution) and geostrategic (e.g., reducing dependence on petroleum imports) reasons (Yeh 2007; Janssen et al. 2006).

Compared to conventional vehicles, CNG-driven cars can be considered as new transportation technology. The appliance of the Diffusion of Innovation Theory provides knowledge to investigate consumer’s attitudes toward the adoption of NGVs. Generally, diffusion of innovation is defined as “a process by which an innovation is communicated through certain channels, over time, among members of a social system” (Rogers 1995). The diffusion process is considered to pass sequentially through stages of knowledge, persuasion, decision, implementation, and confirmation of pertaining innovation (Robertson and Gatignon 1986; Mahajan et al. 2000).

Conceptual Model

Understanding the perceived risk phenomenon, all potential dimensions should be integrated into one single model. For the purposes of this paper, regarding all prospective and directly attributable risk dimensions, this research follows the results of Stone and Gronhaug (1993) and differentiate perceived risk in case of purchasing a NGV into six highly interrelated components of perceived risk. Against this background, Figure 1 shows the proposed conceptual model to investigate specific perceived risk factors in case of purchasing a natural gas vehicle for private use.

Results and Discussion

Within the data analysis, we first uncovered the various dimensions underlying the perceived risks in case of purchasing a NGV by a factor analysis using the principal component method with varimax rotation in line with a German data sample. The factor analysis produced a nine-factor structure with a Kaiser-Meyer-Olkin measure of .803. All items had medium (> 0.5) up to high factor loadings (> 0.8). For market segmentation purposes, profiling the cluster solutions should lead toward a classification scheme through describing the characteristics of each cluster to explain how they might differ on relevant dimensions. To develop a profile of each market segment, more detailed information comes from looking at the questionnaire variables cross-tabulated by cluster segment. Comparisons among the five clusters were conducted on a variety of descriptive variables including demographic and socioeconomic characteristics. Based on the variables from which they derived, the five clusters were labeled as follows: Cluster 1 is referred to as the Service-Oriented Skeptics, members of Cluster 2 are referred to as the High-Involved Traditionalists, Cluster 3 is referred to as the Risk-Averse Uninvolved, members of Cluster 4 are called the NGV-Interested Urbanites, and Cluster 5 is referred to as the Ecology-Minded Non-Drivers.

Further Research Steps and Managerial Implications

First, the different dimensions could be used as a basis to develop a more robust measurement instrument covering the different types of adopters. Second, in the next step of developing hypotheses, we should as well emphasize the interplay between the different variables. In line with a cross-national development of alternative fuels and engines, cultural differences in customer behavior, various policy instruments (e.g., tax rebates and delivery infrastructure), and economic indicators (e.g., payback periods or resale values) have to be included in
future research. Moreover, there are wide-ranging managerial implications of our research. The results offer a starting point for manufacturers and policymakers as they investigate how to best manage product characteristics, local incentives, and environmentalism sentiment in order to attract a larger number of consumers to NGVs. References are available upon request.

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DETERMINANTS OF CROSS-BUYING: A RE-EXAMINATION

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SUMMARY

In existing literature, cross-buying is seen as an important contributor of customer profitability (Reinartz and Kumar 2003; Venkatesan and Kumar 2004; Verhoef, Franses, and Hoekstra 2001). Typically, cross-buying is defined as the number of categories that customers purchase from (Reinartz and Kumar 2003). Despite the high relevance of cross-buying for customer profitability, relatively few articles empirically examine potential determinants of cross-buying (e.g., Hallowell 1996; Jeng 2008; Kumar, George, and Pancras 2008; Kamakura, Kossar, and Wedel 2004; Kamakura, Ramaswami, and Srivastava 1991; Kamakura, Wedel, de Rosa, and Mazzon 2003; Liu and Wu 2007; Ngobo 2004; Reinartz, Thomas, and Bascoul 2008; Soureli, Lewis, and Karantinou 2008; Verhoef and Donkers 2005; Verhoef, Franses, and Hoekstra 2001, 2002). Existing studies on cross-buying that include customer attitudes as determinants primarily focus on three relational factors: customer satisfaction, trust, and payment equity. In turn, studies that use past purchase behavior to predict cross-buying do not consider customer attitudes as explanatory variables. Consequently, a comparative assessment of its determinants’ explanatory power is not possible. From a management perspective, it remains unclear which of the numerous potential determinants are the best predictors of cross-buying behavior.

Against this background, the present research contributes to the literature by integrating existing cross-buying determinants into one conceptual model. The relative impact of these determinants on cross-buying behavior is tested empirically. In total, 60,000 customers were randomly selected from one retailer to be contacted via e-mail, from which 10,622 (17.7%) joined the survey and completed the questionnaire. Again, 1,050 customers were randomly selected to combine attitudinal data from the customer survey with purchase behavior data from customer data base of the examined retailer. Purchase behavior data include each transaction made between customers and the firm over a period of three years. The examined sample is representative for the total customer base regarding age (M = 32.00 years), gender (male = 86.1%, female = 13.9%) and income (M = 2.320 €).

Summarizing the results of the empirical study, we have to state that prior antecedents of cross buying can be classified into four sets of variables: (1) Customer attitudes, (2) past purchase behavior, (3) socio-demographic characteristics, and (4) marketing instruments. A differentiated examination was undertaken with the result that socio-demographic variables were found to have only a weak effect on cross buying, whereas past purchase behavior and marketing instruments have a strong impact. Regarding customer attitudes, we found affective commitment, attractiveness of alternative, marketplace involvement to have weak effects on a customer’s cross buying behavior. The effects were in line with our expectations.

Furthermore, we found sales and purchase frequency to mediate the relationship between customer attitudes and cross buying, which has been proposed by Reinartz, Thomas, and Bascoul (2008). Therefore, companies have first to invest in customer loyalty. As a consequence, loyal customers will engage in cross-buying. Hence, customer attitudes largely have an indirect rather than a direct effect on cross buying (satisfaction, payment equity, trust, calculative commitment, convenience, involvement, value shopping). Overall, past purchase behavior and information about individually employed marketing instruments have the strongest predictive power of a customer’s cross buying behavior.

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HUMANIC INTERACTION IN PATIENT EXPERIENCE AS A VALUE PROPOSITION

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SUMMARY

Understanding value and its delivery have been advocated as a research priority by the leading scholars of the marketing field (Lindgreen and Wynstra 2005). Discussions and studies have been focusing at the business front but there has not been empirical investigation of the relationship between patient experience and patient value in healthcare, which is the largest service industry in the United States (Herzlinger 1997). The current study attempts to fill this gap by examining the relationships between patient experience, patient value, and the resulting patient recommendation with a comprehensive theoretical framework. Specifically, the current study intends to develop the theoretical and operational definitions of patient experience and patient value from humanics interaction perspective and then to construct a conceptual framework for the relationship between patient experience and patient value as well as the impact of value on patient recommendation.

The Theoretical Framework

A theoretical framework is proposed to examine the relationship between patient experience and patient value as well as the impact of value on patient recommendation. Patient experience in the current study focuses on the patient-staff interactions and is defined as the patient’s humanics interactions with the caregivers (Gentile, Spiller, and Noci 2007). Previous studies have suggested that patients and staff can interact in a variety of ways/styles which include verbal/nonverbal, cognitive/affective, and high/low controlling interactions, among others (Bradley, Sparks, and Nesda 2001; Hausman 2004; Ong et al. 1995). The current study incorporates all the interaction styles into the measurement of patient experience. Specifically, there are three proposed dimensions of patient experiences in our framework: information connectedness, nonverbal interaction, and personal greeting. Compared with experience, value is at the higher level of abstractions for a product or service (Zeithaml 1988). This study adopts Holbrook’s definition and defines patient value as: “the patients’ evaluations of their appreciated healthcare experiences.” “Appreciated” is used here because the appreciated consumption experience can elicit the customer’s intrinsic value (Holbrook 1996, 1999). Holbrook (1996, 1999) summarizes the higher level abstractions/value into eight categories: efficiency, fun, excellence, aesthetics, status, ethics, esteem, spirituality. Three dimensions are relevant with the current study: excellence (function), status (social symbols), and spirituality (admiration). According to the context of the current study, these three dimensions are specified as empowerment (excellence), respectfulness (spirituality), and responsiveness (status) which are abstracted from the three dimensions of patient experience. As previously discussed, patient value is created in the form of patient experiences (Holbrook 1996; Prahalad and Ramaswamy 2004; Norton, Curtiss, and Hart 2001; Berry, Carbone, and Haecel 2002; Hill et al. 2001). Thus, we hypothesize that “patient experiences creates the patients’ value.”

The value has also been found to directly influence behavioral intentions, including a consumer’s tendency to recommend the product to other consumers (Cronin, Brady, and Hult 2000; Sirdeshmukh, Singh, and Sabol 2002; Choi et al. 2004). Thus, our hypothesis is “recommendation of healthcare services is positively influenced by patient value.”

The long wait time has caused great concern for hospital administrators (Fottler and Ford 2002). We therefore incorporate patient experience involving waiting into our framework. Time has been demonstrated to have both economic value and consumer value (Leclerc and Schmitt 1999). Intuitively, long wait time decreases customer value. Thus, we hypothesize that “wait time negatively influences the patient’s value.”

Methodology

Data are collected through semi-structured observations and exit surveys. The emergency department of a hospital was selected as the context for study due to its timeframe for each patient visit is well confined that allows the duration of each observation to be manageable. Participants for this study included 550 emergency department patients from three hospitals, serving similar target segments, located in Michigan, Indiana, and Alabama. An availability sampling method was used in this study. Participants joined this research via close observation and self-reporting evaluations.
Results and Discussion

Structure equation modeling was used for data analysis. The results from AMOS 7 show that the model is acceptable, as indicated by the GFI, AGFI, and CFI values of .86, .83, and .84 respectively. The results showed that value of empowerment and responsiveness significantly influences patient recommendation, which is a commonly used indicator for customer loyalty (Sirdeshmukh et al. 2002). Both wait time between arrival to triage and between triage to being seen by the staff were shown to significantly drive the generation of responsiveness but with a different extent. The finding of the fact that the wait after triage has a stronger impact on patient perceived value has an important strategic implication. The ER should consider shortening the wait after triage more important than shortening the wait before triage. As to the value of empowerment, only information connectedness was shown to drive it but not with a statistically significant extent.

Both nonverbal interaction and personal greeting in an experience created values of respectfulness and responsiveness. However, none of their relationships was found to be significant. These insignificant relationships seem to indicate that (1) the emergency department (ER) context is a unique one that their patients are typically in an acute state of ailment and hence they focus more on having the immediate medical problem solved. We need to take caution in generalizing the conclusions of this study to other contexts of patient care, such as inpatient care; (2) the experiences that can create patient value are generated from the memorable, impressive and exceptional cues in healthcare services (Berry et al. 2002; Haeckel, Carbone, and Berry 2003). If the service meets but does not exceed the patient’s expectation or instigate delight from the patients, the experience may not significantly be recognized as creating patient value. References are available upon request.

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PRE- AND POST-MARKET LIBERALIZATION CUSTOMER SERVICE QUALITY PERCEPTIONS OF AN INCUMBENT MONOPOLY: THE CASE OF THE SAUDI TELECOMMUNICATIONS INDUSTRY1

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SUMMARY

Market liberalization can be viewed simply as a process of getting to a freer market situation (van de Merwe 1987). It describes the industrial organization phenomenon where a previously non-competitive market occasioned by regulation is deregulated, allowing additional suppliers. According to the structure-conduct-performance (SCP) paradigm of industrial organization (Tirole 1993), market liberalization is expected to result in positive economic outcomes for an industry and the individual firms that comprise it, including the incumbent monopoly. Several such positive outcomes have been reported in the literature, including industry growth (e.g., Singh 2000), quality improvements (e.g., Yan 1999), and profitability growth (e.g., Cabanda and Ariff 2002; Park, Li, and Tse 2006; Jeng and Lai 2008). For service organizations, other desirable marketing-related outcomes to strive for are customers’ quality perceptions, satisfaction, loyalty, and attitudes are also. A relevant question is whether market liberalization can positively impact these variables as well, particularly for an incumbent monopoly provider. The present paper addresses this question. It examines whether liberalization has resulted in changes in customers’ perceptions of Saudi Telecom Company (STC), the incumbent monopoly provider.

In Saudi Arabia, liberalization of the telecommunications market began in 2002 with the award of four VSAT licenses to competitors. This was followed in 2004 by the award of two data licenses and a second mobile license to Itisalat of the United Arab Emirates. In 2005, Saudis experienced for the first time the intrigue of a second telecom provider as Itisalat’s Mobily began operations. In 2007/2008, the entry of a third mobile provider (Zain Telecom) further consolidated the liberalization process.

Liberalization has undoubtedly increased competition in the Saudi telecom market, and anecdotal evidence also suggests that STC has significantly changed its market behavior as a result. It has implemented massive post-liberalization tariff reductions, expanded its service offerings, regularly offers promotions, and undertaken many other market-oriented initiatives. The SCP paradigm would suggest improvement in customer-related performance variables given these initiatives. The study therefore specifically examined whether market liberalization has impacted (1) customers’ quality perceptions, satisfaction, loyalty, and attitudes toward Saudi Telecom (STC), and (2) structural relationships among quality, satisfaction, loyalty, and attitudes. It tested hypotheses that: (1) customers’ quality perceptions, satisfaction, loyalty and attitudes toward the incumbent will be higher post-market liberalization; (2) service quality perceptions will positively impact satisfaction with the incumbent both pre- and post-market liberalization, and satisfaction will positively impact loyalty toward the incumbent both pre- and post-market liberalization, and (3) attitudes toward the incumbent will positively moderate the relationship between quality and satisfaction and between satisfaction and (3) attitudes will positively moderate these relationships

The hypotheses are tested using data from two waves of a tracking survey conducted in 2004 before Mobily started operations (wave 1, pre-liberalization data set) and 2008 after Zain started operations (wave 2, post-liberalization). Both surveys used the same questionnaire to measure quality, satisfaction, loyalty, and attitudes. Service quality was measured using the SERVQUAL dimensions (Parasuraman et al. 1988 and related papers).

Independent samples T-tests are used to compare mean scores across the two waves and examine the impact of market liberalization. Ordinary least squares regression is used to examine structural relationships among the constructs in each wave and to examine changes across waves. The results show statistically significant improvements in the key constructs between the pre- and post-liberalization periods. Structural relationships among the constructs are also largely as expected. However, the moderating effects of attitude are not as expected. Liberalization also appears have resulted in interesting changes in structural relationships among the constructs. Specifically, the impact of responsiveness and assurance quality dimensions on satisfaction are higher post-liberalization; that of reliability and tangibles dimensions are lower post-liberalization; and that of satisfaction on loyalty is lower post-liberalization.

The study concludes that, in terms of how it is perceived by consumers, liberalization has actually benefited the incumbent. A general implication is that, although incumbent monopolies have an understandable
tendency to not want market liberalization, under certain conditions this can actually be good for them. The study also concludes that theoretically, liberalization’s positive effect is not only in economic variables. Perceptual related variables also benefit. Finally, liberalization may not change only industry dynamics; structural relationships among the perceptual constructs investigated in this study may also change.

ENDNOTE

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ROADS TO CUSTOMER PERFORMANCE: INVESTING WISELY IN THE SERVICE-PROFIT CHAIN

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SUMMARY

The majority of Service-Profit Chain (SPC) studies have been carried out in the private sector. The main focus of investigation has been on the link between employee and customer attitudes (such as satisfaction), customer behavior (such as share of wallet) and the contribution to the service provider’s performance (such as profitability). Our study contributes to the extant knowledge by departing from this traditional line of enquiry as follows:

1. Study context. We chose a public sector organization, a national economic development agency, as there is a strong need for a better understanding how private sector practices embraced in the public sector contribute to the delivery of public services. Moreover, unlike previous studies carried out in service settings with low complexity, the economic development agency we chose offers complex intervention and consultancy services with its business customers, typically small- and medium-sized companies.

2. Performance measures. Unlike previous SPC studies, we do not use the service provider’s performance as the ultimate outcome variable. Instead – and due to the context of our study – we use customer outcomes as a critical performance criterion for such public service providers. Moreover, we use subjective (e.g., customer satisfaction) as well as objective (e.g., performance of customers’ business) measures to assess customer outcomes as a result of the intervention with the public service provider.

3. Level of analysis. As the organization delivers its services through branches, we use hierarchical linear modeling (HLM) to account for individual employee and customer data being nested at a branch level (level 2). We do not only explain drivers of employee and customer outcomes, but also systematic variances across branches that occur due to contextual differences with regard to the implementation of management practices in and characteristics (such as funding and staff-customer ratio) of these branches.

In order to address our research objectives, (1) to examine how employee advocacy can be established through internal organizational initiatives and how it impacts on customer outcomes, and (2) to assess the relative impact of internal and external organizational initiatives on customer outcomes, we conduct two multilevel studies. We use objective data on organizational initiatives for multiple branches (n = 12) of an economic development agency as well as survey data from multiple employees (n = 725) and multiple customers (n = 985) nested within the 12 branches. Each employee as well as each customer can be matched to a particular outlet. Based on this we estimate the following model:

Level 1 Model:

\[
ADVOC = \beta_0 + \beta_1 (STRAT) + \beta_2 (VALUE) + \beta_3 (MS) + r
\]

\(ADVOC = \) employee advocacy of products/services offered

\(STRAT = \) service strategy

\(VALUE = \) service values

\(MS = \) management support

\(SP = \) service performance

Level 2 Model:

\[
\beta_0 = \gamma_{00} + \gamma_{01} (MARKO) + \gamma_{02} (SERVO) + \gamma_{03} (SOLO) + \gamma_{04} (FUNDING) + \gamma_{05} (S/CRATIO) + \gamma_{06} (INTSPEND) + \mu_o
\]

\(MARKO = \) external organizational initiatives that belong to a dimension of the market orientation construct.

\(SERVO = \) external organizational initiatives that belong to a dimension of the service orientation construct.

\(SOLO = \) external organizational initiatives that belong to a dimension of the solution orientation construct.

\(FUNDING = \) change in total funding between previous and this year.

\(S/CRATIO = \) staff/customer ratio.

\(INTSPEND = \) total spending on internal administration and management.

Our study provides empirical evidence for the centrality of the employee advocacy construct in the SPC in complex service settings, as it is significantly related to customer outcomes. Moreover, average employee advocacy moderates the impact of service performance on customer outcomes. This might be due to the fact that complex, highly intangible services have large degrees of credence qualities which prevent customers from assessing the quality of the advice given. Only if employees...
really believe in the quality of their services they deliver, customers will accept the advice given which might lead to an increase in their performance. In support of this, the results also reflect that external organizational initiatives have no impact on customer outcomes, whereas internal organizational initiatives directed at employees – mediated by employee advocacy – have a significant effect on customer outcomes. Therefore, more effective service improvements may be achieved through organizational initiatives that are directed at employees, not at customers. Moreover, our findings suggest that from all internal organizational initiatives that are directed at employees, those in support of solution orientation have the strongest impact on employee advocacy. Service orientation initiatives have little, whereas market orientation initiatives have a negative impact. In a sense, this finding supports the paradigm shift to a service-dominant logic in which customers are perceived as co-creators of value. This encompasses a much more tailored and integrated approach to services in which employees become more facilitators than deliverers and may be particularly relevant in complex services.

The findings also show that particular branch characteristics have a positive impact on employee advocacy. While it is intuitive that an increase in funding and a more favorable staff/customer ratio positively influence employees’ perceptions of the organization they work for, it is surprising that the same characteristics have no direct impact on customer outcomes. Instead, this link is mediated by employee advocacy. This stresses the importance of the branch environment as it influences how employees perceive the organization they work for and the services they deliver. Surprisingly, our data also suggest that an increase in spending on internal administration and management has a negative impact on employee advocacy. It is possible that, in the context of the organization, an increase in administrative spending is related to an increase in internal reporting procedures and processes that negatively impact on employee perceptions of organizational service commitment. As our study is one of the first to investigate this modified SPC concept in a complex public service setting, overall more research is required to understand whether the findings reported here can be replicated. References are available upon request.

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AN ASSESSMENT OF THE LONG-TERM ORIENTATION SCALE:
A REPLICATION AND EXTENSION BASED ON FINDINGS ACROSS 10 EUROPEAN COUNTRIES

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SUMMARY

There has been great debate on the structure of culture, its measurement and effect on behavior for many decades. Hofstede (1980) provided one of the seminal works of our time by developing a theory of culture based on four dimensions and devising a means of measuring cultural orientation, with the addition of a fifth dimension now conceptualized as long-term orientation (Hofstede 2001). However, investigations of the psychometric properties of Hofstede’s scales have revealed shortcomings (Spector et al. 2001) such as the fact that Hofstede’s measures are primarily for aggregate-level analysis and are therefore not appropriate for individual-level analysis (Bond 2002).

The criticism directed at Hofstede’s measures has led to the development and use of alternatives. One such example of an alternative cultural value scale is that of long-term orientation developed recently by Bearden et al. (2006), and for the purpose of this study termed the LTO scale. This scale developed and tested with over 2,000 respondents across four countries (Argentina, Austria, Japan, and the U.S.) affords the potential to capture LTO at an individual-level. The scale contains two subscales (tradition and planning) measured with four items each and has been found to explain variance (R² up to .14) in personal ethical values at the individual-level (Nevins et al. 2007). While Bearden et al. (2006) have provided evidence that the LTO scale replicates relatively well across independent country samples, an independent assessment of the psychometric properties and validity of this scale across a wider range of countries is needed.

In our study a final sample of 3,491 respondents across ten EU countries was gained. Sample sizes range from n = 169 (Lithuania) to n = 562 (Greece).

In addition to measuring LTO using the eight-item scale developed by Bearden et al. (2006), three items are used to capture a measure of individualistic orientation with two items capturing uncertainty avoidance. These items are based on the scales reported in Mourali et al. (2005) and Reardon et al. (2006) and were used to help establish nomological validity.

Based on the analysis of survey data from the ten countries, the 8-item LTO scale performs reasonably well with results that lend support for the internal validity of the LTO scale within most of the countries examined. Specifically, both LTO dimensions are reliable in all but one country, namely Greece where the planning dimension has a Cronbach alpha value below .6. Overall results from the Greek sample deviate from the general findings. In terms of dimensionality of the scale all country samples except the Greek support a two-dimensional correlated model. However, we find lower levels of internal consistency reliability for the planning subscale with less than adequate AVE values for most country samples. The measurement invariance of the scale was tested using both ability, measurement invariance as well as convergent, discriminant, predictive and nomological validity.

Their results show that the LTO subscales have an adequate level of reliability where Cronbach alpha are reported to be above .71 for the dimension tradition and above .62 for planning across their studies. Test-retest correlation for tradition and planning are .78 and .69 respectively. Further, across the studies conducted, Bearden et al. (2006) evidenced convergent and discriminant validity for the two dimensions and established predictive and nomological validity in terms of the predicted relationships to downstream variables frugality, compulsive buying, personal ethics and cognitive response measures. They established metric invariance across two national samples (Japan and the U.S.) in one study and partial metric invariance across four national samples (Argentina, Austria, Japan, and the U.S.) in another study.
classical measurement theory and generalizability theory. Although full metric invariance was not found across the ten country samples using the procedures described by Steenkamp and Baumgartner (1998), this is evidenced among two groups consisting of five and three countries respectively. Furthermore, the results of the multi-facet GT analysis also reveal a low proportion of variance due to country-level effects. Based on these results it can be concluded that the Bearden et al. (2006) LTO scale performs well and is, by and large, invariant across the EU countries studied. This finding is of paramount importance given the likelihood that the scale will be used predominantly in cross-cultural research.

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CROSS-CULTURAL EXAMINATION OF ANTECEDENTS OF SALES MANAGER EFFECTIVENESS: A STUDY OF SALESPEOPLE IN SIX COUNTRIES

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SUMMARY

The sales manager is “the critical link between the vision of an organization’s upper management and the firm’s revenue-generating personnel, the sales force” and impacting salesperson performance to a great extent falls on the shoulders of the sales manager (Deeter-Schmelz, Kennedy, and Goebel 2002, p. 617). Considering the critical role played by sales managers, there is surprisingly limited research focused on sales manager effectiveness. Given this gap, the first purpose of our work is to bring greater clarity to the under-researched construct of sales manager effectiveness. Based on path-goal theory (House 1971), the contingency model of leadership effectiveness (Fiedler 1967), and the sales management work by Deeter-Schmelz et al. (2002, 2008), five antecedents to sales manager effectiveness were explicated: trust, relationship to manager, training and coaching, empowerment, and frequency of sales managers working with their salespeople. Additionally, with so many companies actively managing sales forces in multiple countries, our second purpose is to understand whether relationships would vary, or be universal, across cultures. Using Hofstede’s (1980) national culture framework, we hypothesized why particular antecedent-to-effectiveness relationships would be moderated by power distance, uncertainty avoidance, masculinity, and individualism.

Our six country study included salespeople from Australia, Canada, China, Mexico, New Zealand, and the United States (N = 1,094). Salespeople in each country completed surveys (provided in English except China and Mexico). Where possible, existing measures were used and most used 7-point scales. Analysis included tests for reliability, validity, cross-culture measurement equivalence, and model testing using OLS regression.

In sum, our adjusted model R² was .77. We found that trust (limited to the honesty and integrity dimension) has universally positive effects on sales manager effectiveness. Thus, sales managers in any country must be recruited for their ability to lead with earning trust at the forefront, giving salespeople confidence in the honesty of sales managers’ comments and directions.

As to other antecedents, we found positive main effects for closeness of a salesperson’s relationship to his or her supervisor, training and coaching provided by sales managers, empowerment received by a salesperson, and frequency the sales manager works with a salesperson. However, these antecedents were also moderated by national culture dimensions. This suggests that senior executives might be able to tap a source of competitive advantage by understanding how to engage sales manager resources appropriately across cultures. For instance, we found that closeness of a salesperson’s relationship to their sales manager has a greater positive effect on effectiveness in high individualism and in low power distance countries. The rationale for finding this effect in low power distance countries is that in these countries the psychological gap between managers and subordinates is expected to be small, a condition converse to that of high-power distance countries. Thus, a closer relationship with their sales manager would be more expected by salespeople in low power distance countries.

Training and coaching have always been viewed as a positive sales manager role. As expected, we found that training and coaching is of greater importance in high uncertainty avoidance countries. This finding challenges sales executives to give special emphasis to their sales managers in these countries so as to engage purposefully in training and coaching activities. Additionally, we found that the positive effect of empowerment on sales manager effectiveness is less in high uncertainty avoidance countries.

Frequency of a sales manager working with a salesperson was found to have an inverted-U effect on effectiveness. Finally, we found that salespeople from cultures with high masculinity perceive sales managers more effective (relative to salespeople from low masculinity cultures) when sales managers work with them less frequently.

Our findings provide researchers and sales executives a better understanding of how five factors influence salespeople’s perception of sales manager effectiveness. Further, the finding that culture moderates a number of antecedent – to effectiveness relationships provides critical knowledge for sales managers. This study includes six countries with a wide range of national culture scores, indicating that our findings may prove applicable well beyond the particular countries studied. We hope our
research gives other scholars direction for continued study into sales manager effectiveness and the effects of national culture when managing sales forces throughout the world. References are available upon request.

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CROSS-CULTURAL DIFFERENCES IN ONLINE BRAND COMMUNITIES: AN EXPLORATORY STUDY OF INDIAN AND AMERICAN ONLINE BRAND COMMUNITIES

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SUMMARY

There is a growing interest among marketers about online brand communities as they are perceived to bring many benefits to firms. Research on brand communities has shown that higher level of participation and long term membership increases the likelihood of adopting a new product from the preferred brand (Thompson and Sinha 2008), positively influences members' commitment to the brand (Casalo, Flavian, and Guinaliu 2008), creates oppositional loyalty where members actively reject competitors' brands (Muniz and O'Guin 2001) and positively impacts customers brand attitude, loyalty and attachment to the brand (McAlexander, Schouten, and Koenig 2002; Algesheimer et al. 2005). Such information could be immensely useful in identifying the shortcomings of the products and improve future product offerings.

Online Brand Communities

Muniz and O’Guinn (2001) defined brand communities as “social entities that reflect the situated embeddedness of brands in the day-to-day lives of consumers and the ways in which brands connect the consumer to the brand, and consumer to consumer” (p. 418).

Motives for Participation

Based on Dholakia et al. (2004), Dholakia and Bagozzi (2004), and Flanagin and Metzger (2001), we have identified the following five motives for participation in online brand communities. Receiving Information refers to members browsing the brand community website for information, reading postings by other members or posting messages to get desired information from other members. Giving Information refers to posting messages in response to other members’ request for information or posting messages informing readers. Social Integration involves establishing and maintaining contact with others (Flanagin and Metzger 2001). Self-Discovery refers to individuals’ “need to understand and deepen salient aspects of themselves through social interactions” (Dholakia et al. 2004). Status Enhancement is the “value that a participant derives from gaining acceptance and approval of other members and the enhancement of one’s social status within the community on account of one’s contributions to it” (Dholakia et al. 2004).

Consequences of Participation

Several scholars have identified three characteristics of brand communities (Muniz and O’Guinn 2001; Schau and Muniz 2002). Consciousness of kind is defined as “the intrinsic connection that members feel toward one another, and the collective sense of difference from others not in the brand community” (Muniz and O’Guinn 2001). Moral responsibility is defined as “a felt sense of duty or obligation to the brand community as a whole, and to its individual members” (Muniz and O’Guinn 2001). Shared rituals and traditions is defined as “conventions or practices that set up visible public definitions and social solidarity and perpetuate the brand community’s shared history, culture, and consciousness” (Muniz and O’Guinn 2001).

Cultural Differences Between India and USA

Hofstede (1991) defines national culture as “the collective programming of the mind which distinguishes the members of one group or category of people from another.” Culture affects how an individual thinks and acts in the world. In collectivist cultures, members tend to be open and willing to share their knowledge with other members of their in-group (Chow et al. 2000).

On the other hand, members of individualistic cultures are motivated by self-interest (Markus and Kitayama 1991). They view themselves as independent and give preference to their own thoughts and goals.

Discussion

The purpose of this study was to understand if national culture has an impact on the motivations for participation, and in community characteristics that are developed because of participation in online brand communities. Based on the extant literature on Hofstede’s individualism and collectivism dimension, we argued that for members from collectivistic cultures receiving information, giving information, social integration, self discovery, and status enhancement should be stronger than members from individualistic cultures; however, receiving information should be a stronger motive for members from individualistic cultures. We also argued that members of online brand communities in collectivistic cultures will exhibit
stronger conscious of kind, moral responsibility, and shared rituals and traditions than members of brand communities in individualistic cultures. We collected data from two different brand communities, one located in India and the other in USA. The results of our study provided empirical support for all but one of the hypotheses.

Although virtual communities, including online brand communities, are modern day socializing places, it is more so in the case of the collectivistic cultures. For online brand communities in individualistic cultures, managers should engage in giving more information than they possibly could receive from the members. This type of exchange could possibly encourage repeat visits and higher levels of participation.

Limitations and Future Research

As with any study, the present study has some limitations. This study focused on online brand communities formed around motorcycles which are technical products. As the study is based on a web survey, a selection bias might have affected our findings. Also, almost all respondents in the study were male.

This study offers several suggestions for future research. One area is refining the scales developed in this study. Another area is to study a successful online brand community that has members from different countries. Finally, the present study should be replicated with members of other online brand communities that vary in size, activity and type of the brand before the results can be generalized. References are available upon request.

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WHY DO MANAGERS GIVE PRICE CONCESSIONS? THE ROLE OF ORGANIZATIONAL PRICE PERCEPTIONS

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SUMMARY

Prior work in economics, management, and marketing has identified structural (i.e., objective) drivers of price competition – such as market growth, market concentration, or competitive intensity. Firms’ subjective price perceptions as a driver of competitive pricing actions have largely been neglected. However, these perceptions are often selective and biased. For example, firms often selectively focus on evaluating their performance relative to their chief competitors and overemphasize beating them. Furthermore, managers often engage in overly aggressive pricing actions, which might provoke retaliation and intensify price competition.

Firms’ subjective price perceptions should notably matter in business-to-business markets and in situations where prices are negotiated and fixed for each deal. However, the questions of how and to what extent selective and biased organizational price perceptions shape a manager’s intensity of price concessions in order to close deals have largely been neglected. This lack of research is remarkable as quick price concessions in the face of competitive challenges and in order to close deals are considered the major pricing obstacles in business-to-business markets. Thus, a deeper understanding of organizational price perceptions provides important insights as to why managers engage in price cutting.

Based on the literature on managerial and organizational cognition and on institutional theory, we argue that price-related organizational cognitions shape price-related managerial behavior, i.e., the intensity of price concessions of senior managers with primary pricing responsibility when negotiating prices. We suggest that organizational price perceptions consist of three variables. First, we consider perceived price cutting momentum as the firm’s perceived external pressure to discount. Second, perceived price aggressiveness captures the extent to which a firm considers its own price behavior as aggressive and as aggressively countering price cuts of competitors. Third, the institutionalization of price perceptions captures the degree to which the organizational perception of the competitive pricing environment is institutionalized and no longer questioned. We further address how the intensity of price concessions affects firm performance. Finally, as both structural industry factors and organizational perceptions should affect a manager’s rebating behavior, we test our hypotheses by statistically controlling for the effects of major structural variables – such as competitive intensity, the customers’ price sensitivity, or market growth.

We test our framework by drawing on a cross-industry survey sample of 230 business units. The sample contains a broad range of industries (among others: machinery, automotive, consulting, and IT/telecommunications), and most of the informants are head of sales or head of the business unit/managing director.

Results of our analyses show that the firm’s perceived aggressiveness and the perceived price cutting momentum lead to a higher degree to which managers with pricing responsibility give price concessions when negotiating prices with customers. As a result, a firm’s price-related success, and ultimately return on sales, are negatively affected. The same holds for the institutionalization of price perceptions, which also leads to a higher intensity of price concessions. These effects are observed while controlling for major structural drivers of price competition.

The key contribution of our study is that it advances our knowledge on pricing processes in business-to-business firms. Our study shows that managerial pricing decisions are not only affected by objective (i.e., hard) factors but are largely determined by cultural-cognitive (i.e., soft) factors at the organizational level. More specifically, shared beliefs on the competitive pricing landscape and incrusted price perceptions affect managerial pricing behavior.

From a managerial point of view, firms must acknowledge that soft factors affect their senior managers’ pricing decisions and that the firm’s pricing processes – notably in business-to-business markets – must account for these intangible and cultural factors. As a result, firms should frequently question them in order to prevent pricing actions which destroy margin and lead to lower firm profits. More specifically our results imply that firms need to assess their prevailing perception of their own as well as their competitors’ aggressiveness with respect to pricing and whether this perception is really true. Firms should also carefully examine whether organizational price perceptions are incrusted and no longer questioned by their executives and their salespeople. The collection and dissemination of price-related information on the competitive landscape should be important in this context.
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THE INFLUENCE OF A SALESPERSON’S DIALECT: IS REGIONAL DIALECT A DRIVER OR AN OBSTACLE IN PERSONAL SELLING?

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SUMMARY

The regional dialect of a salesperson is commonly negatively connoted and inherently associated with a deficient divergence from standard speech (Carlson and McHenry 2006). Hence, there has been a recent growth of accent and dialect reduction services offered in order to enhance comprehensibility of employees (Rogers, Dalby, and Nishi 2004). Reviewing the literature of relevant business studies reveals that virtually no study has been undertaken to examine a speaker’s regional dialect in a business context. To fill this void, this study focuses on the impact of a salesperson’s regional dialect on customer’s perception and attitude in personal selling. This approach is based on findings from the fields of linguistics and sociology. The study constitutes, in which way a dialect can be a driver or an obstacle in persuasive communication to shape customer attitudes.

The study is based on industrial buyers evaluating actual sales pitches. Overall, ANOVA results suggest that respondents do not devaluate salespersons with a regional dialect per se. When customers are interacting with a sales representative who speaks with regional dialect various effects of dialect come into play and overlay the processing of the message. In this regard, speech quality is key to explain listener’s perception of a speaker. Listeners who are exposed to a salesperson with a low perceived quality of speech are equally satisfied with the salesperson regardless whether or not he speaks with a regional dialect. In accordance with confirmation/disconfirmation-paradigm (Oliver 1997) salespersons with a regional dialect, however, benefit from a high quality of speech, since they are exceeding stereotyped expectations of the listeners toward the dialect speakers.

The empirical study further indicates that stereotypical associations with the dialect and its speakers strongly affect satisfaction with the salesperson: In correspondence with previous findings on linguistic stereotypes (Hall 1980; Puntoni et al. 2009), it is shown that a favorable dialect positively influences customer judgments of the salesperson. More importantly, in line with Accent Prestige Theory (Giles 1970) stereotypical beliefs about traits of the people who generally speak a certain regional dialect explain a great portion of the customers’ satisfaction with the salesperson.

Whereas stereotypical associations with the dialect and its speakers strongly affect perception of the salesperson, convergence of the speaker and degree of dialect strength essentially influence customers’ purchase intention and, partially, their satisfaction with the company. In congruence with Social Identity Theory (Tajfel 1981), a spokesperson with a similar dialect outperformed others who are obviously being categorized as members of the out-group. The current findings also imply that strength of perceived regional dialect has a non-linear impact (inverted U-shaped function) on purchase intention of a customer. The results highlight that a salesperson with a weak regional dialect is more favorable than a speaker with no such coloring or a maximally perceived regional dialect.

This study needs to be based upon additional research, because of the study’s sample size. Moreover, generalizability of the study needs to be validated for languages other than German and different cultures. The authors of this article further elaborate this field by examining foreign and regional dialects.

In summary, the study offers new arguments for the debate on reduction of regional dialects. At the most general level, it was shown that regional dialect of a speaker is not necessarily a disadvantage in personal selling. Hence, dialect modification therapy should rather focus on improving quality of verbal expressions (such as voice volume, tone, hesitation, etc.) instead of hiding a regional speech pattern or changing it. Marketers need to consider the following five criteria when judging the employability of a sales representatives with a regional dialect: First, is the salesperson’s speech of high quality although he speaks with a regional dialect? Second, is the dialect of moderate strength? Third, is the dialect similar to the ones of the targeted customers? Fourth, is the dialect perceived positively? And fifth, do customers have positive stereotyped associations (e.g., positive image) toward the ethnic group who speaks the regional dialect? If the salesperson meets all those criteria he will be as persuasive – and even more persuasive – as a sales representative who speaks standard speech.
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FRANCHISING: A REVIEW OF LITERATURE FROM MARKETING PERSPECTIVE

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ABSTRACT

The literature on franchising is replete with research conducted in various disciplines including economics, law, management, marketing, and management science. However, there is no literature review paper that approach the topic from a marketing perspective. In this study, we attempt to address this gap by categorizing the literature in order to identify shortages and surpluses of research. We identified three major streams to categorize the relevant articles: Price, Trust, and Authority. The overarching finding of this study is that franchising research is not saturated from a marketing perspective.

INTRODUCTION

Franchising activities in the U.S. generated over $2.31 trillion of annual output in 2005, which accounted for approximately 45 percent of total retail sales. There is a tremendous growth in the franchising market compared to a decade ago, with numbers doubling in terms of share and volume. More than 75 industry sectors use franchising to distribute goods and services to consumers, and this provides direct employment for more than 11 million Americans (International Franchising Association 2005). Overall, franchising was among the most preferred market expansion strategies (Cateora, Graham, and Graham 2006).

The literature is replete with research on franchising conducted in various disciplines including economics, law, management, marketing and management science. Elango and Fried (1997) provided a comprehensive review by incorporating all of these disciplines. Their study is broad but somewhat limited from a marketing discipline stand-point. Also, many important articles have been published in major marketing journals during the last decade, and there is a need to review the existing state of marketing research on franchising.

METHODOLOGY

The purpose of this study is to approach franchising from a marketing perspective and to review the literature in order to identify shortages and surpluses of research. A three-part data collection process was used. First, standard electronic search procedures were used to access the ABI/Inform, Ebsco Host, Business Source Premier, Dissertation Abstract, and Science Direct databases. We used keyword combinations of “franchising,” “franchise systems,” and “franchisor” to drive the search. In addition, Journal of Marketing, Journal of Marketing Research, Marketing Science, Management Science, and Journal of Business Research were manually searched. Finally, the references of the collected studies were searched for other articles directly contributing to our understanding of franchising from the B2B marketing perspective. Overall, forty-one articles were classified as relevant and are summarized in Appendix 1. Table 1 lists the number of articles sourced from each journal searched. Brief topical summaries were prepared on each identified article, and these were used to analyze the literature in order to identify major research streams.

RESULTS

We fitted the identified articles into three groups: Price (Contracts and Ownership), Trust (Relational Contracting), and Authority (Conflict and Opportunism). These three groups map into two major categories: Markets and Hierarchies as shown in Figure 1. This categorization scheme is grounded on theoretically based approaches that are developed in academic research to categorize various forms of industrial organization, particularly Bradach and Eccles (1989). In fact, the major categories of “markets” and “hierarchies” stem from Coase (1937)’s classic article about the origins of markets and hierarchies to describe the organization of industry. According to this approach “the operation of market costs something and by forming an organization and allowing some authority (an entrepreneur) to direct resources, certain marketing costs are saved” (Bradach and Eccles 1989, p. 99). The marketing costs include the costs associated with determining relevant prices and negotiating and concluding contracts. The control mechanisms of price, authority and trust map on market, hierarchy and relational contracting (relationships) all of which are concepts that must be treated independently to organize industries (Bradach and Eccles 1989).

The markets and hierarchies’ dichotomy is based on the idea that transactions are governed by the institutional arrangement that is most efficient. The three dimensions of transactions dictate whether markets or hierarchies are most efficient are: uncertainty, asset specificity, and frequency. These dimensions affect the costs associated with writing, executing, and enforcing contracts, when such costs are high, markets fail and hierarchies emerge in their place. Here, uncertainty refers to the uncertainty about individual performance in groups and uncertainty about
future contingencies. Asset specificity dimension states that when highly specific assets are involved in the transaction, this may lead to post-contractual opportunistic behavior. As a result of all these two, frequent (and therefore costly) recontracting occurs. In these instances, the installation of an authority relation (hierarchy) between contracting parties is less costly than an arms-length market transaction. Thus, markets and hierarchies are mutually exclusive means of allocating resources (Bradach and Eccles 1989; Williamson 1985).

According to Bradach and Eccles (1989), a growing body of research later documented the nonmarket and nonhierarchical organizational forms – forms typically said to reside between markets and hierarchies (Richardson 1972; Eccles 1981; Williamson 1985). This stream of research highlighted the fact that relations between independent exchange partners can be stabilized through formal (written contracts) and informal mechanisms (trust). These arrangements enable firms to gain access to know-how unavailable in-house, spread the risks associated with uncertain ventures; benefit from economies of scale; enter new product and geographic markets rapidly; manage interorganizational dependencies; and respond quickly and flexibly to changing circumstances.

We identified all of these issues in our review of literature in franchising from a marketing perspective. We observed that Bradach and Eccles (1989) scheme was effective to categorize the literature as shown in Figure 1.
TRUST (RELATIONSHIPS)

Kalnins and Mayer (2004) state that retail and service business units will enjoy reduced failure rates if they are affiliated with experienced multiunit owners and franchisors. As a result of their relationship with the experience of individual owners and franchisees, they gain knowledge that is tacit and of value locally. They highlighted the continued importance of such local experience and tacit knowledge in all franchise businesses by stating that franchise systems benefit from their owner’s local congenital experience but not from distantly gained experience.

Hadjimarcou and Barnes (1998) studied the process of international expansion by a relatively small franchisor attempting to expand internationally using a case study. They highlighted the benefits of finding a partner in the host country and the strategic alliances created as a result by small firms attempting to expand internationally. Monroy and Alzola (2002) studied the behavior in the franchise network from the perspective of quality management. They defined quality in franchise networks as a strategy to focus on customer satisfaction through the commitment between network partners. They proposed a model for measuring transactional (short-term) and relational (long-term) quality. They found that the contract does not completely reflect the actual conduct of franchisor-franchisee relationships. They suggest that it is necessary to harmonize the transactional or contractual view with the relationship view.
Doherty and Alexander (2004) examined franchisor-franchisee relationship in the context of international fashion retailing. They studied the mechanisms by which international franchisors control their franchisees in a fashion retailing context. They contended that non-coercive sources of power such as supportive, communicative and trusting relationships are the most successful to control an international franchise system. Perry, Cavaye, and Coote (2002) highlighted the fact that most research about franchising relationships concentrated on social bonds such as trust and commitment. They state that little research considers technical bonds and how they interact with social bonds within a relationship. They provided an information technology perspective to franchise system relationships and investigated how technical bonds of information systems link with social bonds in the relationship between a franchisor and a franchisee. The contribution of their study is the finding that franchisor’s increased technical competence from information technology improves the social bonds in the relationship. Doherty and Alexander (2006) also studied the mechanisms by which international franchisors control their franchisees in a fashion retailing context.

FUTURE RESEARCH ON TRUST (RELATIONSHIPS)

Studies in control in international franchise systems needs further research attention. From a methodological standpoint, more qualitative studies are needed on international retail franchising because the majority of research is survey based (Doherty and Alexander 2006). An interesting research question for control in international franchise systems could be “how can social and technical bonds in B2B franchise systems linked together?” (Perry, Cavaye, and Coote 2002).

AUTHORITY (CONFLICT AND OPPORTUNISM)

Conflict is studied as an authority dimension by numerous studies. Dant and Schul (1992) analyzed franchise channel conflict in the context of fast food restaurants. Their results revealed a high overall incidence of persuasion and problem solving but a preference for bargaining and third party intervention when the disputed issues involve high stakes, complexity and policy connotations and when the franchisee dependency is rated high.

Srinivasan (2006) concentrated on the performance of dual distribution systems where the franchisor license the operation of some of its units to franchisees while owning and operating some units itself. Srinivasan (2006) considered the firm’s age, scope of vertical integration, advertising, financial leverage, and financial liquidity as firm characteristics that influence the relationship between dual distribution performance and intangible value. Hunt and Nevin (1976) focus on deceptive practices in the granting or selling of franchises. They explore full disclosure laws designed to protect prospective franchisees from misrepresentations by franchisors. They find that full disclosure laws greatly reduce the incidence of deceptive practices. Kaufmann and Rangan (1990) studied the amount of marketing activity necessary to mediate the conflict between the existing franchisees and the franchisor. They created a model based on the conceptualization of two counteracting effects: spatial competition and relative system attractiveness.

Opportunism is studied as an authority issue by a number of studies as well. Dahlstrom and Nygaard (1999) analyzed the opportunistic behavior in franchise systems in the context of a Norwegian oil distribution network. They found that opportunistic behavior consistently increases transaction costs whereas cooperative interaction curbs bargaining costs. They suggested that cooperation, definition of complementary goals and formalization of mutual obligations can alleviate opportunism in franchise systems. Gassenheimer, Baucus, and Baucus (1996) combined opportunism to various parameters. They found support for the hypothesis that communication not only increases performance and satisfaction in a franchise system but it also moderates the relationship between opportunism and satisfaction and opportunism and performance.

Windsperger (2004) analyzed the allocation of decision rights in franchising relationships. Their main thesis is that the higher the franchisor’s portion of intangible knowledge assets relative to franchisee’s, the more residual decision rights should be assigned to the franchisor, and the higher is the degree of centralization. They found that the franchisor’s intangible system-specific know-how and brand name assets have a stronger influence on the allocation of decision rights in the franchising network than the franchisee’s intangible local market assets. Kalnins (2004) framed “encroachment,” which is the case when franchisors add new units of their brand proximately to their franchisees’ existing units, as a loudly complained form of channel conflict in franchising. Using revenue data from U.S. lodging industry, Kalnins (2004) found that when franchisors approve new same-brand units in the vicinity of incumbent units, these new units cannibalize the incumbents’ revenues.

FUTURE RESEARCH ON AUTHORITY (CONFLICT AND OPPORTUNISM)

For future research on conflict, Dant and Schul (1992) suggested exploring the sequential utilization of alternative behavioral tactics by channel leaders to resolve dyadic
disputes, and examining the contingent impact of past disputes and their outcomes on subsequent choice behavior. They also suggested that future studies may compare conflict resolution mechanisms across alternative governance structures from discrete to more relational.

In order to describe the marketing performance perspective in franchising, there is a need for studies focused on performance implications of dual distribution systems across diverse industry contexts, incorporating environmental and organizational characteristics and using in-depth interviews and surveys (Srinivasan 2006).

For future research in opportunism, research that simultaneously examines formal structures, informal controls, and incentives has potential to develop a more comprehensive theory for antecedents of transaction costs (Dahlstrom and Nygaard 1999).

There is also a need for a detailed study of communication and opportunism inter-relationship in franchise systems which incorporate objective measures such as; financial data, market share data, industry assessment, and expanded measures on communication, opportunistic behavior, monitoring, and customer satisfaction (Gassenheimer, Baucus, and Baucus 1996; Castrogiovanni and Justis 1998). Other relationship subjects that call for academic interest are the allocation of decision rights across franchising networks and the relationship between decision rights and performance of a franchise system (Windsperger 2004). In addition, another broad area for future research could be a systematic quantification of the economic magnitude of encroachment phenomenon (Kalnins 2004).

**PRICE – CONTRACTS**

Contracts are studied by a large number of studies. Dahlstrom and Nygaard (1994) utilized agency theory to investigate contractual decisions among Norwegian oil retailers. They investigated three contractual forms: corporately-owned and operated facilities, corporately owned/ franchise operated outlets, and franchise owned and operated service stations. They found that franchisor managed outlets exhibit the highest revenues, while franchisee-owned outlets are employed in areas with lowest population density. They also found that franchisor-operated outlets are more likely to be utilized near freeways than corporately-owned/franchisee-operated service stations.

Lal (1990) focused on the use of royalty fees and monitoring activities to improve the coordination between channel members and specified that these are seen more frequently in fast food, hotel, and motel/car rental franchises than other industries such as automobile and gasoline dealerships.

Kaufmann and Dant (2001) also studied fees and proposed that there is a positive relationship between the initial franchise fee and royalty rate. Agrawal and Lal (1995) expanded the discussion on royalty fees and analyzed the inter-relationships between royalty rate, monitoring frequency, and monitoring costs within a franchise system. They found that the royalty rate positively affects monitoring frequency. Agrawal and Lal (1995) also note that monitoring costs negatively affect monitoring frequency and the service level. Desai and Srinivasan (1995) developed a purely mathematical model about the cost of signaling strategies, i.e., informing franchisees about a demand potential. They stressed the fact that usually franchisors are not able to fully observe franchisees performance and franchisees are uncertain about the demand potential signaled by the franchisors. They concluded that the costs incurred by information asymmetries are lesser in a three-part scheme which allows a franchisee can retain a higher proportion of earnings for higher quantities sold as opposed to a two-part scheme where franchisor forces a franchisee to provide a desired level of service for a fixed royalty fee.

Gupta and Loulou (1998) studied the joint implications of contracts, costs and product substitutability in a marketing channel. They found that inserting independent retailers into the channel system provides manufacturers buffering from price competition. This is especially true when the products of the manufacturers are substitutable and intra-channel contracts are observable. They also highlight the fact that lack of channel coordination may result in a reduction of manufacturer’s incentives to invest in reducing production costs. Gupta and Loulou (1998) developed a preliminary mathematical model for franchising channels. They criticized existing franchising channel research by stating that marketing literature traditionally focused on demand side whereas operations literature on the cost in franchise systems. They pointed out to a need to combine these two in a cross-functional approach where horizontal and vertical dimensions of inter-organizational relations are combined. Later, Shane (2001) studied contract efficiency and brought a market performance dimension. According to Shane (2001), large firms that adopt contract policies to screen franchisees are more likely to survive than large firms that do not adopt these policies. Shane (2001) stressed that non-contractual mechanisms such as training and communication mechanisms are survival enhancing if adopted in ways consistent with efficient contract theory.

Azoulay and Shane (2001) studied franchise system contract conflicts by using evolutionary view of contract design in which entrepreneurs undertake policy experiments on the basis of the information they possess. Azoulay
and Shane (2001) emphasized the importance of contracting efficiency and showed that contracts which have superior information are rewarded with survival. An example of the significance of superior knowledge from a franchisee's point of view is definition of exclusive territories in franchising contracts whereby franchisees can protect themselves from the encroachment problem. Desai (1997) studied a different type of fee which is charged on franchising advertisements. He developed a mathematical model that discussed the effects of two types of advertising fees on the behavior of franchise channel members. He highlighted the fact that although fixed advertising fee allows the franchisor to achieve full channel coordination on price and service, sales-based advertising fee is more profitable when franchisees are sufficiently heterogeneous.

Light (1997) suggested that franchisors should consider signing long-term contracts with their franchisees. The longer contracts signal to franchisees that they are more likely to enjoy their business’s prosperity before the franchisor can seek control of the outlet. Baroncelli and Manaresi (1997) studied divestment as a change of the form of controlling retail operations, from ownership to contractual relationships of franchising. They find that divestment is not merely a strategy to save unprofitable firms but it can be used as a strategy to deploy resources efficiently in order to grow a business. They furthered this position by stressing that franchising can be considered as a hybrid form of divestment, replacing ownership-based control in any market

Chen and Dimou (2005) looked at international hotel chains and analyzed the effect of parameters such as the level of development of the target market, brand growth rate, international experience, and brand nationality, in determining the selection of control and market entry modes, such as choosing a franchise system, management contracts, or direct ownership. They suggested that budget hotels may favor franchising whereas upper and deluxe hotels may opt for company ownership or management contracts as their international expansion strategy.

**FUTURE RESEARCH ON PRICE – CONTRACTS**

In terms of control, contracting issues require further attention. For instance, the relationship between efficient contracting and firm survival is not studied in detail. In addition, in case of efficient contracts, the mechanisms by which contracting costs influence firm survival over time is a fruitful avenue for future research. The effect of information asymmetries in royalty rates, variance of contractual arrangements and monitoring intensity across franchising industries are other contract related future research areas (Agrawal and Lal 1995).

Another prospective research stream may be the analysis of the effect of advertising on signaling schemes within the context of franchising contracts (Desai and Srinivasan 1995). Gupta and Loulou (1998) pointed out to a need for analytical studies to explain the impact of R&D between competitors in franchise systems and the impact of flexible technologies on buyer supplier relationships in franchise systems and franchising contracts. Furthermore, non-contractual mechanisms to control contracting problems and performance analysis for rare franchising contracts (i.e., contracts that are less on standard documents and more on specific and detailed script) is not yet fully explored (Shane 2001).

Other miscellaneous future research streams may be focused on the role of advertising commitment in a competitive setting, and to explain why a large number of franchisors do not use any type of advertising fee (Desai 1997). According to Baroncelli and Manaresi (1997) there is a need to approaching franchising as an international divestment strategy in future research.

In addition, empirical studies about how international franchisors support their franchisees would guide business professionals interested in franchising business. There is also a lack of research in understanding expansion strategies in the multinational hotel industry (Chen and Dimou 2005).

**PRICE – OWNERSHIP**

Dant and Kaufmann (2003) examine the changes in ownership patterns of franchise systems as they mature. They compare three alternative theories within the fast food industry. Signaling theory predicts that franchise systems will move toward a greater reliance on franchised outlets as systems mature, while resource acquisition theory (ownership redirection thesis) predicts a tendency in the opposite direction. A third theoretical perspective, tapered integration or plural forms, suggests a tendency toward maintaining a steady state of mixed distribution. They find that although franchisors value the benefits of the mix of ownership types and do maintain that mix over time, there is some evidence of a greater tendency to permanently convert existing franchised outlets to company-owned outlets as fast food systems mature and gain greater access to resources. Dant, Paswan, and Kaufmann (1996) reports the results of a meta-analysis of the existing studies of ownership redirection thesis – the premise that there may be a deliberate effort on the part of the more powerful franchisors to convert the previously franchisee-owned outlets into company owned outlets. They stress the disparate operationalizations of the phenomenon itself and the manner in which the construct measurement affects the determination of its existence.
Lafontaine and Kaufmann (1994) studied two sets of competing theories to explain the existence of franchise ownership, one set based on resource constraints and another on incentives issues. As franchise systems mature, these theories predict different patterns in the evolution of the mix of franchised and company-owned outlets. They find support for the prediction of both of these theories. Windsperger and Dant (2006) studied ownership redirection in franchising. They argue that the structure and dynamics of ownership patterns in franchising networks depends on the contractibility of the franchisor’s system-specific assets and the contractibility of the franchisee’s local market assets. They also state that under the property rights view, ownership redirection will result from an increase in the contractibility of the franchisee’s local market assets and the resultant increase of the franchisor’s bargaining power during the contract period. They also argue that informational, financial and managerial resource constraints are only relevant for the change of ownership structure if they are non-contractible. Burkle and Posselt (2008) proposed a new theory based on franchisor’s optimal risk allocation to explain why a mixture of franchise-owned and franchisor-owned units exists in franchise systems. They state that the costs of risk and controlling franchised units explain the varying fraction of franchise-owned to total selling units. They also find that the incentive to franchise decreases with an increasing fraction of franchisee-owned to total selling units, as well as with decreasing costs of control. This explanation of plural systems is consistent with the ownership redirection hypothesis. Anderson and Fok (1998) analyzed the independently owned and locally operated firms in residential real estate business examined why a residential real estate brokerage firm would choose to franchise. Particularly, they tried to measure the productive efficiency levels of franchised relative to non-franchised brokerages. They found that franchised firms are more efficient in the allocation of resources.

Castrogiovanni and Justis (1998) proposed and tested theoretical perspectives relevant to franchising as a business form. They stated that franchising differs from other organizational forms in three areas: geographical dispersal of organization units, replication across units, and joint ownership. Based on these factors, they extended both the franchising and organization theory by showing how the franchising phenomenon fits into a general perspective on organizations. Schmidt and Oldfield (1999) stated that ownership of franchise stores selling coffee and bakery products results in hard lives with work starting at 1:00 a.m. in the morning to prepare the doughnuts for the morning rush. The retail only concept in such franchise systems gives owners greater control over the product. Schmidt and Oldfield (1999) suggest that groups of such franchise store owners could invest in the joint ownership of central production facilities which may result in efficiency gains. Hopkinson and Hogarth-Scott (1999) stated that there are two distinct disciplinary orientations and research streams that are analyzing franchising, economic and behavioral. According to Hopkinson and Hogarth-Scott (1999), economic theories argue that franchising offers particular advantages to the franchisor that are not found in fully owned and integrated channels. This stream is embedded in macro-economic theory that states that franchising is mainly an efficient channel form. Based on this idea, this stream explains franchising mainly by three theories: resource constraint theory, agency theory, and search cost theory. A separate research stream examines behavior in franchise systems and seeks empirical explanation of phenomena such as conflict and trust within franchise relationships.

Hopkinson and Hogarth-Scott (1999) argue that motivation to franchise depends on the specific strategy employed by the franchisor which in turn affects relational quality. They describe a model drawn by linking strategic direction, franchise motivation and relational quality.

Fladmoe-Lindquist and Jacque (1995) combined transaction cost theory and agency theory to analyze ownership strategies for international services franchising. By running a logistic regression on data provided from twelve U.S. firms with operations in ninety-two countries, they observed that the propensity to franchise is directly related to the franchisors international experience, the geographical and cultural distance between franchisor and franchisee and the degree of uncertainty in the host country.

Nault and Dexter (1994) utilized differential equations to examine electronically linked franchise channels of distribution. These franchise structures are considered as an emerging channel structure where exclusive territories are allowed to franchisees and customers are in a way owned by franchisees by use of electronic transaction monitoring. They concluded that the possibility of interfranchise transfer that is made possible by emerging IT systems results in franchisees making greater investments than traditional franchise systems. Hing (1999) stressed the importance of communication among owners of franchise systems, especially for small franchisees.

Chow and Frazer (2003) analyzed the operational differences between mobile franchising arrangements and fixed-site franchises from an agency-theoretic perspective. They concluded that start-up risk for owners is lower in mobile sale units and mobile operations exhibit a higher level of repeat customers than fixed-site franchises. Finally, Michael (1999) also studied the decision rights focused on advertising ownership.
FUTURE RESEARCH ON PRICE – OWNERSHIP

Hopkinson and Hogarth-Scott (1999) support the need for research that integrates the behavioral and economic streams of franchise research. Also, literature suggests more studies that compare the relative advantages of equity-based market penetration versus franchising in international perspective (Fladmoe-Lindquist and Jacque 1995).

Nault and Dexter (1994) noted the need to compare and contrast the positive cost to the franchisor of adding franchise units vs. the negative effects of increased royalty due to small networks in future studies. In addition, mobile franchise systems characterized by lower risk investment and outcome-based contracts must be studied in more detail (Chow and Frazer 2003).

CONCLUSIONS AND RECOMMENDATIONS

This paper reviewed the literature on franchising in the context of marketing. It was not until 1975 that franchising attracted substantive academics interest. However, the attention has been impressive since then, parallel to the increasing practical prevalence and importance of franchising in business marketing and management. The literature in franchising is replete with research conducted in various disciplines including economics, law, management, marketing, and management science. However, there is no literature review paper that approaches to the topic from a marketing perspective. In this, study we attempted to address this gap by categorizing the literature in order to identify shortages and surpluses of research.

We identified three groups of articles: Price (Contracts and Ownership), Trust (Relationships), and Authority (Conflict and Opportunism). These three groups map into two major categories: Markets and Hierarchies. We found that all areas require further research attention. This is particularly true for Trust and Authority because existing research is at a nascent stage. Studies in these two issues list a wide range of fruitful avenues for future research. In fact, the same is true for Price-Contracts and Price-Ownership issues as we cannot state that there is a research surplus. The overarching finding of this study is that franchising research is not saturated from a marketing perspective.

REFERENCES

___________ (1997), “Advertising Fee in Business-


## APPENDIX 1

### List of Reviewed Articles

<table>
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<tr>
<th>Reference</th>
<th>Context</th>
<th>Quantitative (N)/ Qualitative (L)</th>
<th>Research Designs Utilized</th>
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<th>Country</th>
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<tbody>
<tr>
<td>Azoulay &amp; Shane (2001)</td>
<td>All types</td>
<td>N</td>
<td>Secondary data (Franchise Annual) and survey</td>
<td>170 (28.6%)</td>
<td>U.S.</td>
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<td>Price-Contracts</td>
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<tr>
<td>Baroncelli &amp; Manaresi (1997)</td>
<td>Retail</td>
<td>N</td>
<td>Mail survey, phone calls</td>
<td>72 (31%)</td>
<td>Italy</td>
<td>Descriptive Statistics</td>
<td>Price-Contracts</td>
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<td>Chow &amp; Frazer (2003)</td>
<td>All types</td>
<td>N&amp;L</td>
<td>Survey and Interview</td>
<td>186 (27%)</td>
<td>Australia</td>
<td>MANCOVA / ANOVA</td>
<td>Price-Ownership</td>
</tr>
<tr>
<td>Dahlstrom &amp; Nygaard (1999)</td>
<td>Oil distribution</td>
<td>N</td>
<td>Mail survey and Interview</td>
<td>179 (61%) and 216 (50%)</td>
<td>Norway</td>
<td>SEM</td>
<td>Authority</td>
</tr>
<tr>
<td>Dahlstrom &amp; Nygaard (1994)</td>
<td>Oil Retail</td>
<td>N</td>
<td>Mail survey</td>
<td>181 (61%)</td>
<td>Norway</td>
<td>Logit Regression</td>
<td>Price-Contracts</td>
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<tr>
<td>Dant, Paswan &amp; Kaufman (1996)</td>
<td>All types</td>
<td>N</td>
<td>Meta Analysis</td>
<td>–</td>
<td>–</td>
<td>Correlation</td>
<td>Price-Ownership</td>
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<tr>
<td>Dant &amp; Schul (1992)</td>
<td>Fast food</td>
<td>N</td>
<td>Survey and interview</td>
<td>176 (20%)</td>
<td>U.S.</td>
<td>Discriminant analysis, F test, Authority</td>
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<td>Desai (1997)</td>
<td>–</td>
<td>L</td>
<td>Non-empirical</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Doherty &amp; Alexander (2006)</td>
<td>Fashion retail</td>
<td>L</td>
<td>Multiple case design</td>
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<td>–</td>
<td>–</td>
<td>Trust</td>
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<tr>
<td>Elango &amp; Fried (1997)</td>
<td>All types</td>
<td>L</td>
<td>Literature Review</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Gassenheimer, Baucus &amp; Baucus (1996)</td>
<td>Fast food</td>
<td>N</td>
<td>Mail survey</td>
<td>195 (7.2%)</td>
<td>U.S.</td>
<td>Correlation</td>
<td>Authority</td>
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<th>Country</th>
<th>Statistical Techniques</th>
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<tr>
<td>Gupta &amp; Loulou (1998)</td>
<td>–</td>
<td>L</td>
<td>Non-empirical, theoretical model</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Price-Contracts</td>
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<tr>
<td>Hadjimarcou &amp; Barnes (1998)</td>
<td>Restaurant</td>
<td>L</td>
<td>Case Study (Silver Steak company data)</td>
<td>–</td>
<td>Mexico</td>
<td>–</td>
<td>Trust</td>
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<tr>
<td>Hopkinson &amp; Hogarth-Scott (1999)</td>
<td>General distribution systems</td>
<td>L</td>
<td>Non-empirical, theoretical model</td>
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<td>–</td>
<td>–</td>
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<td>Hing (1999)</td>
<td>Restaurant</td>
<td>N</td>
<td>Survey</td>
<td>127 (57%)</td>
<td>Australia</td>
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<td>Hunt &amp; Nevin (1975)</td>
<td>Fast foods</td>
<td>N</td>
<td>Survey (study from Univ. Wisconsin-Maddison)</td>
<td>664 (–)</td>
<td>U.S.</td>
<td>Descriptive</td>
<td>All</td>
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<td>Survey (Franchise Opportunity Handbook)</td>
<td>102 (45%)</td>
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<td>Authority</td>
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<tr>
<td>Kaufmann &amp; Rangan (1990)</td>
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<td>Non-empirical, theoretical model</td>
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<td>–</td>
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<td>Survey</td>
<td>130 (30%)</td>
<td>International</td>
<td>Regression</td>
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<td>Light (1997)</td>
<td>All types</td>
<td>L</td>
<td>Non-empirical, discussion</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<td>Perry, Cavaye &amp; Coote (2002)</td>
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<td>N</td>
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<td>174 (25%)</td>
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<td>Shane (2001)</td>
<td>All types</td>
<td>N</td>
<td>Secondary Data businesses(Compustat, firm files)</td>
<td>2997</td>
<td>U.S.</td>
<td>Logistic Regression</td>
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<th>Statistical Techniques</th>
<th>Group</th>
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</thead>
<tbody>
<tr>
<td>Srinivasan (2006)</td>
<td>Restaurant</td>
<td>N</td>
<td>Secondary Data (Compustat, firm files)</td>
<td>55 firms, 394 firm years</td>
<td>U.S.</td>
<td>Correlation</td>
<td>Authority</td>
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<td>All types</td>
<td>N</td>
<td>Mail survey</td>
<td>83 (38%)</td>
<td>Austria</td>
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<td>N</td>
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<td>83 (39)</td>
<td>Austria</td>
<td>Regression</td>
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THE ROLE OF MARKETING ORGANIZATION IN THE MARKET ORIENTATION-PERFORMANCE RELATIONSHIP

Lancy Mac, University of Macau, China

ABSTRACT

This study is undertaken to gauge the effect of marketing organization on the market orientation-performance relationship. Results show that a formal marketing department does help enhance the MO-performance relationship. For those with a formal marketing department, less integration of the marketing department will contribute to the MO-performance relationship.

INTRODUCTION

Recent decades have seen increasing emphasis on shared responsibility of marketing within the firm as highlighted by Drucker’s (1954) assertion that marketing is everybody’s job and McKenna (1991)’s HBR article “Marketing is Everything.” Following this trend, the importance of marketing is seen to be declining with various accusations like its “lack of accountability” (Sheth and Sisodia 2002), “lack of relevance” (Webster 2005), “losing its seat at the table” (Webster, Malter, and Ganesan 2003) and “gets no respect in the boardroom” (Schultz 2003). It is regarded that Marketing has entered its mid-life crisis (Brady and Davis 1993) with trails on its contribution to business success. Gradually, key marketing thinkers move to rejuvenate the discipline with studies and commentaries on sustaining the viability of marketing as an indispensable management function (Webster 1997; Workman, Homburg, and Gruner 1998; Varadarajan 1992), most influential of which perhaps is Moorman and Rust’s (1999) empirical study. Their argument is that while market orientation is important to organizational performance, the marketing function should co-exist which can further enhance the effectiveness of a market orientation. Other studies suggest that marketing organization should be studied with a broader perspective encompassing not only its structure but also its non-structural aspects like relationship with other organizational functions (Workman, Homburg, and Gruner 1998).

This study aims to demonstrate the effect of marketing organization in facilitating the implementation of the marketing concept so as to enhance firm-level performance. It is argued in this paper that being properly organized for marketing can help enhance the market orientation-performance relationship. Market orientation is widely acknowledged to have instrumental effect on firm performance (Slater and Narver 1994; Jaworski and Kohli 1993; Keh et al. 2007). We suggest that its contribution can further be enhanced by a complementary marketing organization. To this end, a detailed literature review was undertaken on studies related to different perspectives of the marketing organization which is presented next. This leads to the proposition of the research model of this study and the methodology used. Finally, the results and discussions of the findings will be elaborated.

MARKETING ORGANIZATION

As noted by Workman, Homburg and Gruner (1998), marketing organization is an area under-studied with most early studies mainly descriptive (e.g., Piercy 1986) and conceptual (e.g., Achrol 1991; Day 1997; Webster 1992, 1997). It is far ignored when compared with studies on the cultural aspects of marketing, specifically market orientation and its effect on performance. This may be attributed to the diversity in scope that marketing organization encompasses including structure, interactions and bureaucratic procedures (Workman, Homburg, and Gruner 1998).

The relevance of marketing organization is well documented in various marketing textbooks with due discussions on the way how the marketing department can be organized to facilitate customers’ need fulfillment (e.g., Kotler et al. 2006). It is widely acknowledged as a key facilitator of how well strategy is implemented (McKee, Varadarajan, and Pride 1989). Some studies suggested that there should be a fit between marketing organization and its business strategy in order to instill firm performance (Olson, Slater, and Hult 2005) and marketing performance (Vorhies and Morgan 2003). Surprisingly, very few studies are undertaken on matching it with other marketing factors like marketing strategy. Very recent studies found strong instrumental effect of marketing organization on market orientation (Verhoef and Leeflang 2009) and in facilitating the market orientation-performance relationship (Merlo and Auh 2009).

Existing studies on marketing organization can be classified into two broad perspectives, namely functional group perspective and activity-based perspective using the labels of Workman, Homburg, and Gruner (1998). (Detail reviews can be found in Workman, Homburg, and Gruner 1998; Harris and Ogbonna 2003). Functional group approach views marketing as a distinct entity within the organization and research mainly focus on investigation of the location of marketing department and its
structural organization as well as its characteristics including formalization and centralization. Activity-based approach on the other hand views marketing as a set of activities and normally is investigated by the dispersion of marketing activities, relative power/influence of marketing and its interaction with other functional groups.

We classified the literature review below in terms of structural and non-structural aspects of marketing organization taking into account the classification of Workman, Homburg, and Gruner (1998) as well as our conceptual model.

STRUCTURAL ASPECTS OF MARKETING ORGANIZATION

Early studies on marketing organization are descriptive with focus on whether there is any marketing department (Piercy 1986), where it is located (Hise 1965), structural location of marketing activities (Ruekert, Walker, and Roering 1985) and the organizational form that best fit different environmental conditions (Achrol 1991, 1997). The basic assumption of these studies is that having a strong marketing department can help in the implementation of marketing. Having a formal marketing department is found to be a reflection of the “adoption of the marketing concept” (Hise 1965). In fact, there is a need to adapt organization structure to facilitate responsiveness to customers’ needs (George, Freeling, and Court 1994; Day 1994) and be more market-oriented (Slater and Narver 1995). Homburg, Workman, and Jensen (2000) even suggested the movement toward building a “customer-focused organizational structure” in order to enhance performance. The way how marketing is being organized and its relationship with in particular the sales department are important and relevant as found by the field study of Workman, Homburg, and Gruner (1998). There is however limited research on testing this empirically. Our research is formulated in response to their call for studies to gauge the performance implications of marketing organization. We therefore hypothesize that:

H1: Firms with a formal marketing organization will enhance the market orientation-performance relationship.

NON-STRUCTURAL ASPECT OF MARKETING ORGANIZATION

A formal marketing structure refers to one where a formal marketing department exists in the organization. However, sole existence of a specialized department does not guarantee that marketing is done well. Thus, a lot of studies were being initiated on the activity-based perspective of marketing organization. There are different streams of study including responsibilities of the marketing department, marketing’s influence, and relative power as well as interaction with other functional units.

Dispersion of Marketing Activities

Not much has been done on the impact of cross functional dispersion of marketing activities except for Piercy (1986) and Tull et al. (1991)’s descriptive studies. They found that the marketing department is normally not in charge of all traditional marketing activities and that many companies have a dispersed organization rather than one that is integrated. This is consistent with the findings of Workman, Homburg, and Gruner (1998) who found in their field study that marketing departments in different firms have varying responsibilities and that many traditional marketing activities are performed by other functional units. This stream of study is also acknowledged as the marketing mix paradigm which originated from McCarthy (1960) as it includes examination of the practice of various marketing activities which are generally classified into the four Ps including product, place, price, and promotion. According to Webster, Malter, and Ganesan (2005), marketing should be shared by different departments and “solos” can be detrimental to firm performance (as in the case of Sony). Sharing of marketing functions by other departments actually reflects that units are allocated with the work they can do best. The higher the dispersion of activities, the more likely that other units share and understand the marketing concept leading to an organization-wide adoption of marketing or being market driven (Day 1994, 1999). We therefore hypothesize that:

H2: Higher cross functional dispersion of marketing activities will enhance the market orientation-performance relationship.

Marketing’s Influence and Power Within the Firm

Another non-structural aspect of marketing organization that is populous in the research arena is the investigation of the functional influence of the marketing department. It is generally acknowledged that the more influence or power the marketing department has, the more likely the organization will have the marketing concept being embraced and implemented. Moorman and Rust (1999) found empirical support with his study of the “value of marketing function” on performance. In his study, he demonstrated that a stronger marketing department can lead to better firm performance over and above the contribution of an organizational-wide market orientation. Market orientation is important but the marketing function turns out to be more influential. Their work sparked a series of studies on the role of the marketing function in the organization with consistent results (Krohmer, Homburg, and Workman 2002; Verhoef and Leeflang 2009). If marketing has higher influence in the firm, it is likely that people in the firm will have more “marketing-mindedness” (Greyser 1997) and so facilitates the adoption of the market orientation (Merlo and Auh 2009; Verhoef and Leeflang 2009). Verhoef and
Leeflang (2009) found that market orientation is a full mediator of marketing influence and performance. On the other hand, Merlo and Auh (2009) found that market orientation and marketing subunit influence are not by themselves significant contributors of performance. Both must exist and interact in order to create a positive performance impact. These results suggest that both structural and cultural dimensions of marketing are indispensable for performance. Therefore the hypothesis that follows is:

H3: Higher marketing power within the firm will enhance the market orientation-performance relationship.

**Marketing’s Cross Functional Interaction**

Marketing’s interaction with other functional units is evident to produce desirable outcomes including better implementation of marketing strategy (Anderson 1982) and business success (Ruekert and Walker 1987). The marketing department is always in interaction with customers externally and other functions internally in the process of implementing the marketing programs. Most of these studies are done specifically referring to one other functional unit with R&D being the major unit being studied as closer cooperation between them lead to new product success (Griffin and Hauser 1996; Gupta, Raj, and Wilemon 1986). More communication in transferring customer information and higher integration result in better tailoring products to the needs of the customers and thus ensure better performance. We therefore hypothesize that:

H4: Higher marketing interaction with other functional units enhance the market orientation-performance relationship.

**DATA COLLECTION**

A survey was being conducted in Guangdong Province in South China targeting enterprises of different industries, ownership types, and sizes. Personal interview was the primary contact method although some questionnaires were dropped-off and collected after completion. A total of 923 companies were approached but eventually only 425 questionnaires were received, yielding a response rate of 46 percent. After screening the questionnaires for omissions and irregularities, only 409 questionnaires were usable for final analysis. Majority of the sampled firms were local firms (48.6%) of the total sample in the service sector (71.6%), small with less than 100 employees (75.9%) and not so experienced (in operation in China for 5 years or less) (49.2%).

**MEASUREMENTS**

Marketing organization is being classified into the structural and non-structural aspects. The **structural aspects of marketing organization** is being measured by the existence of a marketing department, a sales department, a marketing and sales department, a department equivalent to a marketing department and having neither marketing nor sales department. This is adopted and modified from Workman, Homburg, and Gruner (1998)’s study. All of them are dummy-coded. The **non-structural aspects of marketing organization** is being measured by the extent of cross functional dispersion of marketing activities, power of the marketing function and marketing’s cross functional interaction (Workman, Homburg, and Gruner 1998). Cross functional dispersion of marketing activities is measured as the percentage of the ten marketing activities obtained from the literature (Piercy 1986; Tull et al. 1991) that are performed by the marketing department. These ten activities include selling, pricing, strategic planning, product design, new product development, marketing research, advertising and promotion, customer service, exporting, and distribution. Power of marketing function is measured by asking respondents to rate the status of marketing over three other functional units (Sales, R&D, and finance) on a 3-point scale ranging from lower to higher. Interaction with other functional units is measured by asking respondents to rate the extent of interaction with the three functional units on a 3-point scale ranging from high to low.

**Market orientation** is measured using Narver and Slater (1990)’s 15-item scale measuring customer orientation, competitor orientation and interfunctional coordination. **Corporate performance** is measured by subjectively assessing the company’s performance relative to its major competitors in terms of sales, profit, market share, and return on investment. Subjective measures are deemed to be as good as objective ones (Dess and Robinson 1984) and are widely applied in many studies involving both developed and developing countries (Siu 2000a, 2000b; Akimova 2000; Deshpandé, Farley, and Webster 1993). All items are measured on a 5-point Likert scale.

A number of control variables are added into the analysis including the size of the organization measured by the number of employees, the number of years operating in China, the type of industry (secondary or tertiary) and the type of ownership (with and without foreign investment).

**DATA ANALYSIS METHOD**

To achieve the objectives stated earlier, hierarchical regression analysis is employed in two stages. In the first stage, the dependent variables (firm performance) are regressed on the control variables, market orientation (MO) and the structural marketing organization variables with the total sample of 409 companies. The purpose of this stage is to investigate whether a structural organization is contributive to firm performance. The variables are
entered in the following steps: (1) control variables, (2)
three MO factors, and (3) structural marketing organiza-
tion. In the second stage, only those with a marketing
department are included in the analysis. Most existing
studies on marketing organization are based on the unani-
mos a priori assumption that there is a marketing de-
partment. By selecting only firms with a marketing de-
partment, results will be more accurate. The independent
variables are again entered in three steps: (1) control
variables, (2) three MO factors and (3) non-structural
organizational factors.

FINDINGS

Stage 1: Structural Marketing Organization

Results show that a formal marketing department has
a significant contribution to overall performance of the
firm (Table 1). This confirms previous assertion of the
instrumental role of marketing in an organization
(Moorman and Rust 1999). Other forms of marketing
organization including sales department, integrated mar-
ting and sales department as well as any equivalent-to-
marketing department are found not to have significant
impact. On the other hand, only competitor orientation is
found to be the only significant MO component leading to
performance, with contribution increased slightly in step 3
than step 2 when structural marketing organization is
entered into the equation. There is also a significant
change in the R-square from step 2 to step 3. All these
indicate that having a formal marketing department has a
contributive effect on the market orientation-performance
relationship thus supporting H1.

A clearer picture emerged when we categorized com-
panies into high and low MO firms by using the median of
three as the break off. The effect of MO on performance
is plotted in Figure 1. It is shown that when the firm is high
on MO, firms with a formal marketing department have
higher performance. However, at low MO, having a
marketing department will have lower performance than
those who do not. This signifies that the formation of a

| TABLE 1
Regression Results of Structural Marketing Organization

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
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<tbody>
<tr>
<td>Beta</td>
<td>Beta</td>
<td>Beta</td>
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<tr>
<td>T</td>
<td>T</td>
<td>T</td>
</tr>
<tr>
<td>Control variables:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of company</td>
<td>0.164</td>
<td>3.002**</td>
</tr>
<tr>
<td>Years in China</td>
<td>-0.008</td>
<td>-0.153</td>
</tr>
<tr>
<td>Type of industry</td>
<td>0.065</td>
<td>1.257</td>
</tr>
<tr>
<td>Type of ownership</td>
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<td>0.199</td>
</tr>
<tr>
<td>Market orientation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer orientation</td>
<td>0.091</td>
<td>1.366</td>
</tr>
<tr>
<td>Competitor orientation</td>
<td>0.162</td>
<td>2.441*</td>
</tr>
<tr>
<td>Interfunctional coordination</td>
<td>-0.014</td>
<td>-0.210</td>
</tr>
<tr>
<td>Structural marketing organization:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have a Marketing dept</td>
<td>0.222</td>
<td>3.143**</td>
</tr>
<tr>
<td>Have a Sales dept</td>
<td>-0.108</td>
<td>-1.491</td>
</tr>
<tr>
<td>Have a mktg &amp; sales dept</td>
<td>0.031</td>
<td>0.380</td>
</tr>
<tr>
<td>Have a dept equivalent to mktg</td>
<td>0.023</td>
<td>0.407</td>
</tr>
<tr>
<td>Have no mktg nor sales dept</td>
<td>-0.014</td>
<td>-0.184</td>
</tr>
<tr>
<td>F</td>
<td>2.653*</td>
<td>4.347**</td>
</tr>
<tr>
<td>R-square</td>
<td>0.027</td>
<td>0.073</td>
</tr>
<tr>
<td>R-square change</td>
<td>–</td>
<td>0.047**</td>
</tr>
</tbody>
</table>

* p < 0.05; **p < 0.01
marketing department will not always lead to better performance. It is only when the organization is market-oriented, a separate marketing function will help facilitate performance. On the contrary, if the firm is low in market orientation, a marketing department will even drag down the performance of the entire organization.

Stage 2: Non-Structural Marketing Organization

Given that a formal marketing organization is relevant and instrumental to firm performance, a second stage of analysis is done to further investigate how marketing can be better structured to facilitate performance. Only firms with a formal marketing department are included in the analysis with 278 firms making up 68 percent of the sample. Results in Table 2 show that cross functional dispersion of marketing activities and power of marketing are significant predictors of performance while interaction is not.

Cross functional dispersion of marketing activities is positively related while power of marketing is negatively related. These show that organizations with more integrated marketing department are more likely to have other departments being involved and performance will be lower. This seems to mean that too much concentration of marketing functions in one department is not a good thing and dispersion of marketing functions have an instrumental effect on performance. The negative beta of the power of marketing indicates that having a powerful marketing function does not guarantee performance but on the contrary may not be good for the organization. Again, only competitor orientation is found to be significantly related to performance and this is the case only when the non-structural marketing organizational factors are entered into the equation. Thus, H2 is supported while H3 and H4 are not.

DISCUSSIONS

Results of this study lend support to our argument that not only is marketing organization important and instrumental to firm performance, it is also crucial in cultivating a market orientation culture. This is consistent with previous research (Moorman and Rust 1999; Merlo and Auh 2009; Verhoef and Leeflang 2009) and possibly provides additional empirical evidence to counter the accusation that marketing is losing its importance. This study also provides another empirical context for testing this relationship so can contribute to cross-cultural comparison.

Our results suggest that there is still need for a formal marketing organization that can serve as the hub for cultivating expertise in understanding and serving customers. Other forms of marketing structure seem not as useful like having a sales department, an integrated marketing and sales department or a department equivalent to marketing. The common misperception that Chinese managers have limited understanding of marketing seems to be at fraud. Many of them can actually distinguish marketing and sales as separate functions, and that each have different implications on their business success.

While a formal marketing department is relevant, there is also a need to disperse marketing responsibilities to other functions in the organization appropriately so people are assigned the tasks they do best. This will also ensure that different functions have sufficient under-
standing of marketing and its values thus creating a truly market-oriented organization. Our results here actually coincide with the contention of George, Freeling, and Court (1994) who propose that the marketing organization should be reinvented to incorporate integrators and functional specialists within the same organization arena. It is essential to integrate all company efforts to “serving each distinct consumer, channel or product segment” (p. 46) while at the same time marketing can specialize in developing their capabilities on gathering market intelligence, promotion, advertising, etc. in order to create customer value.

In this study, we employed a two-stage unsophisticated analysis approach where all companies are analyzed in the first stage and only those with a marketing department in the second stage. Prescreening for a formal marketing structure enables us to accurately delineate the effect of the non-structural aspects of marketing organization. Other studies did so assuming that there is a marketing department but this may not often be the case particularly with smaller organizations. This method allows us to first identify the effect of a structural organization and, second, how this formal structure can be further designed in terms of assignment of responsibilities, its status versus other functions and the amount of cross functional interactions, in order to further enhance its contribution. To the best of the author’s knowledge, no study has been done to isolate the performance impact of a formal marketing structure. This study seeks to fill in this research gap.

Another key implication of this study is that market orientation should be studied with a disaggregated approach. The three components of market orientation (customer orientation, competitor orientation and interfunctional coordination) originated from Narver and Slater (1990) do not behave similarly and have different implications on performance. Only competitor orientation is found to be the only significant predictor of performance in our study. This is consistent with the findings of Noble, Sinha, and Kumar (2002) who studied the effect of strategic orientation on firm performance. Although a lot of studies view market orientation in aggregate, significant differences exist in the way how the three components influence performance (Lukas and Ferrell 2000; Zhou, Brown, and Dev 2008) so worth individual assessment. While customer orientation refers to the ability to understand and respond to customers needs so as to create superior value, competitor orientation focuses on doing so better than others through a clear

### TABLE 2
Regression Results of Nonstructural Marketing Organization

<table>
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<tr>
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<th>Step 1</th>
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<th>Step 2</th>
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<th>Step 3</th>
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<tbody>
<tr>
<td></td>
<td>Beta</td>
<td>T</td>
<td>Beta</td>
<td>T</td>
<td>Beta</td>
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</tr>
<tr>
<td>Control variables:</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Size of company</td>
<td>0.164</td>
<td>2.458*</td>
<td>0.140</td>
<td>2.128*</td>
<td>0.164</td>
<td>2.536*</td>
</tr>
<tr>
<td>Years in China</td>
<td>-0.006</td>
<td>-0.094</td>
<td>-0.013</td>
<td>-0.207</td>
<td>-0.015</td>
<td>-0.233</td>
</tr>
<tr>
<td>Type of industry</td>
<td>-0.030</td>
<td>-0.471</td>
<td>-0.056</td>
<td>-0.911</td>
<td>-0.055</td>
<td>-0.923</td>
</tr>
<tr>
<td>Type of ownership</td>
<td>0.001</td>
<td>0.010</td>
<td>0.001</td>
<td>0.008</td>
<td>0.017</td>
<td>0.289</td>
</tr>
<tr>
<td>Market orientation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer orientation</td>
<td>0.101</td>
<td>1.261</td>
<td>0.055</td>
<td>0.698</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitor orientation</td>
<td>0.155</td>
<td>1.947</td>
<td>0.158</td>
<td>2.046*</td>
<td></td>
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<tr>
<td>Interfunctional coordination</td>
<td>0.046</td>
<td>0.554</td>
<td>0.092</td>
<td>1.136</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-structural marketing organization:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross functional dispersion</td>
<td>0.204</td>
<td>3.377**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power of marketing</td>
<td>-0.126</td>
<td>-2.113*</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Interaction with marketing</td>
<td>0.075</td>
<td>1.283</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>F</td>
<td>1.864</td>
<td>3.773**</td>
<td>4.680**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-square</td>
<td>0.029</td>
<td>0.095</td>
<td>0.159</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-square change</td>
<td>–</td>
<td>0.067**</td>
<td>0.064**</td>
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</tbody>
</table>

* p < 0.05; **p < 0.01
Evidence suggests that organization system and structure and their impact on performance deserve more attention than it currently has. Results of this study provide support that there is both direct and indirect impact on key issues in the organization. More research is needed to explore the process through which marketing organization can enhance the implementation of marketing. More has to be done also on understanding different forms of marketing structure. In this way, synergy can be achieved with aligning all aspects of the organization for superior performance.

REFERENCES


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SUMMARY

The notion of value co-creation has received much interest in recent years. At the heart of the value co-creation concept is the idea that “value is defined by and co-created with the consumer rather than embedded in output” (Vargo and Lusch 2004, p. 6). Not much is known so far about how consumers perceive the interaction with a co-creation agent, particularly with respect to their persuasion knowledge (Friestad and Wright 1994). Even though they are presumed to be cooperative in nature, co-creation interactions may be more complex and ambiguous than interactions involving traditional sales agents. While there are studies of persuasion knowledge in sales interactions (e.g., Campbell and Kirmani 2000; DeCarlo 2005), extant research thus far has not addressed the area of co-creation. This topic has importance in light of research suggesting that sales interactions are subject to a “sinister attribution bias” – once consumers categorize someone as a salesperson, they infer sinister ulterior motives, even when no such motive is plausible (Main, Dahl, and Darke 2007). Little is known thus far about the extent to which consumers have such negative biases in co-creation interactions.

As suggested by Kirmani and Zhu (2007), persuasion knowledge generally entails suspicion – a state in which consumers have suspended judgment and are actively engaged in attributional thinking regarding possible ulterior motives (Fein 1996). Understanding how suspicion evolves in a sales encounter is important, as suspicion may act as an impediment to the delivery of value. This is especially critical in a value co-creation situation, where both the process and the outcome are important components of value.

The main goal of the present research is to explore when and how a consumer becomes suspicious when interacting with a co-creation agent she/he is interacting with to co-create a product or service. As suggested by Marchand and Vonk (2005), suspicion is proposed to be a gradual process that perceivers undergo as more situational information becomes available. Of special interest is the pattern of suspicion as it evolves during the course of the co-creation interaction. Consistent with this goal, a process-oriented study involving a scenario-based co-creation situation has been developed. Building on Marchand and Vonk’s (2005) research design and procedure, the present research examines the process of suspicion in an unfolding co-creation situation and aims to provide insights into the nature of consumers’ cognitive responses during the process.

Pretests were conducted in terms of context and procedure. Based on the pretest results, a scenario involving the customized design of a diamond engagement ring was developed. In this scenario, a jewelry designer assists a couple to custom design an engagement ring. Consistent with Marchand and Vonk’s (2005) research design, the scenario contains ten statements that provide information of the designer’s part of the dialogue. All ten statements were pretested to be equally informative. The scenarios were developed with the natural progression of a realistic sales encounter in mind. Throughout the interaction, the designer makes recommendations for elements the customers may like.

Sixty-four undergraduate students participated in the study and were given booklets containing the scenario and instructions. The task was to imagine oneself in the interaction with the jewelry designer and form an impression of the situation. Participants were then asked to write down their thoughts for each statement for two minutes each. Participants’ cognitive responses to each of the ten statements were transcribed and coded for suspicion. Marchand and Vonk’s (2005) coding scheme was applied in order to assess participants’ level of suspicion for each of the ten statements. Accordingly, levels of suspicion were coded with a suspicion score of “3” for maximum suspicion, a score of “2” for moderate suspicion, and a score of “1” when the participant was not suspicious (when she/he felt certain that the designer had either genuine motives or ulterior motives).

Of the 64 participants, 14 (22%) did not become suspicious. The remaining 50 participants (with suspicion means > 1.00) were subject to further analysis. A repeated measures ANOVA with suspicion levels for the ten statements (1 – 10) as within-subjects factor was performed. Results showed that the level of suspicion first increased in statements 1 through 3, consistent with the initiation phase of suspicion proposed by Marchand and Vonk (2005). Suspicion then dropped (statements 4 and 5), before increasing slightly for statements 6 and 7 (“attribution phase”). Finally, suspicion leveled off for statements 8 through 10 (“resolution phase”). More formally, the repeated measures ANOVA showed a significant linear trend for level of suspicion (F (1, 49) = 15.98, p = .000). Further regression analysis on the linear model showed...
that as the interaction progressed (statements 1 through 10), suspicion decreased (coefficients: $\alpha = 1.533$, $\beta = -.39$.) The linear model produced an $R^2$ of .52 ($F (1, 8) = 8.52, p = .019$).

In conclusion, the research provided several insights into the natural process of suspicion in a co-creation context. Without explicitly manipulating possible triggers of suspicion, the analysis of participants’ cognitive responses showed a negative linear trend, with suspicion first increasing, but then decreasing as the interaction progressed. This pattern was consistent with previous research by Marchand and Vonk (2005). Overall, the study suggests that suspicion in itself does not necessarily lead to the conclusion that the agent has ulterior motives. While suspicion may be triggered, it is not always a negative inference, but may resolve itself in a positive direction instead.

The process oriented view of the co-creation interaction has its limitations. The insights gained from the study relied on the analysis of the participants’ cognitive responses. Future research could experimentally manipulate specific factors that might trigger suspicion in this context (for example, a consumer’s expectation of the interaction, as well as salesperson behavior that may affect suspicion) in order to be able to explain suspicion patterns in co-creation in more detail.

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SALESPERSON’S KARMA ORIENTATION: A CONCEPTUAL FRAMEWORK AND RESEARCH PROPOSITIONS

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SUMMARY

Facing a role that is dominated by stressful customer engagements, and chasing sales quotas, salespeople are likely to be guided by their own personal values and organizational environment, and in the long term are likely to develop spiritual thoughts that allow them to view their work with a sense of duty that brings more joy, commitment, satisfaction to their job (Giacalone and Jurkiewicz 2003). Indian philosophy of life views all individual actions having latent power to bring joy if the action is good, or sorrow otherwise (Dasgupta 1991 as cited in Mulla and Krishnan 2006), and popularly known as an individual’s karma. In this paper, we propose a new construct, salesperson’s Karma Orientation, conceptualized at the individual salesperson’s level. Karma orientation of salespeople influences their ability and willingness to perform sales related tasks. Such clarity on self-awareness is essential in relationship development with customers (Badrinarayanan and Madhavaram 2008), and enhances their selling effectiveness, ethical behaviors, and spiritual well-being, providing the salespersons with a sense of duty toward their work. Karma orientation motivates an individual to make efforts toward work with detachment to work, and no expectation of rewards in return.

Karma Orientation-Conceptualization and Dimensions

Based on the above theoretical development for this new construct, we define the karma orientation of salespersons as their behaviors resulting from a sense of selfless action, performed while doing their work as a duty toward customers in particular, and society in general. We propose four dimensions of karma orientation1 of salespersons:

1. Work as selfless action,
2. Work as duty toward others,
3. Detachment from work-related rewards,
4. Equanimity under environmental influences

Conceptual Framework

We propose the following conceptual framework for salesperson’s karma orientation with key antecedents and consequences, as shown in the illustration below.
Prpositions

Proposition 1: Higher ethical climate in organizations would lead to higher karma orientation of its salespersons.

Proposition 2: Positive Supervisory behaviors emphasizing a sense of duty and service will have positive impact on salesperson’s karma orientation.

Proposition 3: Salesperson’s personal values such as sense of calling, duty and need to contribute to society, will have positive impact on his/her karma orientation.

Proposition 4: Organizational values emphasizing individual dignity and personal growth will have positive impact on salesperson’s karma orientation.

Proposition 5: Salesperson’s with high karma orientation would show higher selling effectiveness.

Proposition 6: Higher salesperson’s karma orientation would lead to their higher spiritual wellbeing.

Proposition 7: Higher karma orientation of salespersons leads to their higher ethical behaviors.

Proposition 8: Higher karma orientation of salespersons leads to their higher organizational commitment.

Proposition 9: Salespersons with high karma orientation are likely to have high job satisfaction.

Managerial Implications

Along with the challenges to maximize sales force effectiveness, sales managers face another set of complex tasks of managing workplace stress and anxiety, greed for performance rewards, and maintaining work-life balance. The spiritual needs of salespeople, such as the search for a greater meaning in their work need to be addressed by the sales managers by offering broader definitions of the goals that their sales team strives for. By promoting spiritual interpretations of business situations and supporting karmic orientation of salespeople, sales managers can make significant improvement in the psychological well-being of their people. As such individuals with high levels of karmic orientation are likely to be high on customer empathy, emotional intelligence, and sense of duty toward others. Therefore, a team of salespeople with karmic orientation will be delivering better on goals achievements as their efforts and work strategies will be driven by a sense of calling, and duty. In such a scenario, sales managers need not tradeoff their short-term and long-term objectives as the sales people will function with equanimity toward environmental situations. Further, sales managers need to adopt and promote humanistic values at the firm level, to establish practices that are ethical, and that recognize the self-worth of individual salespeople, so that they achieve personal as well as organizational goals (Badrinarayanan and Madhavaram 2008). References are available upon request.

ENDNOTE

1 Dimensions 2 and 3 have been also suggested in Mulla and Krishnan (2006) and dimensions 2, 3, and 4 also described in Mulla and Krishnan (2007). However these studies are not in salesperson’s context.

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WHEN CUSTOMER-ORIENTED SALES EFFORTS LOSE GROUND: AN EXPERIMENTAL STUDY ON THE “DILUTION EFFECT”

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SUMMARY

Since customers are becoming more and more powerful as well as increasingly demanding (Day and Montgomery 1999), companies have begun to take initiatives which should help to retain their most valuable customers (Gummesson 1998). Most importantly, in order to better adapt to various customer needs (George, Freeling, and Court 1994; Johnston and Marshall 2006), marketing and sales organizations have abandoned their product-oriented or geographical organizational structures in favor of customer-oriented sales structures (Homburg, Workman, and Jensen 2000).

Such an organizational change implies a decline of functional boundaries, an increased importance of cross-functional teams (Montgomery and Webster 1997), a strong emphasis on key account management, and an establishment of customer segment managers with a high level of strategic responsibility (Homburg, Workman, and Jensen 2000). In addition to their financial performance (e.g., sales or contribution margin), customer segment managers are increasingly held responsible for the successful implementation of strategic customer segment-specific projects such as new product planning, brand management, complaint and churn management (Cravens 1995; Neslin et al. 2006). Such projects would have hardly been possible to implement in a marketing and sales organization primarily organized by products or geographical regions (cf., Sheth and Sharma 2008).

However, even though most sales directors contend that such strategic projects and long-term customer relationships are the core focus of their sales strategy (Cravens 1995) and even though necessary organizational changes have indeed been undertaken in many firms (Homburg, Workman, and Jensen 2000), most companies still lack customer centricity (Shah et al. 2006). We propose that one explanation for this deficit is a subtle preference shift of the sales director when she/he evaluates the performance of his/her sales segment managers. More specifically, we argue that over time sales directors increasingly devalue achievements in strategic customer segment-specific projects. This assumption rests on a series of studies on the so-called “common measure bias,” whereupon individuals tend to neglect dissimilar information cues due to their lower perceived comparability (Slovic and MacPhillamy 1974). Since customer segment-specific projects reflect particular needs of heterogeneous customer segments, they are perceived as less comparable than financial key performance indicators. We assume that this, in turn, leads to a persistently reduced preference for customer segment-specific projects (cf., Kivetz and Simonson 2000). This “dilution effect,” as we call it, is obviously a major threat to the successful implementation of customer oriented sales structures and the idea of customer orientation in general.

We ran two experimental studies with experienced practitioners in order to test if customer segment-specific projects are devalued over time. To do so, we conducted a first (scenario-based) study in which 139 sales executives were assigned to three between-subjects conditions only differing by the number of performance evaluations (2 vs. 4 vs. 6 evaluations) they had to carry out. Whereas, on average, in condition 1 (2 periods) participants assigned an importance weight of 45.1 percent to project achievement, the importance weight decreased to 42.56 percent in condition 2 (4 periods) and to 37.70 percent in condition 3 (6 periods). Not only the main effect was significant ($F(2, 126) = 4.14, p = .018$); a trend analysis also indicated a linear contrast ($F(1, 126) = 8.217, p = .005$).

Study 2 built on study 1 and replicated the effect in a different and more elaborate scenario-based experiment which allowed to better control for confounding factors (e.g., cognitive load). Beyond, study 2 showed that the effect only occurs if customer segment-specific projects are perceived as dissimilar: Perceived similarity was successfully manipulated by randomly asking participants (145 sales executives) to either elaborate on differences or similarities of two customer segment-specific projects. Results showed that only participants assigned to the dissimilarity condition devalued customer segment-specific projects over time.

The results of the studies have important implications. First, even though sales directors aim to consider long-term, strategic, and customer segment-specific projects when evaluating their sales segment managers, they devalue these measures over time and hence partly jeopardize the advantages of the customer oriented sales organization. Second, the more heterogeneous the sales organization’s customer segments, the more the dilution...
effect seems to be a major concern. Hence, in order to mitigate this negative effect, the challenge of such organizations is to assign customer segment-specific projects while emphasizing the commonness of the different projects. Developing and empirically testing practical strategies in doing so is a fruitful avenue for further research. References are available upon request.

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FROM A DISTANCE WE ALL HAVE ENOUGH: TEMPORAL PERSPECTIVE AND THE DUAL ROLE OF PRICE

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SUMMARY

Products are often evaluated from different temporal perspectives. Consumers exposed to the preannouncement of a new product, for example, may already evaluate this product for consumption from such a distant perspective, long before it is available for purchase. When later encountering the launched product, they may reevaluate it for consumption from a proximal perspective. Other consumers that have not been exposed to the preannouncement may form their first evaluation of the product when it is launched and available for purchase, thus from a proximal perspective only. In either case, consumers mentally trade off the costs and the benefits associated with the consumption of the product. During this evaluation process, the product’s price can be diagnostic for both the costs associated with the purchase of the product (via the price-perceived sacrifice relationship) as well as the benefits of using it (via the price-perceived quality relationship).

This research introduces the temporal perspective of a product evaluation as a context factor influencing consumers’ interpretation and use of price information. Construal level theory argues that over time, different aspects of an action assume salience. Evaluations of an action from a distant perspective are primarily based on aspects related to desirability and the benefits of that action. However, with greater temporal proximity, consumers’ focus shifts to feasibility- and cost-related aspects. We conceptualize the price-perceived quality relationship as related to the desirability of using a product and the price-perceived sacrifice relationship as related to the feasibility associated with the purchase. In line with construal level theory, we find that the degree to which consumers interpret price information according to its desirability- or feasibility-related implications depends on the temporal perspective of the evaluation context (experiment 1). Specifically, we show that when a product is evaluated for distant future (vs. proximal) consumption, the price-perceived quality relationship is more pronounced whereas the reverse holds true for the price-perceived sacrifice relationship. The same high-priced product was consequently evaluated more favorably when considered for distant future compared to proximal consumption.

However, many consumers may initially receive information about a product’s price from a distant perspective (e.g., in the form of a preannouncement) before they evaluate the same product for proximal consumption at a later point in time. Experiment 2 shows that when price has already been used as an input for product evaluation from a distant perspective, its evaluative implications as an indicator of quality may become “immortalized” and price information may not be reinterpreted according to its feasibility-related implications in a later evaluation for proximal consumption. As a consequence, later product evaluations for proximal consumption are similar to initial evaluations from a distant perspective. Process insights suggest that this effect stems from an attenuated focus on price information when price has already been considered in a previous evaluation compared to when it constituted a new piece of information during judgments for proximal consumption.

These findings provide valuable insights for research and managerial practice. First, this research underlines the importance of time for consumers’ evaluation and use of price information. Whereas previous research found that time pressure influenced consumers’ use of price information as an indicator of quality and monetary sacrifice, our study reveals that also the temporal perspective of the evaluation context has an impact on consumers’ interpretation of price information. Second, our research calls to examine effects of temporal construal not only between but also within subjects. Specifically, we extend previous research on construal-carryover effects by examining the repeated exposure to and evaluation of information that can be interpreted as a desirability-related and as a feasibility-related aspect (experiment 2). Extending previous research on sequential decision making, we find evidence for the neglect of information that has been used to complete a task at time one in subsequent evaluations.

Finally, our study has important implications for the design of pre-launch communication activities, which are common especially in high technology industries. In these industries, achieving the highest possible adoption rates at the time of market launch is important in order to recoup R&D costs. Moreover, many products in these industries are launched with a high price strategy (e.g., Sony’s new PlayStation Portable). Our results show that evaluations of a high-priced product for immediate consumption at launch are significantly more favorable when price information was already considered in a previous product evaluation from a distant perspective. Thus, price may constitute an important piece of information in new product preannouncements.
PRICE CONTEXT, PRIOR KNOWLEDGE, AND WORKING MEMORY CAPACITY

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SUMMARY

Prior product knowledge has been shown to influence the cues that consumers use to assess product quality (Rao and Monroe 1988; Rao and Sieben 1992). Knowledgeable consumers tend to use intrinsic cues, whereas less knowledgeable consumers tend to use extrinsic cues such as price to infer a product’s quality. However, judgments of a product are affected not only by its own characteristics but also by characteristics of other products that are judged concurrently (Farley, Katz, and Lehmann 1978) or retrieved from memory (Biernat, Manis, and Nelson 1991; Kahneman and Miller 1986; Upshaw 1962; Urbany and Dickson 1990). Such shopping behavior raises a question as to how other products viewed when evaluating a target product, i.e., price context, might influence consumers’ use of price to infer a product’s quality. Will consumers use price to infer a product’s quality more when competitive products in an evaluation context are priced relatively lower than or higher than a target product?

Rao and Monroe (1988) suggest that in quality evaluation the attention paid to price will first decline and then increase, as prior knowledge increases. They argue that high knowledgeable consumers, relative to moderate knowledgeable consumers, are more likely to use price to infer quality when they believe there is a positive price-quality relationship in the market because price information is easier to process and interpret. Given the dual role of price to evaluate monetary sacrifice and to infer quality (Monroe 2003) when consumers become more concerned about monetary sacrifice associated with a product they are more likely to rely on their prior knowledge structure. It is argued that the utilization of prior knowledge could be context-driven. When the target product is relatively expensive in an evaluation context, concerns about monetary sacrifice makes highly knowledgeable and less knowledgeable consumers get more overwhelmed by their knowledge (or lack thereof) when assessing monetary sacrifice. Consequently these consumers will use price more to infer a product’s quality compared to those with moderate prior knowledge. On the other hand, when the target product’s price is relatively low, concerns about monetary sacrifice are low and consequently consumers irrespective of their knowledge are likely to evaluate the product information thoroughly. As a result, price will less likely be used to evaluate a product’s quality.

In Study 1, the target product (women’s blazer, $109.99) was evaluated in one of the two price contexts: low ($19.99, $49.99, $79.99) vs. high ($139.99, $179.99, $219.99). The results showed a significant interaction effect of evaluation context and prior knowledge on consumers’ quality perceptions. Contrasts indicated that when the target product is relatively expensive in the evaluation context, product quality will be perceived higher for participants with low and high prior knowledge, but not for those with moderate knowledge. Interestingly, however, there were no significant differences on quality perceptions among consumers with different levels of prior knowledge when the target product’s price is relatively low in the context. These results suggest that price is used more to infer quality when the target product’s price was relatively high. Evaluating a target product in a context requires consumers combine information processing and storage simultaneously. Working memory is often used to describe the ability to simultaneously maintain and process goal-relevant information (Conway et al. 2007). Furthermore, working memory capacity interacts with prior knowledge to affect people’s cognitive performance, such as the ability to process information more deeply. For example, Hambrick and Engle (2002) suggests a “rich get richer” hypothesis by arguing that knowledgeable people with high levels of working memory capacity derived a greater benefit from their knowledge than those with lower levels of working memory capacity. It is likely that working memory capacity of consumers might impact the utilization of prior knowledge in quality judgment. For consumers with high prior knowledge, higher working memory capacity will increase their use of prior knowledge by focusing more on the intrinsic attributes of the product in quality perception.

Study 2 replicated Study 1 with a different product (digital camera) as well examined the role of working memory capacity and prior knowledge on the evaluation of relatively high or low prices. The target product ($159.99) was evaluated in one of the two price contexts: low ($49.99, $79.99, $109.99) vs. high ($209.99, $249.99, $289.99). Following Hambrick and Engle (2002), working memory capacity measured both the operation span task (Turner and Engle 1989) and the counting span task (Engle et al. 1999). Results showed an interaction between prior knowledge and working memory capacity when target price was relatively high in the context. Consumers with high prior knowledge with high working
memory capacity were less likely to use price to infer a
target product’s quality than those with low working
memory capacity. No interactions were observed in high
price context.

The results from both studies are consistent in that the
relationship exhibited between prior knowledge and rela-
tive attention paid to price is U-shaped only when the price
of a target product is relatively high compared to other
products in the evaluation context. Furthermore, working
memory capacity impacts the use of prior knowledge but
primarily for consumers with high prior knowledge.

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THE IMPACT OF FAVORING NEW CUSTOMERS OVER LOYAL CUSTOMERS ON LOYAL CUSTOMERS’ PERCEPTIONS OF PRICE FAIRNESS

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SUMMARY

Behavioral pricing literature identifies the issue of price fairness as an important factor for customers’ reactions to prices. Several studies show that customers tend to react negatively toward a company if they perceive a price as unfair (e.g., Campbell 1999; Xia, Monroe, and Cox 2004). We define price fairness as a customer’s assessment of whether the comparison of a perceived price with a reference price is reasonable, acceptable or justifiable. Reference prices can be past prices or competitor prices (Bolton, Warlop, and Alba 2003). While the issue of price fairness has only been started to be investigated in the recent past, the issue of price discrimination has already been studied for a long time. In this study we focus on personal price discrimination in terms of favoring new customers over loyal customers. This represents a common strategy, especially in the service sector. For example, in the telecommunication sector price decreases are often only available for new customers but not for loyal customers.

However, previous research does not provide a linkage between perceived price fairness and personal price discrimination between new customers and loyal customers. Thus, the objectives of our research are to examine (1) how favoring new customers over loyal customers in terms of personal price discrimination affects loyal customers’ perceived price fairness and (2) which moderating variables influence this relationship. The investigation is based on a research model by Xia, Monroe, and Cox (2004), which has not yet been tested empirically.

On the basis of Equity-Theory, we hypothesize that favoring new customers over loyal customers will lead to lower loyal customers’ perceived price fairness. In addition, we expect that similarity of transactions, perceived motive fairness of a company’s prices, loyal customers’ trust in the company and consideration of social norms will moderate this relationship.

The telecommunication sector was identified for the empirical investigation due to the fact that new customers in this sector are often favored in price over loyal customers in terms of personal price discrimination. After a preliminary study, we conducted four experiments with a 2x2 mixed within- and between-subject design using a scenario approach which is often applied in price fairness research (e.g., Haws and Bearden 2006; Homburg, Hoyer, and Koschate 2005). Cell size was 25 for each experimental condition. We collected the data as part of an online survey. Participants were all real customers of telecommunications products, which highly adds to the generalizability of the results (e.g., Vaidyanathan and Aggarwal 2003). The dependent variable loyal customers’ perceived price fairness was measured using three items adapted from Bolton and Alba (2006), Bolton, Warlop, Alba (2003), Darke and Dahl (2003) and Vaidyanathan and Aggarwal (2003). All items were measured on seven-point Likert scales ranging from completely agree (1) to completely disagree (7). All data were analyzed employing a mixed factor ANOVA with loyal customers’ perceived price fairness as dependent variable.

The results of our study report a negative relationship between favoring new customers over loyal customers in terms of personal price discrimination and loyal customers’ perceived price fairness. This relationship is shown to be influenced by several moderating variables which are similarity of transactions, perceived motive fairness of a company’s prices, loyal customers’ trust in the company and consideration of social norms. Overall, our results highlight the importance of behavioral aspects in pricing. If companies find that they have to discriminate prices between new customers and loyal customers, loyal customers’ perceived price fairness should be considered. In addition, the moderating variables identified in this study provide starting points for implementing different prices for new customers and loyal customers.
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AGAINST THE GREEN: AN EXAMINATION OF NON-GREEN CONSUMERS

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SUMMARY

This paper utilizes a qualitative study to investigate non-green consumers. The marketing literature focuses solely on green consumers, not yet addressing the barriers that lead to non-green behaviors. As firms take note of the attention paid to the environment, the opportunity to capitalize has never been greater. The number of green products introduced has nearly doubled each of the past three years (Makower 2009). However, there are still approximately 160 million U.S. consumers that are reluctant to purchase green products (Stengel 2009). The goal of this paper is to identify the barriers that impede the adoption of green products. To accomplish this goal, the research presents a qualitative study of non-green consumers to better identify attitudes and perceptions that hinder consumers’ consumption of green products. The emerging themes suggest that distrust in “green” firms, lack of familiarity with green products, the influence of social and personal norms, and economic barriers impede consumers’ adoption of sustainable goods and services.

Introduction

As consumers’ become increasingly aware of the issues surrounding climate change, they are placing greater emphasis on environmentally friendly product purchases. While past research suggests that 75 percent of Americans claim to be environmentalists (Mackoy, Calantone, and Dröge 1995), it is estimated that nearly 160 million adult consumers in the U.S. have yet to purchase a green product this year (Stengel 2009). For example, in 2008 the organic food market made up only 3.5 percent of all the food product sales in the U.S. (Organic Trade Association 2009). While there has been an increase in the number of green products made available (Makower 2009), and an increase in green consumption, little is known in regards to why consumers continue to make non-green purchasing decisions.

Discovering why so many consumers are hesitant to purchase products that are purported to be better for the environment is the objective of this research. The goal is to better understand why consumers’ are reluctant to purchase environmentally friendly products. Results of a qualitative study are presented in order to better understand non-green consumers’ perceptions of green products. Non-green consumers may be defined as consumers that make purchases with little or no concern for the physical environment. These consumers choose to purchase non-green products even though environmentally friendly alternatives are available. Semi-structured interviews were conducted with twelve individuals. The participants ranged in age from 20 to 64, with varying degrees of socio-economic status. The results garnered from the interviews were compared to current pro-social consumer influence theory (Osterhus 1997). Analysis of the data yielded many interesting findings and greater insights regarding the attitudes and perceptions of non-green consumers.

Findings

The first issue raised by the participants was a lack of trust regarding “green” firms. Specifically, the general belief was that many firms only go green for monetary benefit. A lack of familiarity with green products was identified as a barrier. The participants generally noted that they could not recall seeing advertisements for green products or recall seeing them prominently displayed in stores. The resulting lack of awareness thereby created a barrier to the adoption of green products.

Social norms were also identified as a barrier as participants noted the detrimental impact of social norms on green consumption. Specifically, the actions of the participants’ families, and mentality of society, were believed to negatively impact green consumption as the participants noted a lack of positive social normative influence regarding green consumption.

Personal norms were another factor found to impact non-green consumption. Awareness of the need for green products was considered low by participants who suggested that they did not believe climate change was taking place. If climate change, or any negative environmental impact, was not expected, the motivation for change was weak. When examining awareness of the consequences of purchasing green products, the participants were extremely consistent in their responses as they all had low levels of perceived consumer effectiveness (Webster 1975). The participants did not attribute blame for the problem, or responsibility for correcting the problem, to themselves. As such, it appears that consumers do not believe they are likely to be seriously affected by environmental degradation issues.
Lastly, the economic investment (time and effort) needed to find and purchase green products were also noted as barriers to adoption. The participants suggested that they found themselves purchasing the same products repeatedly and were not willing to try anything new since they had already found something that worked well enough. Consumers indicated that they were comfortable with what they knew and were not likely to be willing to make the effort to find new green products and determine their effectiveness. Another economic obstacle for green products is price. With the exception of one, all of the subjects noted that price is an obstacle in their adoption of green products. The comparative high price of green products thus appears to be a barrier to the adoption of green products.

The research presented examines the barriers facing non-green consumers. As non-green consumers represent a majority of adult consumers in the U.S., it is critical that academics and practitioners better understand the barriers facing non-green consumers. Through a better understanding of the barriers non-green consumers’ face, firms will be able to develop marketing strategies designed to eliminate or minimize the factors that discourage this vast segment of consumers from purchasing green goods and service.

ENDNOTE

1 For the purposes of this paper, the terms: green, eco-friendly, environmentally friendly, and sustainable are used interchangeably.

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DOES GREEN REALLY HELP BEING GREEN? THE ROLE OF COLOR
IN PROCESSING FLUENCY

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SUMMARY

Although color is an essential element of marketing communications, we do not know much about the role of color in marketing (Garber and Hyatt 2003). For example, can color as part of an information presentation enhance message persuasiveness? Or does color have only aesthetic value with little impact on message persuasiveness? If there is an effect, how can that be explained? The current literature does not provide clear answers to these questions. We address these issues by linking processing fluency theory to the color literature. Research on processing fluency suggests that consumer judgments are often influenced by the ease or difficulty with which new information can be processed (Schwarz 2004). Building on this research, we propose that one potential source of processing fluency is color. There is very little research that explores whether and how color can influence the fluency with which people process target information. We propose that background color that matches the content of target information makes the information easier to process conceptually, thereby increasing the appeal of the target information. We investigated this in the context of pro-environmental messages, specifically testing the role of green color in pro-environmental messages and its impact upon evaluations of the target information.

Experiment 1

We examined the effect of different background colors (green and yellow) on attitudes toward household recycling tips. We hypothesized that a green background would lead to more favorable attitudes toward the recycling tips, presumably because the conceptual relatedness between the color green and recycling will facilitate processing of the information. Participants read household recycling tips on either a green or yellow background. They then evaluated the information on multiple items. Participants also reported their liking of the background color, current mood, and how easy it was to read the article. As predicted, evaluations of the recycling tips were more positive in the green (vs. yellow) condition. There were no differences between the two conditions in color preference, mood, or ease of reading. These results suggest that color can enhance ease of processing, which in turn leads to more favorable attitudes toward the target information.

Experiment 2

In experiment 1, the green background led to more positive evaluations of the recycling tips. To show that this effect is driven by the conceptual fit between the target information and the background color, in experiment 2 we tested whether this effect is limited to the evaluations of target information that is conceptually related to the color green. Further, we provide more direct evidence of conceptual fluency. We hypothesized that participants would experience more conceptual fluency when there is conceptual fit (vs. non-fit) between target information and a background color. A 2 (green vs. red) X 2 (environmental vs. non-environmental message) between-subjects design was used. Participants first read energy saving tips on either a green or red background. For some participants the goal of energy saving was protecting the environment while for others it was saving money. Protecting the environment is assumed to be more conceptually related to the color green than is saving money. To measure conceptual fluency, participants reported how much effort they spent to understand the article, how clear the meaning of the article was, and how quickly they got the idea from the article. Participants experienced more conceptual fluency with the environmental message in the green (vs. red) condition, but not with the non-environmental message. The 2-way interaction was significant. Consistent with these results, participants’ willingness to follow the energy saving tips was higher with the green (vs. red) background in the environmental message condition, but not in the non-environmental message condition. These results provide additional evidence that conceptual fluency can enhance message persuasiveness, ruling out other explanations such as the influence of color on mood or perceptual fluency.

Experiment 3

Color research suggests that longer wavelength colors (e.g., red, yellow) are arousing and evoke a prevention focus, whereas shorter wavelength colors (e.g., green, blue) are calming and induce a promotion focus (Stone and English 1997; Mehta and Zhu 2009). These findings suggest the possibility that the results from experiments 1 and 2 were driven by regulatory fit, rather than conceptual fluency. To test this possibility, we used the revised New Environmental Paradigm (NEP) Scale (Dunlap et al. 2000). This scale measures attitudes toward the environment and consists of two dimensions that map onto...
different regulatory foci: promotion- and prevention-focus. Participants completed items representing both dimensions on either a green or yellow background, resulting in a 2 (green vs. yellow: between-subjects) X 2 (promotion- and promotion-focused items: within-subject) design. If regulatory fit drives participants’ responses, scores on promotion-focused (prevention-focused) items will be higher in the green (yellow) condition, because there is better regulatory fit between promotion-focus (prevention-focus) and the color green (yellow). According to the conceptual fluency account, however, scores will be higher in the green (vs. yellow) condition regardless of regulatory fit. Supporting the conceptual fluency account, participants’ scores on both dimensions were higher in the green (vs. yellow) condition. There was no interaction effect, ruling out the regulatory fit account.

Discussion

In summary, we proposed and demonstrated that the conceptual fit between target information and background color can make target information easier to process, resulting in higher message persuasiveness. Our research adds to the color and processing fluency literature in important ways. First, we suggest a previously unexplored route by which conceptual fluency confers favorable attitudes to the target information, namely, the conceptual fit between the target information and background color. Second, prior research suggests that visual features of information can enhance perceptual fluency (e.g., ease of reading). Our research is the first to demonstrate that color as a physical feature can also enhance conceptual fluency (e.g., ease of understanding). The finding that consumer perceptions of pro-environmental tips are significantly influenced by the color green has important implications for public policy and social marketing. Importantly, our findings suggest that the role of color in marketing is not limited to aesthetic values. Rather, they show that a carefully chosen color can enhance message persuasiveness. References are available upon request.

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THE PSYCHOLOGICAL IMPACT OF NUTRITION INFORMATION:
THE ROLE OF GUIDELINE DAILY AMOUNTS

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SUMMARY

In recent years there has been increasing public and governmental debate about the harmful effects of obesity and what causes individuals to become overweight and obese. Figures from the World Health Organization (WHO) show that there are currently more than one billion overweight adults globally, of whom 300 million are classed as obese (WHO 2004). Obesity rates in many areas of the world (e.g., North America, Europe, the Middle East, Australasia, and China) have risen three-fold since 1980 (WHO 2004). To make healthier food choices consumers must have the appropriate information to decide what food is healthier for them. To this end, nutrition labeling has been made mandatory on packaged foods in many countries (e.g., Nutrition Labeling and Education Act [NLEA] 1990 in the U.S.). More recently, as governments put increasing pressure on manufacturers and retailers in their efforts to tackle obesity, Guideline Daily Amounts (GDA) information is beginning to appear on the front-of-packs in addition to back-of-pack nutrition information. The GDA format typically shows the amount and percentage of calories, fat, saturated fat, sugar, and salt as a percentage of the guideline daily amount for adults or for children depending on the product type. Limited research has explored the effects of the provision of GDA information particularly in a restaurant or café setting. Feunekes et al. (2008) tested the effectiveness of a range of front-of-pack labeling formats and conclude that simpler formats take less time and effort to evaluate and thus are better for decision making within a shopping environment. They further find that the GDA format takes longer to process and is harder to comprehend than other simpler visual formats. This stream of research is of increasing importance given the trend in legislation regarding restaurant menu labeling. Research in consumer psychology has found that temptation, conflict, and self-control are key factors influencing consumer choice (e.g., Dholakia et al. 2006; Luomala, Laaksonen, and Leipamaa 2004). But the question remains, in what way does GDA information moderate the impact of these psychological factors (temptation, conflict, and self-control) on choice? This research examines the effect of the provision of varying levels of GDA information on consumers’ propensity to choose to eat a cake in a café scenario based on an experimental approach.

A between-subject experiment was conducted at the British Broadcasting Corporation (BBC) Good Food show in Birmingham, U.K. during November/December 2007. Subjects were randomly assigned into three treatment groups, namely control group with no GDA information present, moderate GDA group and high GDA (higher percentages of calories and sugar) group. Respondents were asked to choose whether or not they would have a chocolate cake in a café when taking a break from shopping. A monochrome GDA format was presented under a color photograph of a chocolate cake. The same photograph of the chocolate cake was used across all subjects. The moderate GDA values reflect real GDA information on standard cakes widely available in the marketplace such as coffee stores. The higher GDA figures are also based on cakes from similar coffee stores but represent the “least healthy” options. Of the 299 female respondents who took part in the experiment 97 (32%) of the participants are in the control condition, 99 (33%) participants are in the moderate GDA condition and the rest (103 or 35%) are in the high GDA condition. Manipulation checks (t tests) show that participants in the high GDA condition thought the cake to have higher calories (Means = 5.19 and 4.42; t = 4.10, p < .001) and more sugar (Means = 5.31 and 4.71; t = 3.46, p < .001) than those in the moderate GDA condition and found effects in the expected direction. Generalized Linear Modeling (GZLM) was used to test the main research model.

The GZLM results confirm a direct effect of GDA on consumer choice. In particular, specification of high levels of calories and sugar contents has a direct effect in reducing the proportion of subjects choosing to eat the cake. In line with previous research, this study also confirmed the direct effects of temptation (e.g., Baumeister et al. 1994), conflict (e.g., Luomala et al. 2004) and self-control (e.g., Dholakia et al. 2006) on choice. More importantly, this study has established the relevance of the GDA information in terms of its moderating effect. Our results show that the presence of high GDA values has a significant influence in weakening the relationship between
conflict and choice, as well as strengthening the impact of self-control on choice. This would suggest that high levels of perceived “unhealthiness” leads the consumer to choose health rather than indulgence and therefore reject the cake. Thus timely presentation of objective nutrition information can provide an actionable target to resolve the conflict and activate self-control in favor of a healthier choice.

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SUMMARY

While zero defects is a noble goal, services are often manufactured and delivered in real time, leaving no time for quality inspection prior to delivery to the customer. Hence service failure is inevitable from time to time. Based on equity and social exchange theories, a service failure situation represents a disproportionate exchange of resources, where customers experience a loss of resources such as money, time, self-esteem, etc. On the other hand, service recovery is viewed as the company’s attempt to provide a gain to customers in order to make up for the loss experienced in the service failure. To develop an effective service recovery strategy that returns a customer to a state of satisfaction, the company or service personnel must provide customers with a resource that is equal to or exceeds what they have lost in the service failure. For example, a customer who had their self-esteem damaged in a service failure would prefer to receive an explanation and a genuine apology from the organization.

To explore the possible resources “lost” in a service failure situation, we employ cognitive appraisal theory. The theory proposed by Lazarus and Folkman (1984) shows that at the cognitive appraisal stage a person evaluates whether a particular (stressful) encounter with the environment (e.g., service encounter) is relevant to their well-being, and if so, if it is likely to create a threat, or harm/loss to them. The resources which are at stake are broadly categorized as psychological (e.g., self-esteem, sense of control) and personal (tangible) resources (e.g., money, time, physical harm). In other words, we examine what is at stake in a service failure from the perspective of core human values (need for self-esteem, justice, economic resources, and control) rather than focusing on expectation surrounding product/service attributes. The fundamental purpose of our study is to examine whether particular categories of service failure situations (e.g., inappropriate behavior or unresponsive staff, core service failure, etc.) are associated with different cognitive appraisal (e.g., threats to self-esteem, fairness, etc.). Second, we then examine if these associations are consistent across East-West culture.

Using critical incident technique to examine cognitive appraisal process, our findings shed new light on the appraisal processes of customers in service failure circumstances. Five dimensions of cognitive appraisal emerged from the data (435 respondents from Thailand and the U.S.): (1) Threats to physical well-being refer a potential harm to the person safety (or loved one): (2) Threats to self-esteem refer to a potential damage to a person’s view of his or her self worth: (3) Threats to economic resources involve a potential loss of money and time in which people put into each transaction: (4) A threat to fairness needs is a feeling of a sense of injustice, or of being cheated or treated unfairly: (5) Threats to control refer to a potential loss of the person’s ability to achieve a goal, deal with a problem, or control a situation. The service failure situations which lead to different types of appraisal were classified into (1) core service failure, e.g., billing error, unsafe practice, (2) employee unresponsive behavior, e.g., uncaring, unresponsive, (3) speed of service, e.g., waiting time, (4) employee inappropriate e.g., being rude, impolite, and (5) ethical problems, e.g., cheating, hard sell.

The results from logistic regression showed what resources are at risk (cognitive appraisal) in different service failure situations. Customers’ self-esteem is likely to be damaged in a circumstance that involves employee inappropriate behavior. Economic resources (money and time) are under threat in service failure situations caused by core service failure, or speed of service (slow). Fairness or need for justice is invoked when customers experience employees’ unresponsive behavior and unethical circumstances. Threats to control needs did not show a significance occurrence in any particular situation.

Eastern and Western customers seem to have different cognitive appraisals in some given situations. Western customers put more importance on economic resources (money and time) than Eastern customers in most service failure circumstances (e.g., core service failure, inappropriate behavior, and unethical behavior). Physical well-being seems to be a greater concern among Thais than Americans who experienced core service failure. This may be explained by the situational context where the incidents occurred. Most of the situations reported by Thais involve public transportation and public health care, which are known for their low quality services, and as a result Thai customers felt unsecure using these services.

It is important to recognize that customers possess a set of core human needs and values. Violate these needs and gross dissatisfaction is the result. Meet or enhance
these needs and the levels of customer satisfaction will emerge. It is a case of organization using a different lens and viewing customers as people first and customers second. References are available upon request.

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SERVICE RECOVERY PARADOX: MYTH OR REALITY?

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SUMMARY

The consequences of service failure and the impact of service recovery on customers’ post-failure attitudes have grown into an important research stream in the marketing literature (Andreassen 1999; Blodget and Hill 1997; Davidow 2003; De Matos et al. 2007; de Witt and Brady 2003; Homburg and Fürst 2005; Maxham and Netemeyer 2002; McCollough et al. 2002; Richins 1983; Tax and Brown 1998; Tax et al. 1998). Research generally agrees that a satisfactory recovery provided by the company can “turn angry and frustrated customers into loyal ones” (Hart, Heskett, and Sasser 1990, p. 148). However, there is less agreement when considering claims that successfully recovering can “create more goodwill than if things had gone smoothly in the first place” (Hart, Heskett, and Sasser 1990, p. 148). This second claim is the essence of the service recovery paradox (SRP) and to date, empirical research has provided conflicting evidence in support of and against this paradoxical viewpoint. Due to the confusion throughout the marketing literature a simple, but critical question remains unanswered:

“Do customers that experience satisfactory recovery efforts exhibit even more favorable attitudes and behavior than customers who do not experience a failure in the first place?”

The goal of this research is build upon current understanding of the SRP by investigating the SRP using a field study and leveraging data from a series of self-report measures and actual purchase behavior. We address suppositions in the literature by testing the following hypotheses:

H1: There is a significant, positive SRP effect for (a) satisfaction (SAT), (b) repurchase intentions (RPI), and (c) word-of-mouth (WOM).

H2: There is a significant positive SRP effect for (a) cognitive (CL), (b) affective (AFL), (c) conative (CNL), and (d) action loyalty (AL).

H3: The effects associated with the SRP (higher loyalty levels (a) cognitive (CL), (b) affective (AFL), (c) conative (CNL), and (d) action loyalty (AL)) for consumers that experience a successful recovery relative to consumers that experience no service failure) will be stronger when past customer experience with the provider is favorable rather than unfavorable.

Results

Based on analysis of variance we do not find support for H1. The level of satisfaction (H1a) is higher for customers without a service failure, our control group (CG), than for satisfied complainers (SC). The tests for H1b, also do not provide support for the hypothesis and are in line with findings from De Matos et al.’s (2007) meta-analysis. Similarly, the word-of-mouth intention (H1c) for customers without a service failure is also higher than for satisfied complainers. Ultimately, the results of H1b and H1c are consistent with the findings of De Matos et al. (2007), but our findings provide evidence that the SRP does not exist and that the opposite effects are true for repurchase intentions and word-of-mouth. With respect to satisfaction, our findings also suggest the opposite effects, which directly counter the findings of De Matos et al. (2007).

Regarding hypothesis H2, our results indicate no empirical support. More interestingly, we also assess the post-recovery behavior (“action loyalty”) as measured by the average time-span between two consecutive purchases before and after the recovery attempt using objective purchase data (H2d). Results indicate that satisfied complainers exhibit a higher purchase frequency before the service failure than the control group with no failure. However, after the failure, successfully recovered customers (satisfied complainers) do not change their post-recovery behavior significantly. In fact, they even slightly (yet insignificantly) reduce their repurchase frequency. These results largely disconfirm the existence of the SRP for actual behavior. Hence, we argue that the SRP should be more likely to occur if a customer has had favorable prior experiences.

The extension of H2 by integrating the moderating impact of past experience leads to some interesting findings. We analyzed data using a 2 (Prior Experience: Favorable (FPE) and Unfavorable past experience (UPE)) x 2 (Type of Customer: Satisfied complainer (SC) and No Service Failure (CG)) design that included the four types
of loyalty as dependent variables. Results for cognitive loyalty show a significant interaction effect between “past experience” and “type of customer.” An inspection of the means for cognitive loyalty, however, reveal an effect that is opposite of that proposed in H3a. More specifically, the antithetical effects to the SRP are stronger and significant under conditions of favorable prior experience. Under unfavorable conditions, there are no significant differences across the customer groups. Thus, when consumers have favorable prior experience with the firm, the effects that counter the SRP are more likely to occur than when consumers have relatively unfavorable prior experience with the firm. For both the affective loyalty and conative loyalty stages, the interactions were not significant, failing to support H3b and H3c. Findings based on the behavior (action loyalty) after the recovery provide no support for an SRP: There is no significant interaction effects between the group of satisfied complainers and the control group could be detected. Therefore, we find no empirical proof for H3d. However, we also analyze the purchase behavior before the service failure to take control of behavior changes. The group of satisfied complainer with a positive prior experience reduces their level of repurchase behavior, but not significant.

Concluding Remarks

We can best sum up our results, by answering a question posed by Michel and Meuter (2008) on the SRP: “Is it true but overrated?” Our results suggest that it is not only untrue, but its antithetical effects exist where strategies based on the SRP may provide worse outcomes than strategies that simply focus on getting service right the first time. In conclusion, it appears that successful recovery fails in comparison to simply providing good service the first time and the SRP is both untrue and overrated. References are available upon request.

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SETTING IN VERSUS EXPECTING MORE: MODERATING EFFECTS OF RELATIONSHIP LENGTH AND BRAND EQUITY ON CONSUMER JUSTICE PERCEPTIONS

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SUMMARY

The importance of justice evaluations within the context of service failures has been firmly established (Blodgett, Hill, and Tax 1997). Simply put, people desire justice when they perceive they have been wronged. A customer’s justice evaluation of a firm’s behavior affects the customer’s satisfaction with the firm and their loyalty to the firm. However, the exact type of justice a customer may prefer has not had the same consensus. Both distributive justice and interactional justice have interchanged their leading roles throughout the literature. Thus, there must be unmeasured moderators that are influencing the previous findings.

In this research, the effects of moderators on the relationship between justice perceptions and recovery satisfaction as well as firm satisfaction were evaluated. A firm’s brand equity and a customer’s relationship length were postulated as affecting the justice dimensions as explicated by social exchange theory and rewards expectations states theory. More specifically, it was expected that a habituation effect would attenuate the relationship of interactional justice with satisfaction with the recovery as well as overall firm satisfaction for customers who have a long-standing relationship with a firm. It was also expected that a firm’s brand equity would trigger a customer’s reward expectation. For firm’s with high brand equity, the triggered reward expectation states would strengthen the effect of distributive justice while attenuating the effect of interactional justice. The opposite effect was expected for firm’s with low brand equity.

A form of critical incident technique was utilized to gather data from 583 respondents and between-group analyses in structural equation modeling was used for hypothesis testing. A conceptual model of a service recovery evaluation based on Maxham and Netemeyer (2002) was used as the framework in which to test the moderating effects. In addition to the primary analysis, common method variance and a confound check of the effect of pricing was also assessed.

The results confirmed the strengthening effect of brand equity on the relationship between distributive justice and satisfaction with the recovery. The attenuating effect of relationship length on interactional justice was not supported by the data. Thus, the results suggest that firms with low brand equity may be able to recover from service failures by simply emphasizing the polite treatment of customers. In contrast, it would seem that firms with high brand equity are expected to provide both compensation and polite treatment during a service recovery. References are available upon request.

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CONCEPT PROVIDING IN THE WHOLESALING INDUSTRY: DO STRUCTURAL CUSTOMER BONDS HELP OR DO THEY HARM COMPETITIVE ADVANTAGE AND RELATIONSHIP QUALITY?

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SUMMARY

Studies have most often analyzed business relationships from a manufacturer’s perspective. If wholesalers’ downstream relationships have been considered at all, the focus has been on the possibilities of streamlining manufacturers’ production processes through integrated supply strategies. The perspective of wholesalers themselves has largely been neglected. The aim of this study therefore is to analyze the nature of the relationship between wholesalers and their customers. More specifically, the effects of structural customer bonds on relationship quality are being studied as well as the role of the competitive advantage that wholesalers’ customers gain due to the relationship. The effects of various bonds on the competitive advantage of the customers on the one hand as well as on the stability of the relationships implemented by the wholesaler on the other hand are analyzed (see Figure 1 for the conceptual model).

In this research, structural customer bonds are regarded as consisting of the dimensions “relationship-specific investments,” “operational linkages,” “contractual bonds,” and “information exchange.” Relationship quality has been proven to have a significant influence on performance outcomes of the buyer as well as of the seller in a dyad and therefore is chosen as the dependent variable in this study. It is defined as an overall assessment of the strength of a relationship and conceptualized as a multidimensional construct capturing the different but related facets of a relationship. We understand relationship quality as a composite measure of commitment and trust.

For our study, we chose the automotive aftermarket as an industry in which wholesalers have developed a broad spectrum of different structural bonding measures and frequently offer customers the possibility to benefit from these. The relationships were evaluated from a buyer’s perspective, since in a buyer’s market the focus on the buyer’s point-of-view may explain more variance in types of relationships. We therefore addressed repair shop owners belonging to one of four wholesaler-managed cooperative systems in Germany and by this included the customer relationships of over 150 different wholesale companies.

A total of 202 usable questionnaires were available for the investigation. To test our hypotheses, we con-
ducted PLS regression. We proposed a positive effect of structural customer bonds on the quality of the wholesaler-customer-relationship as well as on the competitive advantage that customers gain through the relationship. Our results show highly significant positive effects both on relationship quality and on competitive advantage. Additionally, we could confirm a positive effect of competitive advantage on relationship quality.

Competitive advantage was identified as a (partial) mediator of the relation between structural bonds and relationship quality. In order to gain more insights into the nature and effects of structural bonds in wholesaler-customer-relationships, in an explorative way, we further analyzed the four distinct dimensions of structural bonds included in the research. Only information exchange and relationship-specific investments had a significant direct effect on relationship quality. All four dimensions, however, showed a significant effect on competitive advantage.

These results show that the quality of a wholesaler-customer relationship mainly depends on relationship-specific investments and information exchange with information exchange yielding a significantly higher influence than relationship-specific investments. This shows that although wholesalers have started binding their customers by requesting specific investments in the relationship, the stronger bonding effect still stems from the wholesalers’ market knowledge and the information they can pass on to their customers.

Our study has shown that structural bonds between wholesalers and customers are important in order to build competitive advantage of the customers as well as to increase the quality of the relationship. Wholesalers can be assured that it really is worth the effort to invest scarce resources into the development of structural bonding measures. This study is among the first to empirically differentiate between different dimensions of structural bonds and their respective impact focusing on the net of customers from a wholesaler’s point-of-view. While all dimensions of structural bonds have positive effects on competitive advantage, only relationship-specific investments and information exchange benefit relationship quality. These findings imply consequences for managerial practice as well as for future research. References are available upon request.

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PRODUCTION OF TRUST IN BUYER-SELLER RELATIONSHIPS: THE CONTINGENT ROLES OF PRODUCT QUALITIES AND LIFE-CYCLE STAGE

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SUMMARY

Among the success factors in relating with customers, trust has been proposed to play a unique role (Saparito, Chen, and Sapienza 2004; Zaheer, McEvily, and Perrone 1998), as trust may significantly foster customers’ purchase intentions (Doney and Cannon 1997; Stewart 2003). While different disciplines have adopted varying perspectives in studying the phenomenon, trust in buyer-seller relationships can be broadly defined as the buyer’s willingness to be vulnerable to the actions of the supplier (Mayer, Davis, and Schoorman 1995; Rousseau et al. 1998).

Mayer et al. (1995) suggest that the supplier’s trustworthiness is key to customer relationships characterized by high trust. As trustworthiness can thus be regarded as a firm attribute important to the performance of customer relationships and as firms differ in their degree of trustworthiness, it has been proposed that trustworthiness can be a source of competitive advantage (Barney and Hansen 1994).

Despite the importance of understanding the role of trustworthiness in customer relationships, the antecedents to trustworthiness have been at times obscured. First, few systematic frameworks exist specifying a comprehensive typology of key drivers of suppliers’ trustworthiness. When distinctions between different types of trustworthiness sources have been made conceptually, they have not been tested empirically (e.g., Mayer, Davis, and Schoorman 1995; Zucker 1986), or they have not been tested empirically in the same study (e.g., McKnight, Choudhury, and Kacmar 2002; Stewart 2003). As noted by Ferrin and Dirks (2003), empirical research on the antecedents of trust has lagged behind the theory. Second, among the comparatively small number of studies focusing on the drivers of trustworthiness, most have exclusively investigated main effects. That is, little systematic attention has been paid to the conditions that determine whether specific antecedents will be particularly (in)effective in increasing suppliers’ trustworthiness. Finally, there is very little integrative work on trustworthiness of suppliers considering both antecedents and consequences simultaneously. Resolving these issues is important to the development of theories of buyer-seller relationships and trust.

This paper explores a comprehensive set of antecedents to trustworthiness of suppliers. Building on Zucker’s (1986) three modes of trust production (process, characteristic, institutional), we identify a variety of factors and test for their relative impact on trustworthiness as perceived by buying firms. Enriching the analysis, we introduce two moderators influencing the effectiveness of these antecedents. Drawing from information economics, we hypothesize differences in the effects of trust building modes depending on the qualities of products sold (credence vs. experience goods). Moreover, turning to the question whether specific modes of trust production are unique for NEVs, we consider the moderating impact of supplier lifecycle stage (NEVs vs. established firms). In addition to exploring antecedents to trustworthiness, we also incorporate customer relationship outcomes by combining Zucker’s (1986) framework of trust production modes with Mayer et al.’s (1995) widely cited integrative model of organizational trust.

In order to test our research model, we conducted a large-scale questionnaire survey. We applied three criteria in selecting a population for our study: First, we focused on B2B purchasing situations, which led us to study the trust perceptions of corporate customers (as opposed to consumers). Second, we focused on firms from two different industries: (1) public relations agencies (PR) and (2) manufacturers of photovoltaic modules. This selection was guided by our objective to analyze differences between credence and experience goods. Following the definition by Darby and Karni (1973), PR services can be considered typical credence goods in that they are “utilized either in combination with other goods of uncertain properties to produce measurable output or in a production process in which output, at least in a subjective sense, is stochastic, or where both occur” (p. 69). Photovoltaic modules, in contrast, feature the characteristics of experience goods, as a buyer will be able to judge their output and handling “costlessly only after purchase” (Darby and Karni 1973, p. 69). Third, we decided to ask the participating buying firms to respond to our questionnaire with reference to a pre-specified list of suppliers. This procedure allowed us to ensure that supplying firms were in the same industry as the customer and that sufficient variance exists with regard to the life cycle stage of
the suppliers. Thus, we conducted extensive interviews with industry experts, aimed at compiling a list of prominent suppliers that were clearly either an established firm or an NEV. We then contacted these suppliers and asked for their consent. This process resulted in the selection of 12 suppliers in the PR industry (five established firms and seven NEVs) and 13 suppliers in the photovoltaic modules industry (six established firms and seven NEVs).

We contacted a total of 6,887 firms satisfying our selection criteria, using purchasing decision makers as key informants who were provided with a link to our online questionnaire. 1,178 firms responded to our inquiry, yielding a response rate of 17.1 percent. The first question in the survey asked the participant to rate his familiarity with each of the suppliers from our list. The five-point answer scale ranged from “I don’t know this supplier.” to “We have used this supplier.” When the participant responded with three (“I know this supplier and have detailed knowledge about it”) or higher for at least one of the suppliers from the list, an algorithm selected one supplier that was used for the rest of the survey. In total, 436 firms qualified for completing the entire questionnaire. Forty-four cases were dropped from further analysis primarily because of incomplete responses, leaving 392 complete responses in the final sample.

We analyzed the data using structural equation modeling and found overall support for our research model. As predicted, we found that the supplier’s trustworthiness is strongly linked to the extent of trust in that supplier, which significantly enhances the customer’s intention to purchase from this supplier. In addition, the majority of Zucker’s (1986) trust building modes significantly enhance the trustworthiness of the supplier. More specifically, reputation (a process-based source of trustworthiness), social similarity and personal relationships (as characteristics-based sources of trustworthiness), and institutional embeddedness and external references (institution-based sources of trustworthiness) all had a positive and significant (p < .05) relationship with the supplier’s perceived trustworthiness.

Consistent with our moderating hypotheses, we not only found that measures of risk reduction are more strongly related to trustworthiness when analyzing agreements involving credence goods, but also that trust is a stronger driver of purchase intention when experience goods are traded. However, no significant differences were detected between NEVs and established firms with regard to the trust-purchase intentions relationship, which led us to reject the respective hypothesis. We did find, however, that NEVs realize the institution-based trust production mode to a lesser extent than established firms. This means that reputation can be realized even by young firms. References are available upon request.

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EFFECTS OF SUPPLIER’S MARKET ORIENTATION ON CHANNEL RELATIONSHIP: A CROSS-CULTURAL STUDY

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SUMMARY

Kohli and Jaworski’s (1990) seminal study emphasizes the importance for many manufacturers to know the expectations and preferences not only of their end-customers, but also of their distributors in the marketing channel. In the channel relationships, the proclivity toward cooperation and collaboration is consistent with stronger commitments and trusts between channel members. Since market orientation and relationship marketing share the same philosophical network, some studies have converged and integrated two concepts either directly or through intermediate variables such as satisfaction and brand value (Clark 1999).

Despite the prominent role of market orientation on channel relationships and its ensuing influences on market-oriented behaviors in dyadic relationships, there has been a paucity of research attention to date. Therefore, researchers need to focus on studies related to market orientation in the channel relationship context and should be able to explain the implications of the adoption of market orientation in distribution channels (Frazier 1999; Avlonitis et al. 1999). In addition, internationalization and globalization have spawned greater competitive challenges across channel structures and environments. An adoption of market-oriented behaviors is likely to become a viable strategy that firms think to ease channel tensions but defend themselves from potential environmental threats from international competition. However, there is little research investigating the moderating effect of cross-cultures on this relationship. The purpose of the research is to investigate the effects of market orientation on a channel relationship between suppliers and distributors and demonstrate the role that cultural dimensions play in this channel relationship by developing a set of propositions through an extensive review of literature in the relevant marketing field.

Market Orientation

The marketing concept has been defined over time has resulted in the differences in definitions of market orientation. Kohli, Jaworski, and Kumar (1993)’s study focused on the firm’s activities and behaviors regarding customer needs, competitive information, market intelligence, and the sharing of such knowledge. Narver and Slater (1990) suggested that market orientation consisted of three behavioral components (customer orientation, competitor orientation, and inter-functional coordination), Deshpandé et al. (1993) focuses on customer orientation: “The set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs-assessment.” In this study, Kohli and Jaworski’s (1990) definition of market orientation is adopted and used because of its more comprehensive conceptualization of the construct. They say “market orientation is the organization-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization-wide responsiveness to it.”

National Culture Dimensions

This research centers on two out of five dimensions defined by Hofstede (1980): collectivism/individualism and power distance because it assumes that these two dimensions are highly relevant to the cross-cultural comparison study and that channel partners interact differently in different cultures. Collectivism/individualism is a dimension widely studied in cross-national business relationships (Williams et al. 1998). A partner in a collectivist culture sets a higher priority to the group’s interest and norms than to his or her interest while the counterpart in an individualist culture is inclined to disregard other’s concerns and goes for his or her own interest (Hofstede 1980). Power distance is another dimension. Power distance is “the extent to which less powerful members of organizations within a country accept the unequal distribution of power” (Hofstede 1980). In a lower power distance culture, a partner is more likely to be involved in a decision-making process and participate in the discussion table (Kale and McIntyre 1991), while the counterpart in a higher power distance culture seems to obey commands by managers or supervisors who are in a higher rank of hierarchy.

Proposition Development

A model of channel relationship elements is designed to cover a dyadic context. It hypothesizes the likely effects of a supplier’s market orientation on both the distributor’s market orientation and other channel relationship factors, including trust, and performance, and the effects of cultural dimensions on this relationship. The propositions are (1) the supplier’s market orientation is positively correlated with the distributor’s market orientation, (2) the supplier’s market orientation is positively correlated with the distributor’s trust in the supplier, (3) the distributor’s market orientation is positively correlated with its trust in
the supplier, (4a) the positive relationship between supplier’s market orientation and distributor’s trust will be stronger in highly collectivistic culture than in a highly individualistic culture, (4b) the positive relationship between supplier’s market orientation and distributor’s market orientation will be stronger in highly collectivistic culture than in a highly individualistic culture, (5a) the positive relationship between supplier’s market orientation and distributor’s trust will be stronger in a high-power distance culture than in a low power distance culture, (5b) the positive relationship between supplier’s market orientation and distributor’s market orientation will be stronger in a high-power distance culture than in a low power distance culture, (6) the distributor’s trust in its supplier is positively correlated with its financial performance, and (7) the distributor’s market orientation is positively correlated with its financial performance.

Methodology

American distributor names are selected from the membership list of associations affiliated with the National Association of Wholesalers. To collect data foreign companies in the U.S., Chamber of Commerce of South Korea is contacted. Survey questionnaires are divided into two parts, one is business-oriented and the other one is demographic-oriented. In this study, multi-item scales from previous studies are used to measure all constructs discussed in this research. The 20 items validated by Kohli, Jaworski, and Kumar (1993) formed the basis for market orientation measure. Ganesan (1994)’s and Naman and Slevin (1993)’s instruments are used to measure trust and performance, respectively. References are available upon request.

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HOW HUMOR IN ADVERTISING WORKS: A TEST OF ALTERNATIVE MODELS

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SUMMARY

The literature provides different explanations on how humor in advertising works which can be broadly categorized into cognitive and affective models. The present study uses meta-analytic data in order to test these models as well as an integrative affective-cognitive model that explains additional mechanisms of how humor in advertising works.

Theoretical Background

There are three ways by which humor affects cognitive responses that, in turn, impact $A_{AD}$ and $A_{BR}$

1. Humor enhances cognitions in general, whereby positive cognitions outweigh negative ones (information processing approach),
2. Humor reduces negative cognitions (distraction effect),
3. Humor impacts ad related cognitions but not necessarily brand related cognitions (vampire effect).

As for affective processes, humor enhances positive affect and suppresses negative affect; both affective reactions impact $A_{AD}$ and $A_{BR}$.

As for the integrative model, humor leads to positive affect that leads consumers to process congruent information by enhancing positive cognitions. The same mechanism should apply to the suppression of negative affect that increases congruent (i.e., negative) information.

The relationship between ad cognitions, brand cognitions, $A_{AD}$, and $A_{BR}$ follows the dual mediation hypothesis: Exposure to advertising impacts ad and brand cognitions. Brand cognitions impact $A_{BR}$ whereas ad cognitions impact $A_{AD}$. $A_{AD}$ impacts both brand cognitions and $A_{BR}$.

Method

The models include nine different variables in total. That is, 36 off-diagonal cells have to be filled in order to produce the input of a correlation matrix for structural equation modeling. For this purpose, mean correlations from three meta-analyses dealing with advertising effects were used (Brown, Homer, and Inmann 1998; Brown and Stayman 1992; Eisend 2009). At least two effect sizes for each cell of the matrix were included. A fixed model approach with sample size weighted correlations was applied. Correction for measurement error was considered in the structural equation model by using weighted average reliability coefficients to compute error terms. The harmonic mean of the sample size underlying the pooled correlations was used for the analysis.

Results

The fit indices indicate an acceptable fit of the models. The results of the cognitive model show that humor reduces negative ad related cognitions but does not affect brand related cognitions directly. Ad cognitions influence $A_{AD}$, which influences brand related cognitions and $A_{BR}$. Brand related cognitions do not influence $A_{BR}$.

The affective model supports the assumed effects: Humor enhances positive affect and decreases negative affect. Affect impacts $A_{AD}$ which influences $A_{BR}$.

The integrative affective-cognitive model supports further paths. Humor directly impacts negative ad-related cognitions, and both positive and negative affective states. Affect influences $A_{AD}$ and positive affect enhances positive ad cognitions. Ad related cognitions influence $A_{AD}$. $A_{AD}$ impacts $A_{BR}$ and brand cognitions, but brand cognitions do not impact $A_{BR}$.

A mediation analysis shows that positive ad related cognitions do mediate the effect from positive affect toward $A_{AD}$. As for brand related positive cognitions, there is no mediation of the direct effect of positive affect on $A_{BR}$ because the path from brand cognitions to $A_{BR}$ is not significant.

When comparing the nested affective and cognitive models with the full model (integrative affective-cognitive), the full model provides a better fit than each of the nested models.

Discussion

Humor reduces negative ad-related cognitions, which provides support for the distraction hypothesis that postulates that humor reduces counter arguing as related to the ad. The results for the affective model support the mechanisms of an automatic and direct humor effect as sug-
gested by mechanisms of affect transfer or the idea of spontaneous action tendencies that are linked to affective experiences. While the findings of the affective and the cognitive model both hold, the integrative affective-cognitive model reveals some additional paths from affect to cognitive responses. These results are consistent with a congruency effect or an affect-as-information heuristic. However, the model does not support any effects of negative affect on cognitions. The result can be explained by the fact that positive thoughts are more easily accessible only in the case of positive affective states, while memory accessibility remains constant in the case of negative affective states.

As for practical implications, the results show that affective reactions triggered by humor do increase positive cognitions while humor directly reduces negative ones. By this, humor may help to overcome weaknesses in advertising messages such as weak arguments or negative information. Further research is needed to provide a more detailed account on these phenomena. References are available upon request.

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SE HABLA ESPAÑOL: EXPLORING LATINOS’ EMOTIONAL REACTIONS TOWARD POLITICAL LANGUAGE TAILORED-ADS

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SUMMARY

Latinos have become the largest ethnic minority in the United States as the group now accounts for 15 percent of the country’s population. In addition, recent changes to the community’s demographics have increased the importance of the Latino vote in local, state, and national elections. Due in part to these developments, Democrats and Republicans alike have found the need to attract what has been termed the “Latino voting-bloc” or the “sleeping giant.” Not surprisingly, recent presidential campaigns and their outreach programs had to heavily target the Latino vote, tailoring their messages accordingly. However, there is a lack of research in the context of televised political advertising targeted to U.S. Latinos. This study explores the U.S. Latino population’s emotional reaction toward “language-tailored” TV ads. Specifically, this study analyzed the emotions produced by TV ads broadcast in English, Spanish, and English-with-Spanish-sub-titled in a Latino-themed environment.

The literature points out the importance of emotions on people’s perceptions of advertising as a whole (e.g., Schwartz 1973). Emotions are linked to advertisement attitudes and candidate image evaluations (e.g., Chapa, Hausman, and Minor 2008; Tedesco 2002). Not surprisingly, research shows that emotional appeals are dominant features of political advertisements (Kern 1989). Substantial political research supports the contention that emotions affect the evaluation of the candidate (e.g., Tedesco 2002).

The U.S. Latino population is by no means a monolithic group, however, it does share common values and beliefs, such as common culture (e.g., Becerra and Korgaonkar 2009), which is displayed through the use of the Spanish language. Based on Connaughton and Jarvis’ (2004) premise and Hofstede’s (1984) framework that Latino people are more emotional and motivated by micro-level interactions, we expect Language-tailored political ads (whether it is the Spanish-version or English-with-Spanish-subtitles ads) to induce more positive feelings among Latinos than English-version ads. Older generation U.S. Latinos may be influenced in a lesser extent by Spanish language ads than the younger generations; thus generational levels may impact the influence provided by the language-tailored ads have on the different groups.

A one-ad experimental design was employed. For this experiment a positive political advertisement featuring president-elect Obama was selected. This advertisement was selected because it was produced in both languages; Spanish and English. Unfortunately, there were no available advertisements that met all three requirements and therefore the third requirement, Spanish-language subtitles, was added to the English-language advertisement. A total of three advertisements were used in this experiment.

The results on the effects on each emotion indicate that there is no difference among the emotions elicited by the three types of ads. The Spanish version ad elicits more negative emotions than the English ad ($p < .05$). Similarly, the English with Spanish subtitles ad elicits more negative emotions than the English ad ($p < .05$). There is no difference between the Spanish and the English with Spanish subtitles version. The generational level was not significant. As a result, the hypothesis that language-tailored ads create more positive emotions on Latinos than English ads is rejected.

Wallendorf and Reilly (1983) suggest that Latinos may adopt their internalized concept of the American way of life and in doing so, expect a political candidate to communicate his/her message in English. Therefore, using Language-tailored ads may seem contradictory to their expectations and may produce negative emotions toward the ads. Furthermore, Koslow, Shamdasani, and Touchstone (1994) found that Latinos believe that communicating in English is better than in Spanish, which reduces the influence of advertisements in Spanish. This suggests that the negative emotions may be elicited because the language used in the ads was that other than English. Another explanation for our findings is that U.S. Latinos may prefer non-Latinos to communicate in English and may view communications in Spanish from non-Latinos politicians as disingenuous. However, these inferences need further exploration to be validated.

The findings suggest that Language-tailored ads from non-Latino English speaking politicians may elicit nega-
tive emotions, which is the opposite effect intended by political ads. Therefore, non-Latino English speaking politicians may need to reach Latinos in English and/or perhaps use a Latino Spanish-speaking politician in their advertisements to communicate and present a more trustworthy message.

REFERENCES


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THE CONSUMER’S PERCEPTION OF THE EMOTIONAL AUTHENTICITY OF AN ADVERTISING SPOKESPERSON: THEORETICAL DISCUSSION AND QUALITATIVE STUDY

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Harley Krohmer, University of Bern, Switzerland

SUMMARY

Against the background of negative consumer reactions to advertising (e.g., Ha and Litman 1997), consumers increasingly demand authenticity in marketing and communications (Gilmore and Pine II 2007). In advertising, research on a specific type of authenticity, emotional authenticity, is relatively scarce. Our paper will address the following research questions: What is emotional authenticity of an advertising spokesperson? How do recipients judge emotional authenticity? How does emotional authenticity affect the consumer’s response to advertising?

By drawing upon literature from psychology, emotional authenticity of an advertising spokesperson – from a consumers’ point of view – can be defined as the perceived congruence between the spokespersons’ emotional expressions and her inner feelings (cf., Salmela 2005; similarly Harter 2002). Emotional authenticity is given, when the consumer believes that the spokesperson actually feels the expressed emotions in the advertisement. Contrarily, emotional authenticity is low when the recipient believes that the spokesperson does not actually feel the expressed emotions, but emotional expressions had been put on.

Research Design

To answer our research questions, we conducted 12 in-depth interviews (students and non-students sample). We focused on the emotion of “enjoyment” since positive emotions play a crucial role in advertising (Goldberg and Gorn 1987). Real print advertisements showing spokespersons expressing the emotion of enjoyment, and more specifically showing a felt/unfelt smile (high/low authenticity) (Ekman 1999; Ekman and Friesen 1982), were used as stimuli. A number of methods for improving the quality of the analysis were adopted.

Results

Concerning the authenticity judgment, most recipients quickly and spontaneously decided on the emotional authenticity of the spokesperson. By further discussing reasons for their judgment, participants struggled with finding explanations. To overcome the complexity, many recipients might have used a process with a low degree of cognitive effort that resulted into a spontaneous judgment. More specifically, respondents referred to their gut feeling, their first impression, and heuristics. Surprisingly, during our discussion, the respondent’s assessment hardly ever changed, supporting the quality of the more affective and unconscious authenticity judgment. Nonetheless, the authenticity judgment also involved some cognitive elements. So, our respondents compared the portrayed emotional expressions and the advertising content with their knowledge (Grayson and Martinec 2004) of the particular emotion (Shaver et al. 1987). When the emotional content in the advertisement is thought to be (in-)congruent with the recipient’s emotional knowledge, the person is likely to be (in-)authentic (cf., Grayson and Martinec 2004). Further, respondents assigned authenticity when they had personal experiences with the advertising content and when they could relate it to their life experiences (“self-referencing,” Burnkrant and Unnava 1995). Moreover, if all elements in the advertisement are congruent with the emotions expressed by the spokesperson, emotions are likely to be authentic. Contrarily, if something irritates the consumer, emotional authenticity is likely to be denied. When assessing someone as authentic in terms of enjoyment, respondents also referred to some cues, e.g., a felt smile, an open and relaxed emotional expression, and a spontaneous snapshot of the person not facing the camera. In contrast, e.g., an unfelt smile and a static or cramped body language signify low emotional authenticity of enjoyment. Additionally, some informants discussed contrived authenticity in advertising: emotions in advertising are not entirely authentic, since they have been created by the actress to fulfill an advertising purpose (cf., Stern 1994). However, emotional expressions can seem authentic or can be perceived as authentic (cf., Gilmore and Pine II 2007).

Regarding the consumer’s response to emotional authenticity, our qualitative study suggests more positive and stronger effects of emotional authenticity in comparison to a lack of authenticity. Despite the positive advertising response, the consumer’s awareness of contrived authenticity might slightly diminish advertising response
in comparison to a reaction toward a spontaneous genuine emotional experience in real life.

Managerial Implication and Future Research

The affective and quick authenticity judgment implies high managerial relevance of authenticity: in the today’s advertising environment emotional authenticity might play a crucial role since it is expeditiously recognized and highly valued by the audience. In order to create authentic advertisements it is important to reflect the consumer’s life experiences. Further, companies need to ensure that the elements in the advertisement are congruent to each other and that nothing distracts the audience from the genuine experience due to a lack of congruence. We recommend the following questions for further research: firstly, emotional authenticity should get studied with other emotions. Further, our findings with regard to the consumer’s response should get validated in a quantitative study. In line with this, some variables that moderate the effectiveness of emotional authenticity should get addressed. References are available upon request.

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ABSTRACT

We advocate teaching measurement and data analysis at the beginning of the marketing research course (i.e., “backwards”). This approach has distinct advantages; although, we note some disadvantages. We believe that the backwards approach will be superior to the traditional approach, and we offer six propositions as to improved student learning.

INTRODUCTION

Most undergraduate marketing major curricula are composed of four required courses: principles of marketing, consumer behavior analysis, marketing research, and marketing strategy. Of these, marketing research represents a unique teaching challenge because it is a blend of topics that range from simple concepts to highly complex formulas. Typically, these topics are treated in a step-by-step sequence. Figure 1 is the 11-step sequence advocated by Burns and Bush (2010).

As can be seen in this representative figure, the marketing research process begins with establishing the need for research and ends with preparation of the formal marketing research report. In between these steps are problem definition, research objectives, research design, survey methods, measurement and questionnaire design, sampling, data collection, and data analysis. Statistical data analysis is logically located at the end of the marketing research process because, with an actual survey, most of the steps must be completed before data analysis can commence. An inspection of leading marketing research textbooks (Aaker, Day, and Kumar 2006; Burns and Bush 2010; Churchill, Brown, and Suter 2010; Hair, Bush, and Ortmun 2010; Malhotra 2010; McDaniel and Gates 2009; Parasuraman, Grewal, and Krishnan 2007; Zikmund and Babin 2010) reveals that all of these textbooks cover statistical analysis in their latter chapters.

CHALLENGES OF TEACHING DATA ANALYSIS

Most certainly, statistical analysis is difficult and demanding material to teach. It relies on statistical concepts and theories that are myriad and complicated; it necessitates the learning and use of statistical analysis software; and it requires that students thoroughly understand measurement scales. Even with a statistics prerequisite for the marketing research course, students often flounder in the data analysis section of the class. Some authors have developed novel and creative pedagogies for the teaching of data analysis (see, for example, Bridges 1999; Dobni and Links 2008; Tam and Siu 1996); however, its location in the sequence of steps (i.e., chapters) conspires against effective teaching for at least two reasons. First, it is taken up some time after measurement (Note in Figure 1, that measurement is in the 7th step while data analysis is in the 10th step, so, at minimum, a three-week separation), and, second, data analysis is covered at the end of the semester often when topic coverage has slipped behind the ideal schedule, and it is the most hectic time for students. Consequently, teachers must remind, revisit or otherwise re-educate students of basic measurement concepts as these often dictate allowable statistical analyses, and teachers face time pressure to cover a large volume of statistical material in a short amount of time. At the same time, students are distracted by demands and requirements of other courses, extracurricular activities, and gaps such as Spring Break. In this paper, we offer a “backwards” approach to the timing and teaching of statistical analysis in the marketing research course that overcomes these difficulties.

TEACHING MARKETING RESEARCH BACKWARDS

Figure 2 compares the “forward” or traditional sequence with our “backwards” flow of topic treatment in the marketing research course. Note that we advocate the teaching of data analysis very early in the course, preceded only by a section on measurement. That is, the marketing research course semester begins with a data set comprised of a number of different measures of marketing constructs. The instructor describes relevant measurement concepts as a way of introducing students to the variables in the data set. The instructor then moves to descriptive statistics as useful tools to summarize the findings in the data set. He/she then proceeds to inferential and relationship statistical analyses as ways to generalize the findings to the population represented by the data set and to determine stable associations or insightful relationships. With the statistical analyses mastered, students are then taught how to present the findings with tables, figures, and accompanying text in a marketing research report. This approach provides students with a clear
understanding of what is ultimately produced from a marketing research project: a summary of the key findings in the Findings section of the marketing research report.

**PROS OF THE BACKWARDS APPROACH**

Specifically, we advocate that statistical analysis be covered very early in the marketing research course, and we envision at least five advantages to this approach as compared to the traditional step-by-step approach. First, measurement and analysis are co-joined. Selection of the proper statistical technique is highly dependent on the scaling assumptions of the variables in the data set, so in our approach, students are provided with a data set, and measurement scales are taught with the use of this data set. We then immediately take up the various descriptive, inferential, relational, and predictive statistical techniques while measurement scales are fresh in students’ minds. A second advantage is that statistical analysis is understood when questionnaire design is taken up. By understanding the nuances of data analysis (based on knowledge of measurement scales), students make better choices as to question response formats on questionnaires. This advantage is especially important when team projects for local sponsors are incorporated into the course, and students must create questionnaires for the sponsor’s problem. A fourth advantage is that statistical analysis is taken up at a less hectic time of the semester. The beginning of the semester is relatively free of time and energy demands as compared to the end of the semester when papers, exams, and projects for all courses are competing for students’ time. So, by locating the data analysis material early in the course, there is the opportunity to garner more student attention and concentration on these difficult topics. The last advantage is that early hands-on exposure to statistical analysis may alert students to statistical “quirks” such as low correlations that invariably are found in survey data, sparse data that occurs with cross tabulations with many rows and columns, how to handle missing data, treatment of outliers, and so on. These data analysis nuggets of knowledge are sometimes useful when research objectives are being formulated or questions being designed for the questionnaire.

**CONS OF THE BACKWARDS APPROACH**

Naturally, our advocated approach is no panacea, and we readily admit to some disadvantages. First, it begins the marketing research course with the most difficult material. As we noted earlier, students tend to have an aversion to statistics, so beginning the marketing research
class with a very heavy dose of statistical analysis is definitely not to a student’s liking. In fact, this first impression may taint students’ perceptions of marketing research toward the negative. Another disadvantage is that this approach is contrary to the chapter sequence in virtually every marketing research textbook. Even if the instructor can cleverly “create” a textbook by rearranging the chapters of an existing text, there are invariably concepts referred to in the data analysis treatments that are covered in the earlier, traditional textbook chapter sequence that will be foreign or at least murky to students who do not encounter these chapters until after the data analysis chapters are covered. Finally, we believe that our approach will best succeed with the use of a comprehensive, expository data set. If students are to learn about measurement concepts and the data analysis implications of these concepts plus run and interpret data analyses at the beginning of the course, it is best to have a single data set that accommodates all of these issues and facilitates learning of the data analysis concepts. Some textbooks include comprehensive integrated case data sets that may be useful, but it is incumbent on the instructor to scrutinize the data set to ensure that it facilitates teaching of all of the salient concepts and issues.

**PROPOSITIONS: BACKWARDS VERSUS FORWARD MARKETING RESEARCH**

Admittedly, our experience with teaching marketing research backwards is not deep. Moreover, we have not had the opportunity to empirically test the veracity of our advocated approach. Nonetheless, we do have some intuitive beliefs as to how our advocated backwards approach would perform compared to the traditional, forward approach in various learning assessments. We offer these in the form of the following propositions along with the rationale for each proposition in the following Table.

In conclusion, we invite teachers of marketing research to critically examine our recommended approach and to voice concerns or to seriously consider teaching marketing research backwards.
## TABLE 1
Propositions Pertaining to Backwards Versus Traditional Marketing Research Pedagogy

<table>
<thead>
<tr>
<th>Proposition:</th>
<th>Rationale for Proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backwards will effect...</td>
<td></td>
</tr>
<tr>
<td>1: Better understanding of statistical analysis</td>
<td>Statistical material is covered when students are more analysis focused and less distracted, plus temporally closer to the statistics prerequisite course.</td>
</tr>
<tr>
<td>2: Better operational definitions</td>
<td>More and deeper understanding of measurement-and-analysis co-dependencies will enhance students’ abilities to relate to measurement scales for constructs.</td>
</tr>
<tr>
<td>3: Less scale type-analysis errors</td>
<td>Early and deeper learning of measurement scale dictates on statistical analyses will result in greater learning of these topics.</td>
</tr>
<tr>
<td>4: Better questionnaire designs</td>
<td>Experience and understanding of data analyses will result in fewer blunders (such as open-ended questions or improper scales) in questionnaire design.</td>
</tr>
<tr>
<td>5: Better research objectives</td>
<td>Experiencing data analysis and how findings are presented in the Findings section of the final report will guide students toward doable research objectives.</td>
</tr>
<tr>
<td>6: Less need for hand-holding during project analysis</td>
<td>Having experienced data analysis early on and as a function of Propositions 1–5, students will operate more autonomously and correctly during team projects.</td>
</tr>
</tbody>
</table>

## REFERENCES


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SELECTING A FREE VENDOR-HOSTED ONLINE SURVEY TOOL FOR STUDENT USE

Matt Elbeck, Troy University, Dothan

SUMMARY

Use of the Internet to conduct market research has not escaped the attention of instructors using this channel for student assignments. The purpose of this study is to help educators select a free online vendor-hosted survey tool for student use by identifying, ranking, classifying and evaluating the services appropriate for student exposure to online marketing research, questionnaire design, and control over analysis by accessing the raw survey respondent data. The benefits of this study are to offer students 24–7 access to manage their survey instrument(s) and respondent data from any computer.

Method

A mixed methods approach was used to identify online vendors and rate them according to ease of use. First, multiple online searches and vendor website examination identify the population of free vendor-hosted online survey tools which are then described in detail. Online in-links data were used to develop a popularity-importance (P–I) ranking of the vendors as a proxy for vendor quality to help orient the reader to the collection of 14 online vendors. Each of the 14 online survey vendor sites was visited and by examining the pricing tab which details the various pricing plans and their benefits resulted in the assignment of vendor services into two groups. The first is labeled demonstration tools to include vendors offering students exposure to online surveys, access to design their own survey, presenting their survey to an online sample and graphically reviewing the results online. The second group labeled project tools offers all the demonstration tools benefits in addition to a facility to download online survey respondent data for further analysis by students. To assess the “look and feel” of each survey tool, a sample of 22 undergraduate online marketing students responded to a 5-item respondent impression survey. To determine survey software ease of use, students were invited to open an account, design a short survey (questions supplied by the author) and launch the survey. From this, students were asked to evaluate their experience.

Results and Discussion

For “look and feel,” the best performing Project Tools are Survey Methods (M = 1.80, SD = 0.35) and Question Pro (M = 1.8, SD = 0.57), whilst for Demonstration Tools it is Survey Monkey (M = 1.63, SD = 0.36).

For ease of use, Question Pro (M = 1.58, SD = 0.9) is the student’s most favored project tool, and Free Online Surveys (M = 1.38, SD = 0.6) is the most favored demonstration tool. The average time students took to open an account, create a 3-item survey and create a link to a survey was 10.8 minutes (SD = 6.1 minutes).

For in-class project use, Question Pro is the student’s most favored Project Tool. If more than two surveys are to be created, or more than 10 questions per survey, then Survey Gizmo would be the preferred tool. For Demonstration Tools, Free Online Surveys is the most favored, though if over 50 and fewer than 100 responses are expected, then Survey Monkey would be selected. The average time students took to open an account, create a 3-item survey and create a link to a survey was 10.8 minutes, highlighting the user friendly nature of all the vendor’s services and therefore allowing the instructor to confidently invite students to set-up their online vendor account, create the survey based on items supplied by the instructor or created by the students and create the link to the survey for respondent use.

If students represent the sample for an online survey, then the most appropriate surveys based on student attitudes to the look and feel of each survey is Survey Methods is best as a project tool, though if student ease of use is a consideration, then Question Pro would be the preferred best-compromise survey tool. As a demonstration tool, Survey Monkey is ranked best and is the best-compromise when student ease of use is considered. It is comforting to note that the best-compromise survey tools Survey Monkey (demonstration tools) and Question Pro (project tool) are ranked first and second in terms of in-links popularity and importance. References are available upon request.
MARKETING STUDENTS’ ATTITUDES TOWARD AND BELIEFS ABOUT COMMERCIAL SIGNAGE

James J. Kellarism, University of Cincinnati

SUMMARY

On-premises signage is among the oldest and most fundamental forms of marketing communication, yet it is often overlooked as a topic in marketing courses and textbooks. The studies reported here examine introductory marketing students’ attitudes toward and beliefs about commercial, on-premises signage (Study 1) and assess the impact of an educational intervention on such attitudes and beliefs (Study 2).

Introduction

Signage is important to marketing because of the benefits it confers as a communication medium. It plays multiple roles in marketing communication, including identification, way-finding, and branding (Calori 2007). Despite the importance of signage as a communication medium and branding tool, the topic is largely ignored in introductory marketing courses and textbooks.

As a first step toward addressing this information gap, two studies examine students’ awareness of signage issues, as well as attitudes, beliefs, and the impact of an educational intervention. These studies represent an initial attempt to document and explore how marketing students think about an important but neglected form of marketing communication and visual branding. This topic is potentially important because it represents an economically and strategically significant reality of marketing practice that is underrepresented in marketing education.

Study 1

To assess students’ attitudes toward and beliefs about commercial, on-premises signage, a questionnaire was designed and administered to undergraduate students enrolled in an Introduction to Marketing class at a large, urban, public university. The questionnaire contained 20 statements about signage, generated from multiple sources. Each statement was followed by a ten-point agreement scale. The analysis compiled descriptive statistics for each attitude/belief statement and assessed the reliability of two composite scales representing positive and negative attitudes.

Results show that although students have not devoted much thought to the topic of commercial signage, the majority tend to hold generally positive attitudes. Nevertheless, negative beliefs and misunderstandings are also evident. For example, 17 percent believe that signage causes traffic accidents, 20.8 percent believe that signs along the highway are “eyesores,” 25.8 percent believe that illuminated signs are an environmental threat, and 32.1 percent believe that electric signs are a waste of electricity. Roughly a third of the students report that there is no difference between signs and billboard ads.

Given that students’ awareness of signage issues is fairly low, attitudes and beliefs may be malleable and responsive to educational intervention. A second study gathered additional evidence using a larger sample and assessed the impact of education on such attitudes/beliefs.

Study 2

The questionnaire used in Study 1 was administered to students enrolled in an introductory marketing class at a large, urban, public university in the Midwestern region of the United States. The class was split randomly into two groups. Half were asked to fill out the questionnaire immediately prior to hearing a “guest lecture” on signage as marketing communication; half were asked to fill out the questionnaire shortly after hearing the lecture.

The lecture was delivered by a male, senior professor. Lecture content included basic definitions and types of signs, a brief history of commercial signage, purposes of signage, including the multiple roles of signage in marketing communication, benefits of signage to customers, businesses, and society, including economic impact, and controversies regarding signage.

Results are general consistent with those of Study 1. Moreover they document the impact of hearing a lecture about signage. The mean agreement with the statement “My attitude toward commercial signage is generally negative” was 4.36 among those queried before the lecture versus 3.53 (i.e., stronger disagreement) among those queried after the lecture ($t = 2.94$, df = 155, $p = .004$ two-tailed). Other differences are also noted. The importance of signage as a form of marketing communication became more salient after hearing a lecture and the benefits and economic impact of signage became more apparent. Positive changes can also be seen regarding the protection of signage as freedom of speech and the impact of signage on property values.
Conclusion

These studies explored students’ attitudes and beliefs regarding an important, yet neglected marketing topic. They begin to document students’ views of signage, but more importantly to point out a gap in marketing education and propose some topics for further exploration. Given the pervasiveness of on-premises signage, the multiple roles it plays in marketing, its benefit to consumers and economic impact, this preliminary report is intended to initiate a dialog among marketing educators regarding signage as a marketing/branding topic. References are available upon request.

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BRAND AND TECHNICAL INTEGRATION FOR RADICAL INNOVATION: DO FIRMS THAT INTEGRATE DO BETTER THAN FIRMS THAT DO NOT?

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SUMMARY

Firms that seek to introduce radical innovations are faced with important questions regarding the manner in which the innovations are developed and marketed. Should they use their existing brand to market the radical innovation, or should they develop a new brand? Should they develop the technology for the radical innovation in-house, or should they outsource the technology development? A common theme around these questions is the level of integration-in marketing and technical assets- that is appropriate for the successful development and market introduction of radical innovations. While a sizable literature has examined the antecedents and consequences of radical innovation, there is little evidence on the drivers and outcomes of the integration decisions associated with radical innovation. Our research seeks to fill this gap.

We seek to make three key contributions to research. First, we address the issue of branding in the context of radical innovation. Branding decisions play a crucial role in whether and how a radical innovation is marketed. Despite a significant stream of research on the determinants of the success of brand extensions, the brand integration decision tends to be unexplored in the radical innovation literature. Second, we study technology outsourcing as it relates to radical innovation. In this context, firms have to decide whether to develop the core technology needed for radical innovation in-house, or source it from external entities. Despite many calls for research on technology outsourcing much of the empirical research on radical innovation tends to ignore external sources of technology, and as such implicitly assumes that technology development happens in-house. Third, we examine the impact of technology and brand integration on product superiority and marketplace performance in the context of radical innovations. By linking decisions regarding brand and technology integration to product and marketplace outcomes, we are able to make some initial recommendations to managers about how best to tackle these decisions.

We use the concepts of risk, resources, and control to build a theoretical framework and develop hypotheses about technical and brand integration decisions in the context of radical innovation. Firms can develop the technical assets needed for radical innovation in-house or acquire them through market contracts. Similarly, firms can use an existing brand identity or create a new one to market products using the new technology. We argue that in the case of technical assets, integration requires more resources, but leads to greater control. In the case of brand assets, integration requires fewer resources, but leads to greater risk and lower control. Finally, we examine which aspects of long term performance are impacted by each type of integration decision.

First, we hypothesize that dominant firms are more likely than non-dominant firms to integrate the technical assets needed for radical innovation. While most firms have the incentive to technically integrate – to gain control and accelerate learning – dominant firms are best positioned to do so as they are likely to have greater slack resources and a better ability to absorb unsuccessful attempts to develop a new technology, thus making it easier for them to attempt it in the first place. Second, we hypothesize that firms that integrate the technical assets needed for radical innovation are likely to develop products with greater superiority as compared to firms that do not integrate the technical assets. Indeed, firms that develop the technology in-house are in the best position to use – through time – existing internal knowledge as well as detect and assimilate any external knowledge that is necessary to optimally develop and subsequently update the radically new technology.

Third, we hypothesize that dominant firms are less likely than non-dominant firms to integrate their brand assets for radical innovation. The uncertainty associated with the radical innovation creates the incentive to create a new brand which could mitigate the brand dilution that a potential failure of the radical innovation may entail. However, dominant firms are more likely to have the resources necessary to set up and successfully support a new brand. Finally, we hypothesize that firms that do not integrate the brand assets needed for radical innovation are likely to develop products with greater market acceptance as compared to firms that integrate the brand assets.
Indeed, a new brand increases the perception of newness of the product, offers the firm substantial freedom in selecting the appropriate positioning and marketing strategy for the product, and provides greater control over the routines necessary to maximizing the market success of the radical innovation.

We test our hypotheses on archival data from the U.S. retail banking industry. Specifically we examine the introduction of Internet banking on a sample of 312 U.S. banks over a seven-year period. We collect data on variables that measure the integration and performance of Internet banking, as well as data on entry time, bank characteristics and on technologies that banks may have used prior to the introduction of this radical innovation. Empirical tests provide supporting evidence for all four hypotheses.

Our study offers prescriptive implications that can guide managers in making branding and technological decisions associated with radical innovation. A few sample implications follow.

To differentiate, build your own technical assets. Outsourcing technical assets may appear to be the faster, easier and safer route to radical innovation. However, simply adopting an existing market solution is likely to lead to the creation of a generic and standardized product. Building the technical assets needed for radical innovation in-house may potentially delay the launch of the innovation, but following this route offers a solution customized for its own market. This in turn will have positive consequences in the long-term.

Build Brands, Don’t Extend Old One for Innovation. There is little if any guidance in prior literature how best to branding radical innovations. Insights from extant research on brand extensions may not easily translate to products that are so radically new that they may entail not only new firm routines but also new consumer behaviors. Our results counter-intuitively suggest that greater market acceptance is achieved with a new brand, rather than with an established one, due perhaps to the flexibility in positioning that a new brand affords.

Keep Decisions on Technical and Brand Assets Separate. The decision to integrate technology for radical innovation might appear to go hand in hand with the decision to integrate the brand associated the innovation. Results from our study would suggest that recognizing that the two decisions are separate and that they have differing effects has important consequences for firms involved in the process of radical innovation.

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MANAGING SATISFYING SELLER-BUYER INTERACTIONS DURING NEW PRODUCT DEVELOPMENT IN TECHNOLOGY-BASED, INDUSTRIAL MARKETS

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SUMMARY

A growing body of literature notes that the new product development (NPD) process in technology-based, industrial settings is increasingly characterized by close and frequent interactions between sellers and buyers throughout the process (Gruen and Homburg 2000; Perks 2000). Such relationships provide strategic benefits for both sellers and buyers of technology-based innovations (Leonard-Barton 1995). For example, Hamel and Prahalad (1991) and Robertson (1993) note that co-developing products with knowledgeable buyers alerts sellers to desirable product characteristics and potential market opportunities; buyers benefit by gaining access to new technologies ahead of competitors (Udwadia and Kumar 1991) and by being able to influence performance attributes (von Hippel 2001). Despite these benefits, ineffective relationship management during product development is an important contributor to the high failure rates of technology-based, industrial innovations (Nesse and Skjelnes 1994). Unfortunately, empirical research on seller-buyer relationships during NPD remains underdeveloped (Alam 2002); therefore, to address this deficiency we examine the following two research questions:

What are the behavioral dimensions of seller-buyer interactions during NPD?

What are some important moderators of the linkages between the behavioral dimensions and relationship satisfaction?

Our study addresses this deficiency by developing a model of seller-buyer interactions during NPD. The model is rooted in Transaction Cost Analysis (TCA) and was tested using data from 296 small to mid-sized firms in a variety of technology-based, industrial markets. It specifies education and product co-development as two key behavioral dimensions that characterize seller-buyer interactions during NPD. Further, it proposes that a seller’s satisfaction with undertaking these behaviors is moderated by buyer characteristics (i.e., perceived buyer knowledge and prior relationship history), innovation characteristics (i.e., product customization and innovation discontinuity) and an environmental characteristic (technological uncertainty in the seller’s industry). The overall support we find for the model can help managers optimize their relationships with buyers during NPD.

Results

We found that education and product co-development both have statistically significant main effects on relationship satisfaction. The focus of our analyses, however, concerns the moderation effects. Our analysis showed that as hypothesized, perceived buyer knowledge negatively interacts with education and positively interacts with product co-development to affect relationship satisfaction. But prior relationship history was not found to interact with either education or product co-development. Therefore, neither of the hypothesized relationships was supported. As expected, product customization positively interacts with product co-development to affect relationship satisfaction but the hypothesized negative interaction between product customization and education was not supported. Also, innovation discontinuity positively interacts with education to affect relationship satisfaction as hypothesized but the expected negative interaction with product co-development was not supported. Finally, technological uncertainty negatively interacts with product co-development to affect relationship satisfaction, as predicted but it did not positively moderate education as expected.

Discussion

Drawing on TCA, our study makes several important theoretical and managerial contributions. Since empirical research on seller-buyer NPD relationships remains underdeveloped, existing studies tend to be largely anecdotal and based on case studies. In addition, the relatively few empirical studies are often restricted to single-industry settings. While adequate at the initial stages of theory development, such single-industry studies limit the generalizability of the findings. Our study represents an important next step in theory development in the area because we collect data from a variety of technology-based industries. Our study also has useful implications for practitioners. Allocating resources to effectively manage the nature and timing of buyer involvement during product development remains a challenge for NPD managers. The normative framework inherent in our model
addresses this challenge. For example, early and bilateral interactions via product co-development are appropriate when dealing with a buyer who is knowledgeable. Similarly, education, which occurs later in the NPD process and entails a unilateral flow of information from a seller to a buyer, is well suited for discontinuous innovations. References are available upon request.

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THE ADOPTION OF TECHNOLOGY ORIENTATION IN HEALTHCARE INDUSTRY

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SUMMARY

Introduction

Consumer demand for better health is a prime factor driving the adoption of technology orientation (TECHOR) within the healthcare industry. Today, healthcare delivery often involves the use of technological tools and equipment such as robotics, support devices and monitoring systems. Indeed, the availability of technology is an important consideration for many patients when they evaluate and select health care treatment plans (Moseley 2005). Despite the importance of technology in today’s health service delivery, the study of TECHOR in healthcare organization as a firm-level construct is scanty. Previous orientation research on technology narrowly focuses on limited aspects of technological use such as sales technology (Hunter and Perreault 2006), and potentially beneficial technologies (Srinivasan, Lilien, and Rangaswamy 2002). This paper attempts to fill this gap by establishing TECHOR as a firm-level construct to assess how organizations manage their technology initiatives and develop strategies accordingly to meet the growing demand of technological use.

Conceptual Domain

In accordance to the common practices in construct development (Cronbach and Meehl 1955), the universe of TECHOR is articulated through a set of theoretical concepts by extensive literature review and field studies. This paper argues that the existence of TECHOR deals with physical presence of technology and technology knowledge. The proposed TECHOR is a five-factor multidimensional construct consists of technology change, technology allocation, technology deployment, technology mastery, and sense and respond to technology. Technology change is defined as any changes in clinical practice that enhance the ability of providers to diagnose, treat, or prevent health problems (Congressional Budget Office 2008). Technology allocation refers to acquiring, holding and locating technological resources into possession. Technology deployment refers to arranging, moving and organizing technological resources for a deliberate purpose. Technology mastery refers to the development of comprehensive expertise, knowledge, tacit know-how, skills, and techniques essential to master the use of specific technology. Sense and response to technology refers to organization’s ability to response to technology opportunities. Technology sensing involves acquiring knowledge about new technological progresses, and technology responding reflects the willingness to respond to new, potentially beneficial technologies (Srinivasan, Lilien, and Rangaswamy 2002).

Methodology and Findings

The healthcare industry is selected because of its high use of technologies in clinical practices and patient care management. A total of 382 employees from a Midwestern hospital participated in this study. The item pools have a total of 31 questions designed to assess the multidimensional TECHOR construct. The analytical approach involved two major procedures: (1) a measurement assessment of TECHOR to explore the possible underlying factor structure without imposing a preconceived structure on the outcome, and (2) a confirmatory analysis to verify the factor structure by constraining the number of factors (Jöreskog 2000).

A total of five factors were extracted for the TECHOR construct. The explained variance in each TECHOR dimension is as follows: 89 percent in technology change; 27 percent in technology allocation; 82 percent in technology deployment, 67 percent in technology mastery, and 89 percent in sense and respond to technology. References are available upon request.
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THE ROLE OF MARKETING RESOURCES IN RADICAL INNOVATION

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SUMMARY

Recent research in marketing has made an important step in acknowledging the role of marketing strengths in the development of innovations (Dutta, Narasimhan, and Rajiv 1999; Henard and Szymanski 2001; Sorescu et al. 2003; Voss and Voss 2008). However, with the exception of study by Sorescu et al. (2003), marketing has not made many inroads into understanding the role of marketing resources in radical innovation, despite an increasing empirical literature on marketing assets and capabilities (Bahadir, Bharadwaj, and Srivastava 2008; Dutta et al. 1999; Krasnikov and Jayachandran 2008; Vorhies and Morgan 2005).

Our overall goal, thus, is to understand the role of marketing resources in generating and benefitting from radical innovation. To this end, we distinguish three types of marketing resources building on Srivastava, Shervani, and Fahey (1998, 2001). Intellectual resources characterize the market knowledge resources of the firm, capturing the stock of knowledge or firm’s memory about customers, competitors, channel partners, and other external entities affecting the firm environment (Moorman and Miner 1997; Srivastava et al. 1998, 2001). Relational resources are the result of bonds between the firm and channel partners in terms of duration, strength, closeness and quantity (Srivastava et al. 1998). Reputational resources reflect the impact of a firm’s corporate name or personality in its market in terms of awareness, strength, and appeal relative to competitors. Such resources also capture brand equity and firm image and can operate as an endorser of brand or product extensions (Aaker 2004).

A radical product innovation is a new product that incorporates a substantially different core technology and provides substantially higher customer benefits relative to previous products in the industry (Chandy and Tellis 1998, 2000). The role of resource superiority in radical innovation is central though multi-faceted and debatable. A literature stream building on early work of Schumpeter (1934) portrays a bleak picture for resource rich firms: complacent, inert, and unwilling to cannibalize their products and resources, they are displaced by much more nimble, ambitious, and lean new entrants (e.g., Henderson and Clark 1990). There is other research, however, that stresses the complexity of modern innovations requires firms with resources and market power (Chandy and Tellis 2000). We address these issues with a set of hypotheses treating the marketing resources as antecedents and moderators of radical innovation.

H1: There is inverted U-relationship between market knowledge resources and radical innovation in which intermediate levels of marketing knowledge produces the highest level of radical innovation.

H2: There is a negative relationship between reputational resources and radical innovations.

H3: There is a positive relationship between relational resources and radical innovations.

H4: The greater the market knowledge resources, the lower the likelihood that radical innovation will promote the financial performance of the firm.

H5: The greater the reputational resources, the higher the likelihood that radical innovation will promote the financial performance of the firm.

H6: The greater the relational resources, the higher the likelihood that radical innovation will promote the financial performance of the firm.

We test our hypotheses in a sample of 110 technologically intensive Dutch firms utilizing a survey among general and marketing managers. We relied on existing scales to tap radical innovation and marketing resources (Chandy and Tellis 1998) while measures of the marketing resources were derived from Slotegraaf, Vorhies, and Morgan (2007). After testing for common method bias and purifying the constructs, a preliminary analysis in LISREL 8.54 indicates market knowledge resources have negative impact and reputational have no impact on radical innovation (no support for H1 and H2); while relational resources benefit radical innovation in support of H3. We also find that market knowledge reduces while reputational and relational resources strengthen the value of radical innovation in support of H4, H5, and H6.

Despite some methodological limitations related to reliance on cross-sectional and primary data, our study is the first to explore empirically marketing resources in an integrated way and is the first to take a customer-marketing view toward marketing resources as opposed to a techni-
cal or aggregate explanation of resources. First, we map specific marketing resources that influence radical innovations. Our focus complements work that has been confined to examining marketing resources as proxies, either as investments in marketing activities or external market outcomes (Moorman and Slotegraaf 1999; Sorescu et al. 2003).

Second, although research has examined the financial consequences of some marketing resources (Bahadir et al. 2008; Capron and Hulland 1999; Krasnikov and Jayachandran 2008; Moorman and Slotegraaf 1999), it has paid scant attention to their facilitating role in deriving financial benefits from radical innovations (Sorescu et al. 2003). Overall, we show that the value of marketing resources can vary depending on whether we examine their impact before or after radical innovation. Third, we build on the intuition that firms benefit financially from radical innovation in the presence of complementary marketing resources. Although research has examined the financial consequences of some marketing resources independently (Moorman and Miner 1997), it has paid scant attention to their facilitating role in deriving financial benefits from radical innovations (Sorescu et al. 2003).
COMMA N’ CENT S IN PRICING: THE EFFECTS OF AUDITORY REPRESENTATION ENCODING ON PRICE RECALL AND MAGNITUDE PERCEPTIONS

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SUMMARY

Research has demonstrated that consumers’ processing of price information may not always involve conscious, rational processes (Monroe and Lee 1999). Rather non-conscious processes can operate at encoding to distort the numerical information that is retained in memory (Xia 2003). For example, non-numerical aspects of the stimulus such as color, spokesperson, layout, or context could impact both how the price information is later recalled, and the “magnitude” or “value” that is associated with the sale price (Babin, Hardesty, and Suter 2003; Nunes and Boatwright 2004; Grewal, Marmorstein, and Sharma 1996).

In this paper, we suggest that the manner in which a price “name” is verbally represented [e.g., $167 can be (either internally or externally) verbalized as “one hundred sixty-seven dollars” or “one sixty-seven” or “one six seven”] can impact not only whether it is retained in short-term memory, but also how it is perceived in terms of numerical value or amount. Further, we demonstrate that inclusion of commas (e.g., $1249 → $1,249) and cents (e.g., $1249 → $1249.99) in a price’s written form in Arabic numerals (i.e., how it is perceived visually) can alter how that price is verbally encoded and recalled, and hence influence both recall as well as numerical magnitude perceptions. We maintain that the effect occurs due to variation in price-name syllabic length, and the positive correlation that consumers non-consciously attribute to the relationship between syllabic length and numeric value. Our theory is grounded in the numerical cognition literature, which suggests that the human cognitive system deals with numerical information (and hence prices) through a dedicated cognitive subsystem (Ashcraft 1992; Vanhuele, Laurent, and Dreze 2006). Dehaene (1992) and colleagues developed a triple-code model of the cognitive numerical subsystem, in which it is proposed that numbers can be mentally represented and manipulated in three different forms (or representations): visual, auditory, and analog. Because each of the encoded representations are neurologically connected with one another, we posit that if phonological representations can be manipulated by varying the syllabic length of price-names (i.e., adding commas or cents to the price), then analog representations may be affected.

We conduct an experiment in which subjects are exposed to a series of products (i.e., laptops and flat-screen televisions) and associated prices. The prices vary in terms of comma insertion, as well as the inclusion of cents digits. Stimuli are presented visually; the visual cues are hypothesized to determine the manner of phonological encoding, and hence impact recall and price magnitude perceptions. In order to ensure phonological encoding, the experimental instructions direct subjects to read the prices to themselves “without speaking out loud” (this reflects the way they read prices in a store environment), and subjects are also told to internally recite (i.e., mentally rehearse) the observed prices in order to keep them in memory.

Logistic regression results reveal that participants are unable to recall both prices in 62.5 percent of those trials where commas have been inserted; however inability to recall both prices drops to 33.3 percent when commas are not present. Similarly, participants are unable to recall both prices in 58.3 percent of those trials where cents digits have been attached; however inability to recall both prices drops to 37.5 percent when cents digits are not included. OLS regression reveals that comma insertion significantly increases magnitude perceptions involving two different sets of prices \[R^2 = .115; F(1,44) = 12.27, p = .001; \text{beta} = .34; R^2 = .092; F(1,94) = 9.49, p = .003; \text{beta} = .30\]. Similarly, cents-digit addition significantly increases magnitude perceptions for both our first \[R^2 = .091; F(1,44) = 4.40, p = .042; \text{beta} = .302\] and second \[R^2 = .051; F(1,44) = 7.83, p = .008; \text{beta} = .389\] set of prices. These results support our hypotheses. Because marketing managers are typically interested in conveying the smallest (i.e., least expensive) price possible, from a practical perspective our findings seem to argue against Comma N’ Cents in pricing.
REFERENCES


Complete list of references is available upon request.

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THE INFLUENCE OF ASSORTMENT SIZE ON CONSUMERS’ INFORMATION-PROCESSING STRATEGY: RATIONALE AND DESIGN OF AN EMPIRICAL APPROACH

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ABSTRACT

Studies on consumer choice often assume that consumers use a hierarchical two-step process in making their decision on what to buy. The purpose of the research outlined in this manuscript is to renew the question of brand versus attribute processing in decision making. Choice processing is revisited in the light of recent evidence indicating that assortment size induces choice overload and heuristic processing. More important, this paper outlines the rational and design for an empirical examination of the processing strategies of “attributes first” versus “brands first” consumers use when presented with assortments of increasing numbers of brands and product options.

INTRODUCTION

Research on consumer choice early on assumed that consumers administer a hierarchical two-step process in making their decision on what to buy (Bettman and Park 1980; Gensch 1987; Lussier and Olshavsky 1979). A number of related studies have been concerned with the sequence and degree to which consumers process by attribute or by brand (Bettman et al. 1998; Payne 1976; Ursic and Helgeson 1990). Some studies suggest that consumers begin with a single-attribute, across-brand elimination of options, shifting to within-brand, multiple-attribute, and overall brand evaluation during the second phase of the choice process (Bettman and Park 1980; Biehal and Chakravarti 1986). Other authors, however, have argued that when choosing to make a purchase, consumers will first consider the brands given (e.g., Howard and Sheth 1969; for a summary see Shocker et al. 1991). Thus, elaborations of the details of the two-step decision-making process seem to be leading to contradicting results.

However, one seemingly trivial, yet potentially important, methodological characteristic has been neglected so far and might help solve the contradiction. The concept of brands being considered first is typically based on the notion that consumers are faced with a large number of brands inducing them to use a simple brand heuristic (Hauser and Wernerfelt 1990) in eliminating choice options. On the other hand, studies suggesting a choice process beginning with single attribute evaluations have usually worked with comparably small choice sets containing no more than four to eight brands. It would appear, then, that what prior research has actually shown is that choice among relatively limited assortments is made by processing attributes first (“attributes first model,” AFM) whereas choice among relatively large assortments is made by processing brands first (“brands first model,” BFM). Although the size of the choice set may seem a technical detail of operationalization and design, it may turn out to be a critical parameter as several studies have found that the strategy by which individuals make a decision is influenced by the number of brands and the amount of information per brand in the choice set (Jacoby et al. 1977; Payne 1976).

Moreover, large assortments have recently been shown to influence consumer choice through effects of choice overload (Iyengar and Lepper 2000) and heuristic processing (Shah and Oppenheimer 2008). Yet, to date no specific attempt has been made to conceptually and empirically consider potential effects of assortment size in the concept of two-stage decision making. Additional research seems, thus, promising.

Hence, the purpose of this research is to renew the question of brand versus attribute processing in decision making in the light of recent evidence indicating that an increasing assortment induces choice overload and heuristic processing. More important, this paper outlines the rational and design for an empirical examination of the information-processing strategies AFM versus BFM consumers use when presented with assortments of increasing numbers of brands and product options.

CONCEPTUAL BACKGROUND AND PROPOSITIONS

To date, a fair number of studies have investigated decision-making processes involving consumer choices from a given assortment. Recently, however, the established premises of rational choice and utility maximization are being challenged by the concepts of choice overload and simplifying heuristics which seem to provide psychologically more valid accounts of human decision making. In contrary to rational choice theory, the concept of choice overload indicates that consumers are not necessarily better off having more options (Chernev 2003b; Lehmann 1998). Instead, an inverted U-shaped relation between assortment size and decision-making
outcomes such as, for example, choice satisfaction or likelihood of product purchase, is found in empirical studies (Huffman and Kahn 1998; Iyengar and Lepper 2000). Simplifying heuristics, on the other hand, counter the notion of consumers as deriving a global utility value for each option by reviewing, weighing, and adding all available pieces of product information. Instead, decision-makers have been shown to use shortcuts such as brand information to ease their information processing (Maheswaran et al. 1992).

The concepts of both choice overload and simplifying heuristics are based on the notion that a human’s cognitive capacity is limited and that, thus, one of consumers’ most important goals for decision making is “minimizing the cognitive effort required to make the choice” (Bettman et al. 1998, p. 193; see also Shugan 1980). As consumers have limited information processing capabilities, they “seek to conserve cognitive energy when making perhaps dozens of purchases in lower involvement supermarket shopping environments” (Andrews and Currim 2002, pp. 65–66). Decisions with more options and attributes per option are typically evaluated by decision-makers as more difficult and more cognitively demanding (Malhotra 1982, 1984). Furthermore, it has been found that information-processing strategies vary as a function of the number of choice options (Bettman et al. 1998). These findings indicate that an increasing choice load will lead to more heuristic decision strategies, such as the usage of brands and a BFM choice strategy in information processing.

Hence, this paper advances the extant research by addressing the question of how the assortment size by means of choice overload and heuristic processing influences consumers’ strategy about which information to select for examination.

One of the principles underlying choice processes is that choice options are made up of discrete pieces of information and are evaluated on an information-by-information, or piecemeal, basis (Sujan 1985). Piecemeal processing (Newell and Bröder 2008) is typically conceptualized as sequential in nature, as “the mind operates sequentially, step by step and cue by cue” (Martignon and Hoffrage 1999, p. 137; see also Payne et al. 1993). According to AFM, consumers begin with a single-attribute, across-brand elimination of options, shifting to within-brand, multiple-attribute, and overall brand evaluation during the second phase of the choice process (Bettman and Park 1980; Biehal and Chakravarti 1986). If purchasing jam, for example, the consumer would first look for the type of jam he/she desires (e.g., blueberry) and would then look for his/her desired brand (e.g., Smucker’s). But as noted earlier, a BFM choice strategy can be proposed for large assortments as consumers are assumed to refrain from processing all different product attributes when faced with a large assortment, but to instead simplify the assortment by using brands as processing heuristics (Jacoby et al. 1974a). Hence, instead of going through all types of jam offered, the consumer would look for his/her desired brand (e.g., Smucker’s) and would then look for his/her favorite type of jam (e.g., blueberry) within this diminished choice set. Thus, with regard to the present research context, it is proposed that:

P1: When choosing from a small assortment, consumers will first process product attributes, then brands (“attributes first model,” AFM).

P2: When choosing from a large assortment, consumers will first process brands, then product attributes (“brands first model,” BFM).

The notion of differences in choice strategies as a function of assortment size is consistent with early findings on human information processing. Information processing is said to increase with growing input until an optimal information-processing level is reached (Schroder et al. 1967). If input further increases, the information-processing level decreases, giving rise to simplifying heuristics (Jacoby et al. 1974a; Malhotra 1982).

As for the critical number of information units corresponding to this optimal information-processing level, empirical evidence is mixed. In his famous article, Miller (1956) proposes a processing limit of seven information units, other authors concluded that “information-processing level decreased beyond the information load of ten items” (Malhotra 1982, p. 427), or found evidence that “six was expected to represent maximum comfortable load” (Wright 1975, p. 63). Several authors argue that purchase decisions are based on no more than about three units of information (Lussier and Olshavsky 1979), and Bettman (1981) revealed that consumers were likely to adopt simplifying information-processing strategies when the number of choice options exceeded five. Not only has the absolute number of information units determining the optimal information-processing level been subject to scientific debate, consumer researchers also dissent on whether the number of attributes and the number of brands in an assortment form independent dimensions of amount of information (Malhotra 1982) or ought to be seen as multiplicative (Jacoby et al. 1974b).

Regardless of the absolute value of the optimal information-processing level and its calculation, the reported findings provide support for an optimal information-processing level or critical assortment size (CAS) which triggers a shift toward heuristic, brand-based processing once it is being exceeded. Hence, the two-step process in decision making can be proposed to invert from AFM to BFM when the assortment size a consumer is presented with exceeds the CAS.
P3: There is a critical assortment size (CAS) where the hierarchical two-step decision-making process inverts from processing attributes first (AFM) to processing brands first (BFM).

Brands make an appealing processing heuristic in this context as consumers have been shown before to use less information for processing when brand names are available for a choice task (Jacoby et al. 1974a, 1977; Maheswaran et al. 1992). On the other hand, product categories in supermarkets and stores are oftentimes presorted by brands, and the organization of an assortment has shown to influence consumers’ perceptions and processing (Hoch et al. 1999; Kahn and Wansink 2004). Therefore, it could be argued that the proposed inversion from AFM to BFM is not necessarily due to an effect caused by heuristic brand processing as a result of the actual assortment size. This effect, one might argue, could rather be the result of any heuristic processing by whatever kind of presorting given in the assortment or choice set. If this assumption was true, BFM would apply only if the choice set was sorted by brands, but not if it was sorted by product attribute or not presorted at all. To further investigate the distinct role of brands within consumption choice, it is hence proposed:

P4: The model inversion from AFM to BFM occurs regardless of the way the choice set is presorted.

The propositions articulated above provide a rich research agenda where the next step is the operationalization and development of an empirical design to put the propositions to test.

RATIONALE OF EXPERIMENTAL DESIGN

Most of the current research approaches to consumer choice focus on the predictive ability of different types of choice models tested, using the relative proportion of choices correctly predicted by each model as their criterion of success. Studies that are less concerned with the predictive ability of concurrent models but more concerned with the main processes involved in decision making are often hampered by methodological challenges imposed by the required costly process-tracing methods such as, for example, eye tracking (Russo and Leclerc 1994). As a consequence, cognitive choice processes have often been investigated by means of respondents’ verbal reports (Bettman and Park 1980; Payne 1976; Ursic and Helgeson 1990). Such reports, however, only allow to “conjecture as to what actually happened during the temporal sequence leading to the purchase decision” (Jacoby et al. 1977, p. 209). This is particularly true as cognitive psychology teaches us that most of the factors affecting choice are unconscious. Glockner (2009) therefore recommends response-time measurement as a relatively inexpensive experimental technique to determine how individuals organize and process information.

The influence of time upon consumer choice is well recognized within the literature (Rose and Black 2006) and evidence has been provided that time has considerable influence over the cognitive efforts of consumers and significant impact upon choice behavior (Dhar and Nowlis 1999; Suri and Monroe 2004). In particular, the latency to reach a decision has been shown to be a function of the complexity of the choice, that is of the number of attributes and brands to be considered (Iyengar and Lepper 2000; Jacoby et al. 1977; Lynch and Srull 1982). Accordingly, this empirical study is designed as an interactive computer simulation, individually run for each participant (Chernev 2003a), where decision time serves as an extended method to classify decision strategies and to unveil consumers’ underlying information processing. Respondents are presented with stimulus sets consisting of pictures of product assortments of different size and product categories (e.g., noodles, jam, yogurt as suggested by prior research; e.g., Chernev 2003a; Iyengar and Lepper 2000; Kahn and Wansink 2004). Participants are asked to pick one of the displayed items as if they were doing their regular grocery shopping at a store offering the given assortment. Following the cover story of a marketing research study, participants are familiarized with the choice task. They are given two sample sets (one being relatively small, one being relatively large) containing choice sets similar to the ones used later in the experiment but from a different product category. Next, respondents are given the actual choice sets. Every stimulus set is characterized by a certain assortment size, number of different brands ($N_b$) and number of attribute dimensions ($N_a$), for example, number of different flavors. Assortment sizes range from a small selection of three items to large sets of 18 items where participants have a reasonably large, but not unusual, number of options. Assortment sizes and individual stimuli within a product category are randomly assigned for each trial. All stimulus sets are designed as to avoid biases introduced by aspects of attribute alignability (Gourville and Soman 2005; Herrmann et al. 2009), relative frequencies of items within an assortment (Simonson and Winer 1992), differences in attribute importance (Chernev 1997) and undesired trade-offs between brands and attributes (Jacoby et al. 1974b).

Previous studies in choice research claim that “people often approach decision problems with already formed product preferences and, provided that the preferred option is available, make their selection without evaluating all alternatives” (Chernev 2003a, p. 151). Thus, to control for possible confoundings by the absence or presence of participants’ favorite products or brands within the stimulus set, these preferences are sampled. It is also controlled for both purchase and consumption frequency of the
The aim of this first trial is to determine the decision time needed for assortments of different size and to identify the corresponding maximum of time a consumer is willing to invest when choosing a product option from a series A set ($UL_A$) respectively when choosing a brand from a series B set ($UL_B$). The assortment is manipulated within subjects: All participants are asked to make two choices for every product category used; one choice to be made upon a series A set, and one choice upon a series B set. The number and position of items displayed are assigned randomly by the computer software.

In the following, an example is given using noodles as an exemplary product category, and, for clearness reasons, pictograms instead of product images to illustrate the study’s rationale. Figure 1 gives an example for both stimulus sets A and B where the assortment consists of a notional number of nine stimuli each. Example set A contains noodles of nine different shapes (i.e., attribute dimensions) but from the same brand, example set B contains noodles of the same shape but from nine different brands. With the author being German, the brand logos used in this exemplifying illustration are common German noodle brands any respondent to this study would encounter when doing his/her grocery shopping at a regular German supermarket. In addition to the pretest, recognition of brands and products used in the ultimate study are pretested, and product, respectively brand awareness are controlled for in every experimental trial.

Respondents’ decision time for choosing a product option or attribute dimension given a certain brand (series A set) versus choosing a brand given a certain attribute dimension (series B set) is measured as the dependent variable. The optimal information-processing level is considered to be reached upon the assortment size where decision time saturates or decreases. No prior research is indicating any response-time differences for choosing among attributes or brands per se, hence, $UL_A$ and $UL_B$ can be expected to be equal.

**Trial 2: The Two-Stage Decision-Making Process**

Based on the results of Trial 1, this second trial is meant to determine whether the often proposed hierarchical two-stage decision-making process (Bettman and Park 1980; Ursic and Helgeson 1990) is to be confirmed, and if so whether the assortment size influences it as assumed in propositions 1–3. As one condition of this experiment, two assortment sizes are chosen for all stimuli: a small assortment size below the CAS and a large assortment size above the CAS, as indicated by the results of Trial 1. For both assortment size conditions, pairs of stimulus sets are designed. Series 1 sets contain $N_B$ (e.g., nine) different attribute dimensions but $N_B$ (e.g., three) different brands; the corresponding series 2 sets contain the same assortment size but in the vice versa allocation, in this example, that is, $N_B$ being nine different brands and $N_A$ being three different attribute dimensions. Figure 2 illustrates an
example for two corresponding stimulus sets with an assortment size of nine items. The figure shows that for set 1, the number of brands to choose from after the attribute dimension has been chosen equals one ($N_{A_1}=1$), whereas the number of products to choose from after the brand has been chosen equals three ($N_{B_1}=3$). The contrary is true for decisions made from set 2; here, the number of brands to choose from after the product has been chosen equals three ($N_{B_1}=3$), whereas the number of products to choose from after the brand has been chosen equals one ($N_{A_1}=1$).

If AFM was true and attributes were processed first, decision time for set 1 should be equal to the decision time for set A given the same assortment size. In this paper’s example, both sets contain nine different attribute dimensions. Set A contains only one brand for all attribute dimensions, whereas set 1 contains three different brands. But if choice was first based on attribute dimensions, these brands should not be taken into account when making the choice for set 1. Decision time should thus not be different from the set containing only one attribute; choosing from either set 1 or set A should take approximately the same amount of time. This is expressed in Equation (1) and is further illustrated in Figure 3.

Similarly, if brands were processed first (BFM), decision time for set 2 should be equal to decision time for set B given the same assortment size. In this paper’s example, both sets contain nine different brands. Set B contains only one attribute dimension for all brands, whereas set 2 contains three different attribute dimensions. But if choice was based on brands, these attributes should not be taken into account when making the choice for set 2. Decision time should thus not be different from the set containing only one attribute; choosing from either set 2 or set B should take approximately the same amount of time. This is expressed in Equation (2) and is further illustrated in Figure 4.

Furthermore, if AFM employed, decision time for set 2 should be equal to the sum of decision time for a series A set, where the assortment size equaled the number of attribute dimensions in set 2, plus the decision time for a series B set, where the assortment size equaled the number of brands per attribute dimension in set 2. This is expressed in Equation (3) and is further illustrated in Figure 5.

### Equation (1)

$$t\left(N_{A_1}, N_{B_1}\right) = t\left(N_{A_1}, 1\right)$$

### Equation (2)

$$t\left(N_{B_1}, N_{A_1}\right) = t\left(N_{B_1}, 1\right)$$

### Equation (3)

$$t\left(N_{B_1}, N_{A_1}\right) = t\left(N_{A_1}, 1\right) + t\left(N_{B_1}, 1\right)$$
FIGURE 2
Example of Stimulus Sets in Trial 2

Set 1: $N_A > N_B$

$N_A = 9$ attributes, $N_B = 3$ brands

$N_{B_A} = 1$  
$N_{A_B} = 3$

Set 2: $N_B > N_A$

$N_B = 9$ brands, $N_A = 3$ attributes

$N_{B_A} = 3$  
$N_{A_B} = 1$

FIGURE 3
Illustration of Equation 1 (AFM, Set 1)

Set 1

$N_A = 9$  
$N_{B_A} = 1$

Set A

$N_A = 9$  
$N_{B_A} = 1$
Figure 4
Illustration of Equation 2 (BFM, Set 2)

\[ N_B = 9 \quad N_{A_B} = 1 \]

\[ N_B = 9 \quad N_{A_B} = 1 \]

(3) \[ t(N_A, N_{B_A}) = t(N_A, 1) + t(1, N_{B_A}) - v \]

with \( v \) being the time needed for scanning one set (correction factor).

And finally, if BFM employed, decision time for set 1 should be equal to the sum of decision time for a series B set, where the assortment size equaled the number of brands in set 1, plus the decision time for a series A set, where the assortment size equaled the number of attributes per brand in set 1. This is expressed in Equation (4) and is further illustrated in Figure 6.

(4) \[ t(N_B, N_{A_B}) = t(N_B, 1) + t(1, N_{A_B}) - v \]

with \( v \) being the time needed for scanning one set (correction factor).

Provided that trial 1 resulted in significant differences of decision time for small and large assortment sizes (AS), where small and large are determined by the CAS or UL, the following propositions can be made to substantiate the validity of Propositions 1 to 3:

P1a: For assortment sizes below the upper limit (AS < CAS), in the Set 1 condition there is (AFM in small assortments, Equation 1).

P1b: For assortment sizes below the upper limit (AS < CAS), in the Set 2 condition there is (AFM in small assortments, Equation 3).

P2a: For assortment sizes above the upper limit (AS > CAS), in the Set 2 condition there is (BFM in large assortments, Equation 2).

P2b: For assortment sizes above the upper limit (AS > CAS), in the Set 1 condition there is (BFM in large assortments, Equation 4).

Trial 3: The Influence of Presorting

Following the trials outlined above, one may criticize that the suggested inversion from AFM to BFM is not due to consumers’ usage of brands as heuristics in large assortments, but is caused by retailers’ habit to presort assortments by brand families. One may argue that once assortments increase, consumers’ make use of any pre-
FIGURE 5
Illustration of Equation 3 (AFM, Set 2)

\[ N_A = 3 \quad N_{B_A} = 3 \]

Set 2

\[ = \quad \text{Series A} \]  
\[ N_A = 3 \quad N_{B_A} = 3 \]

Set 1

\[ = \quad \text{Series B} \]

FIGURE 6
Illustration of Equation 5 (BFM, Set 1)

\[ N_B = 3 \quad N_{A_B} = 3 \]

Set 1

\[ = \quad \text{Series B} \]  
\[ N_B = 3 \quad N_{A_B} = 3 \]

Set 1
sorting as a matter of choice simplification instead of explicitly using brands as a choice heuristic. If this plea was true, there should be a significant time difference for large assortment decisions made on presorted sets versus non-sorted sets as well as no difference in decision time whether the assortment was sorted by attribute or by brand. Figure 7 illustrates the rationale of the corresponding stimulus sets used in this third trial designed to determine the influence of assortment presorting.

**EXPECTED CONTRIBUTION AND IMPLICATIONS**

For almost any common grocery product, consumers shopping in today’s typical supermarket are required to make their choice from among numerous competing products and brands (Mitchell et al. 2005). Research on consumer decision making and choice has long viewed such variety as beneficial for consumers, manufacturers, and retailers (Broniarczyk et al. 1998; Hoch et al. 1999). However, a burgeoning empirical literature calls this view into question, showing that increasing variety can lead to choice overload and heuristic decision making (Iyengar and Lepper 2000; Shah and Oppenheimer 2008). The present research extends these recent findings and investigates how an increasing assortment will influence consumers’ choice processing. In particular, it is argued that consumers’ choice strategies will be systematically influenced by assortment size, with a large assortment leading to a strategy where brands are processed first, but a small assortment abetting attribute processing.

Empirical testing is the logical next step in establishing the validity of the decision-making model and propositions outlined above. However, a traditional test strategy, where the null hypothesis would assume no difference between means in reaction time, seems inappropriate (Mayer and Butler 1993); model confirmation would depend on a series of null effects for the outlined propositions. Yet, failure to reject the null hypothesis could be due to the model being acceptable, but it could also be interpreted as a result of an insufficient sample size or of a test with low power. Therefore, equivalence testing is recommended for the analysis of the data collected (Rogers et al. 1993; Wellek 2003). To the best of the author’s knowledge, equivalence testing has not been used in consumer research so far; hence, the application of this test strategy will contribute to the methodological discussions and the marketing literature.

Moreover, this study’s aim of investigating the effects of assortment size on choice processes is of considerable theoretical relevance (Dieckmann et al. 2009, p. 200): “Gaining insights into the processes people follow while making purchase decisions will lead to better informed decision theories.” As has been noted, consumer choice research concerning the details of the hierarchical two-step decision-making process led to contradicting results. At the same time, related research has failed to account for the moderating role of assortment size. Thus, in order to investigate the influence of assortment size on choice processing, this research develops a novel procedure that allows to examine the details of choice processing, utilizing response-time measurement.

But the results of this research are of theoretical as well as practical interest. Marketers are interested in more realistic decision models for predicting market shares and for optimizing marketing actions (Dieckmann et al. 2009), for example, by adapting their category management and assortment design to consumers’ choice processes. Furthermore, the results of this research will provide informa-

**FIGURE 7**

Example of Stimulus Sets in Trial 3

<table>
<thead>
<tr>
<th>Set I: Brand Sorting</th>
<th>Set II: Product Sorting</th>
<th>Set III: Random Sorting</th>
<th>Set IV: Brand and Product Sorting</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="" /></td>
<td><img src="image2.png" alt="" /></td>
<td><img src="image3.png" alt="" /></td>
<td><img src="image4.png" alt="" /></td>
</tr>
</tbody>
</table>

*American Marketing Association / Winter 2010*
tion about the significance and optimal usage of brands as purchase triggers depending on a given assortment. This research will thus allow for recommendations as to what kind of assortment design and composition manufacturers and retailers should aim for. And it will answer some of shopping psychologists’ most pressing questions: What is consumers’ capacity for assortment processing and how does decision making for consumer products occur at the PoS? Hence, the results of this research will help to understand the consumer and his/her behavior at the PoS. Such an understanding can then be made profitable by the development of guidelines for a consumer-optimized assortment design. Consequently, marketing and retail managers will be able to offer optimal conditions at the PoS in an attempt to ease consumers’ buying decisions and to increase shopping turnover.

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PURELY INCIDENTAL NUMERIC PRIMING ON PRODUCT JUDGMENTS: THE EFFECTS OF USING HIGH VERSUS LOW PRODUCT MODEL NUMBERS

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SUMMARY

This research explores whether consumers’ product preferences can be altered by a high versus a low product model number, whereby consumers’ increased accessibility of a product model number may exert a direct influence on their judgments about a product. The principle of simple numeric priming (Wong and Kwong 2000) may be the key driver eliciting these consequences. However, it has remained largely unexamined in the consumer landscape. The current research addresses this gap from a motivational perspective in the new product evaluations and consumption context by focusing on the identification of an incidental anchoring effect that has yet to be much examined in the anchoring (Critcher and Gilovich 2008) and consumer psychology literature (Nunes and Boatwright 2004).

Previous research on basic anchoring has found that such anchoring effects are remarkably robust, neither depending on anchor values’ informativeness (Tversky and Kahneman 1974) nor the judge’s motivation (Joyce and Biddle 1981; Nunes and Boatwright 2004), expertise (Northcraf and Neale 1989), and careful attention to the anchor (Brewer and Champman 2002; Wilson et al. 1996). However, recent demonstrations of the impact of subliminal anchors (Adaval and Monroe 2002; Mussweiler and Englich 2005; Rooijen and Daamen 2006) imply that such anchoring effects may affect a person’s numerical estimates by the peripheral, but not by the central route. Rooijen and Daamen (2006) found that a significant subliminal anchor effect emerged only among those who were under time pressure. Critcher and Gilovich (2008) showed that participants who could not recall the anchor value were more susceptible to the anchor’s pull than those who could correctly recall the anchor value.

These findings suggest the basic numeric anchoring effect may not be emerged when participants are engaged in more effortful thinking process, because effortful and extensive information processing may wash out the impact of the anchor value (Critcher and Gilovich 2008). On the other hand, those who are not motivated to process target information may still attribute their judgments to the anchor value, because the anchor value may be sufficient to leave a memory trace which is capable of influencing judgments (Critcher and Gilovich 2008; Nunes and Boatwright 2004). Given this line of reasoning, we hypothesized that the purely numeric anchoring effect on product evaluations will be observed only when people process product information heuristically, but not when they process target information systematically. Two experiments were conducted to test this hypothesis. Experiment 1 examined the influence of motivation on consumers’ attitudes toward a product with a high versus a low product model number. We extended this finding by showing that the same effect persists when the dependent variable was willingness to buy (experiment 2).

Forty-seven students participated in experiment 1 for partial course credit. Participants were randomly assigned to one of the four conditions composing the 2 (motivation: high vs. low) × 2 (model number: high vs. low) between-subjects design. We gave participants the cover story that they are participating in a new product survey. Drawing on Wang and Lee (2006)’s involvement manipulation method, participants in the high involvement condition were told that the new product was targeted exclusively to college students and would soon be launched in the local market; furthermore, they were told that the survey was conducted among a few selected college student groups to receive important feedback on the new product before the launch. We told participants in the low involvement condition that the new product was still in the development stage and that the manufacturer was conducting a survey on a huge sample to receive preliminary feedback. Participants were then presented with the same description of a Dell Studio laptop either identified as Dell Studio 81 or Dell Studio 18. Attitudes toward the product were assessed using three semantic items with the range of one to one hundred (1 = bad, negative, and unfavorable; 100 = good, positive, and favorable; α = .965).

The 2 (motivation) × 2 (model number) ANOVA on participants’ attitudes toward the product yielded a significant interaction effect ($F(1, 46) = 10.64, p < .005$). As predicted, follow-up contrasts showed that participants in the low-motivation condition who saw Dell Studio 81 Laptop expressed more favorable attitudes toward the product ($M = 60.44$) than did those who saw Dell Studio 18 Laptop ($M = 50.30$; $F(1, 21) = 7.09, p < .02$). In the high-motivation conditions, however, the hint of using a product’s model number as an anchor value was disappeared and was even reversed. Motivated participants who saw Dell Studio 81 Laptop expressed less favorable attitudes toward the product ($M = 62.96$) than did those...
who saw Dell Studio 18 Laptop ($M = 78.89$; $F(1, 22) = 3.98$, $p < .06$).

Experiment 2 was conducted to test whether the demonstrated effect of a product model number on unmotivated consumers’ product attitudes would generalize to the more actionable dependent variable: consumers’ willingness to purchase. The design and procedure were similar to those of experiment 1, but with a different product, a high-speed laser printer. The description of a new high-speed laser printer was accompanied by its brand name and model number, either HP-97D or HP11D. Having viewed the HP printer’s features, participants were asked to indicate their willingness to buy the product on a 7-point scale (1 = not at all likely, 7 = very likely).

The 2 (motivation) × 2 (model number) ANOVA on willingness to buy yielded a marginally significant interaction effect ($F(1, 92) = 2.84$, $p < .10$). As hypothesized, follow-up contrasts showed that unmotivated participants’ willingness to buy was higher when the model number was 97 ($M = 3.12$) than was the model number 11 ($M = 2.34$; $F(1, 54) = 4.527$, $p < .04$). Consistent with our prediction, however, when participants were motivated to process the information of the target product, the effect of a high versus a low product model number was not observed ($F(1, 34) < 1$, ns).

The results of experiments 1 and 2 demonstrate that a product with a high model number appeals more to unmotivated consumers than a product with a low model number. But consumers processing product information systematically in more effortful thinking, their brand preferences or willingness to buy are not assimilated toward its model number. References are available upon request.

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CONCEPTUALIZING CONSUMER ANIMOSITY

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SUMMARY

Consumer animosity is the general antipathy of consumers toward a particular country (Klein, Ettenson, and Morris 1998). Consumers who display high levels of animosity toward a specific country are less likely to buy products made in this country. To date, the concept of consumer animosity is idiosyncratically depending on the interplay of the consumers’ home country and a specific target country of animosity, however. This has negative impacts for both, marketing practice and research. Multinational companies are interested in analyzing antipathies toward different countries before entering a new market. Academics need a measurement instrument of consumer animosity that can widely by applied to conduct cross-cultural research.

Therefore, the paper develops a concept of animosity that can be applied for different sets of home countries and target countries. The model relies on Riefler and Diamantopoulos (2007) who proposed to measure animosity via several formatively specified sources of animosity that are related to military-, political-, economic issues or personal experiences. However, in their conception, the set of formative indicators needs to be adapted to the target country. This study aims at developing a more flexible model. It is suggested that the influence of numerous different causes (e.g., war, nuclear testing, economic exploitation) on animosity is mediated by a small set of underlying universal mechanism (e.g., perceived threat). The paper, therefore, suggests a conceptualization of consumer animosity that incorporates several universal mechanisms as antecedents.

A pre-test based on 32 participants reveals that the mechanisms of animosity are threefold: (a) perceived threats (military, politically, economical) toward the respondents home country, (b) antithetical political attitudes, and (c) negative personal experiences. To validate the suggested concept, the study investigates animosity of 710 Western-European and Eastern-European consumers toward three target countries. Convergence and discriminant validity of the suggested construct is established. The construct has explanatory power for product-specific CoO-image, boycotting behavior, and purchase intentions. It is shown that animosity is embedded in the nomological network of the related constructs ethnocentrism, patriotism, and internationalism.

Thus, this study supports the suggested respecification animosity model addressing several key issues. First, to overcome weaknesses of previous research, the proposed concept of animosity is based on three facets determining the general level of animosity. The proposed multi-dimensional structure of consumer animosity can be applied for different sets of home countries and target countries. The paper demonstrates that for some consumers negative personal experiences have the strongest impact on animosity toward a certain country whereas other consumers rely their general level of animosity mainly on antithetic political attitudes. Third, empirical evidence is given that animosity causes a depreciation of the perceived quality of products made in the target country, it extenuates purchase intentions, and it fosters the tendency to boycott products from a certain country. Further research should examine the robustness of the proposed model for more home countries and more target countries. Most important, the model needs to be tested in different cultural settings.

The findings are of high relevance for practitioners. The suggested concept of animosity is not restricted to strong salient feelings of animosity, but enables to identify less obvious feelings of animosity toward generally liked or ambivalent countries. Moreover, the concept can easily be applied to every home country and every target country. Therefore, multinational companies are well advised to assess the level of animosity toward their home base or the communicated country of brand before entering a new country market by means of the suggested operationalization. Knowledge about the type and the degree of animosity enables companies to choose the right strategies and tactics (e.g., public relations, foreign branding, etc.) to prevent themselves from resentment.
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GLOBAL YOUTH AND THEIR RELATIONSHIPS WITH GLOBAL AND LOCAL BRANDS IN EMERGING MARKETS

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SUMMARY

Globalization signifies diffusion of market mechanisms on a world scale, and young consumers are frequently viewed as the most homogenous global consumer segment in this marketplace. For global corporations, global young adults are an attractive target because they facilitate entrance of global products and brands into their local markets. For local firms in developed markets, global young adults facilitate globalization of some local products and brands by attaching the “coolness” ideology to them (Kjeldgaard and Askegaard 2006). However, research has not explored the appeal of young consumers to local firms in the emerging markets, and has not examined how young consumers in emerging markets negotiate frequently opposing discourses of the global world and their nation-states.

The goal of the present study is to gain a deeper understanding of young consumers’ consumption in Eastern Europe (Russia and Ukraine) and effects of globalization processes on their global identity. First, we evaluate the global young adult market in terms of consumer ethnocentrism, nationalism, and belief in global brands as a passport to global citizenship (BPGC). Our second goal is to assess any differences among young consumers in their relationships with global and local brands. We focus on varying patterns of consumer involvement with brands and consumer use of brands as expressions of quality and identity in relation to both global and local brands.

We consider three belief structures – ethnocentrism, nationalism and BPGC – that are relevant to consumer negotiation of their global and local identities in a complex marketplace. As Anholt (2003) and Fong (2004) suggest, some consumers are expected to exhibit high levels of all three beliefs. However, the complexity of the marketplace may result in other young consumer segments, such as those who only support the nation-state and ignore any global influences or those who do not see their identity at the global/national levels. Because branding is a very significant ideoscape of globalization (Askegaard 2006), consumers who identify stronger with the global world are more likely to adopt brands as quality and identity signals and be involved with brands at both global and local levels (Strizhakova, Coulter, and Price 2008).

Undergraduate students from universities in far-eastern Russia (n = 250) and eastern Ukraine (n = 250) participated in our study for extra-credit (62% females, M_age = 18.87, SD = 1.46). About 73 percent of participants reported having internet access either at work or home. Participants completed a pencil-and-paper survey where they were first presented with definitions and examples of global and local brands. Next, participants were asked to list examples of one global and one local brand for five product categories: TV sets, mineral water, beer, ice-cream and banks. By engaging participants’ recall of global and local brands, we ensured their differentiation of global and local brands. Then, participants responded to questions about their use of global brands as expressions of quality and identity and their involvement with global brands and a similar set of questions about local brands. Finally, they answered questions that measured their ethnocentrism, nationalism, BPGC, and demographics. Because we confirmed configural and metric invariance of all measures (AMOS 17.0, Steenkamp and Baumgartner 1998), we were able to analyze our participants as one sample and use three distinct belief measures as a basis for clustering.

We first conducted hierarchical cluster analysis using the average linkage method. We proceeded by running a K-means cluster analysis with three clusters (Wilk’s λ = .19, F = 218.51, p < .001). Univariate ANOVA tests were significant (p < .001). The first cluster, the Globally Uninvolved, accounted for about 27 percent of participants (n = 133) and yielded the lowest levels of all three types of beliefs. The second cluster, the Globally Involved, accounted for about 44 percent of participants (n = 218) and expressed the highest levels of BPGC and ethnocentrism with moderate levels of nationalism. The third cluster, the Nationally Involved, accounted for the remaining 29 percent of participants (n = 149) and expressed the highest levels of nationalism with moderate levels of ethnocentrism and low levels of BPGC.

To identify differences in consumer use and attitudes toward global and local brands, we conducted a MANOVA test. The overall test was significant (Wilk’s λ = .72, F = 11.85, p < .001), and the six univariate tests were significant (p < .001). Examination of pairwise comparisons indicated a consistent pattern of results. The Globally
Involved consumers were significantly more likely to express stronger relationships with both global and local brands. Specifically, the Globally Involved were significantly \((p < .001)\) more likely to use global and local brands as expressions of quality and identity and were more involved with both global and local brands than either the Nationally Involved or the Globally Uninvolved young adults. The Nationally Involved and the Globally Uninvolved consumers did not significantly differ in their involvement and use of global brands \((p > .05)\). However, the Nationally Involved consumers were significantly \((p < .01)\) more likely to use local brands as expressions of quality and were more involved with local brands than the Globally Uninvolved consumers.

Consistent with the view of global corporations, the largest segment of young consumers (about 44%) included the Globally Involved young consumers who hold the strongest levels of consumer ethnocentrism and BPGC and moderate levels of nationalism. In contrast, about a quarter of participants, the Globally Uninvolved, did not relate to any of the beliefs, i.e., did not define their identities through global/national associations. Marketers and researchers do not seem to know much about these young consumers in emerging markets who currently do not take part in the globalization processes. These individuals reject global influences as much as they reject nation-state discourses. Finally, slightly less than a third of participants, the Nationally Involved, expressed strong nationalistic beliefs while holding moderate levels of consumer ethnocentrism and low levels of BPGC. These consumers seem to respond to nation-state discourses and reject any global influences. This latter segment appears to be particularly appealing to local firms and brands and presents a challenge to multinational firms entering emerging markets and expecting initial acceptance young adults who are presumed to have a global brand orientation.

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WHY CONSUMERS BUY COUNTERFEIT SOFTWARE: A SEVEN COUNTRY STUDY

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SUMMARY

The rapidly increasing sales of pirated software have been a constant headache to the software industry for many years (e.g., Nunes et al. 2004). The hard facts speak for themselves: China as being among the countries with the highest software piracy rates in the world at 98 percent (Wang et al. 2005); across Asia, sales of pirated software average around 50 percent; on a worldwide average, 37 percent of all software in use is estimated to be pirated (Kini et al. 2004).

The academic literature has investigated the demand drivers for pirated software from various angles (for a comprehensive review see Eisend and Schuchert-Güler 2006): factors that were investigated as having an effect on the demand for pirated software are, for example, price and pricing structure (Nunes et al. 2004), the consumers’ cultural background (e.g., Husted 2000; Moores 2008; Wang et al. 2005; Yang and Sonmez 2007) or consumer quality perceptions of original vs. fake (e.g., Tom et al. 1998; Wee et al. 1995). Some researchers investigated whether tolerating software piracy to a certain extent may even promote the diffusion of the original (e.g., Givon et al. 1995; Prasad and Mahajan 2003). In addition, a large number of studies on pirated software highlight the ethical aspects of this illegal activity (e.g., Gupta et al. 2004; Kini et al. 2003; Logsdon et al. 1994; Tan 2002).

Within this paper, we aim to consolidate existing findings and to develop a comprehensive, yet parsimonious model of the antecedents and drivers of the demand for pirated software. Based on the Theory of Planned Behavior, we develop a conceptual model and test it with non-student samples in a seven-country study for its cross-national applicability to identify demand-oriented approaches for the cross-national fight against software piracy.

When looking at theoretical underpinnings to explain the demand for pirated software, three streams of literature appear helpful. First, counterfeit products would not exist if it were not for branded products and what they promise (Bloch et al. 1993; Cordell et al. 1996). Second, prevailing literature puts the intentional purchase pirated software in the context of unethical consumer behavior (e.g., Moores and Chang 2006; Tan 2002; Wagner and Sanders 2001). Often, misbehavior is provoked by certain characteristics or situational factors such as price, penalty and situation-specific elements (Dodge et al. 1996). This holds particularly true for pirated software which sells at much lower prices than the original (e.g., Lau 2006; Moores and Dhaliwal 2004). Thirdly, given the fragmented knowledge base in the field, we use the theory of planned behavior (TPB) (Ajzen 1991) for guidance in systematizing existing findings and adding additional variables, such as psychographic and demographic determinants.

To increase its explanatory power, we tested our theoretical model in seven countries, namely Mexico, Thailand, Ukraine, Slovakia, the U.S., Austria, and Sweden. Country selection is based on Husted’s (2000) work who identified three factors as important drivers of the demand for pirated software (GNP per capita, distribution of income, individualism).

The items were subjected to multi-group confirmatory factor analyses using AMOS 16 (Arbuckle and Wothke 1999). Maximum likelihood estimation was used to estimate the parameters. Two models were estimated, one that included the intention to purchase software at a significantly cheaper price (Model A) and one that estimated antecedents of the intention to purchase software at a slightly cheaper price (Model B) than the original product.

Taken collectively, our analyses show that the Theory of Planned Behavior is well suited to explain the demand for pirated software. Both models at the different price levels have an acceptable fit across all countries involved. The strongest influence on the intention to buy fake products comes from perceived behavioral control. The fewer obstacles to purchase pirated software in terms of time needed to find them, geographic barriers, etc. are perceived, the more likely consumers will intend to buy them. The actual access, however, is not decisive, as most consumers know how to get pirated software or know someone who knows someone etc. Against most previous findings, price consciousness did also not contribute strongly to the intention to buy pirated software. The subjective norm plays an important role in the demand for pirated software, particularly when measured through the immediate social environment’s impact rather than on a more general level. As to the attitudes toward buying pirated software and their antecedents, findings were mixed and point to national idiosyncrasies. Overall, their influence on purchase intention was limited. References are available upon request.
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COMPARING CONSUMER CULTURE PLOTS IN TELEVISION ADVERTISING FROM SOUTH AFRICA AND NIGERIA

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SUMMARY

Zhao and Belk (2008) contend that the findings from previous international marketing and advertising research using content analysis methodology are inadequate in terms of understanding the interplay between the global and the local in advertising. Zhao and Belk (2008) also pointed out that the cultural complexity of globalization in advertising has not been well researched and marketing and advertising researchers do not have a clear understanding of this issue. They suggested that the explication of global and local tension in advertising requires the use of rigorous interpretative qualitative technique such as semiotic analysis (Barthes 1977).

In response to the call by Zhao and Belk (2008) for more studies that will help explicate the cultural complexity of globalization in advertising, this current study employs a semiotic approach in addressing the following research questions: (1) What are the plots used in promoting consumer culture in television advertising from South Africa and Nigeria? (2) Are there signals of global and local contention in television advertising in South Africa and Nigeria? (3) Are the consumer culture plots in the South African television advertisements different from the plots revealed in the Nigerian television advertisements?

The role of advertising and global national media in the promotion of global consumer culture has been highlighted by researchers across different disciplines including marketing, advertising and communication disciplines (e.g., Zhao and Belk 2008; Cleveland and Laroche 2007; Tse, Belk, and Zhou 1989; Stearns 2001). Hence, the investigation of the plots used in promoting consumer culture in advertising and the investigation of global and local contention in advertising will contribute to the theoretical debate about the cultural complexity of globalization in advertising. Examples of studies linking advertising to global consumer culture include the work of Lin (1993), Tse, Belk, and Zhou’s (1989) and Mueller (1987) just to mention a few.

The methodology used in this study is based on the theoretical frameworks of semiotics (Mick 1986), the theories of dramatic performance in advertising and motion picture narrative structure (Wright 1975) and visual rhetoric (Barthes 1977). These techniques are appropriate when the underlying objective is to evaluate the content (e.g., visual, sound imagery, settings, story lines, characters) of the advertisement beyond the obvious message implied by the advertisement (Zhao and Belk 2008). A non-probability convenience sampling technique was used in collecting the sampled advertisements from South Africa and Nigeria. The sampled advertisements from South Africa (N = 195) were recorded from the most widely viewed network in South Africa (South Africa Broadcasting Corporation SABC1) in early February 2007 and the two weeks in mid-March. In the case of Nigeria, the advertisements (N=196) were recorded from two popular national channels (National Television Authority Channel 7 and Channel 5).

The advertisements included in the final sample were selected based on three criteria. First, the advertisement must promote a consumer product; all non-consumer product ads were excluded from the final sample. Second, the ads must have human characters must be over 10 seconds long. The final requirement was the conceptual richness of the narrative plot. This form of selective sampling is common in studies using semiotic analysis (e.g., Mick and Oswald 2006).

The initial analysis of the advertisements from South Africa revealed four main plots. A closer look at these plots and more iteration resulted in the identification of two unique plots: (1) Harmonizing lexion culture and Westernized middle-class identity (HLWM) and (2) Using humor to negotiate interracial interactions (UHNII). The initial analysis of the advertisements from Nigeria revealed seven main plots. However, a closer diagnosis of these initial plots and more iteration resulted in the identification of three unique plots: (1) Male breadwinner (MBW) (2) The Big man plot (TBM) and (3) Hedonism and Masqueradization of Western Ideals (HMWI).

A comparative evaluation of the plots from South Africa and Nigeria revealed some interesting insights. First, unlike the Nigerian advertisements where the elements and signals of the local promotes genderism ideology or inequality between genders, the signals and elements of the local in the South African advertisements promotes equality themes. For instance, the UHNII plot revealed in the South African advertisements promotes racial equality while the MBW and BM plots revealed in the Nigerian advertisements promote gender inequality.
Overall, the findings from this study suggest that the contention between the local and the global is significant in emerging markets where the people have strong nationalistic sentiments. Additionally, the study also revealed that advertisements reflect a romanticized view of middle ground politics promoted by political establishments both at the national and the international level. References are available upon request.

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EXCITING RED AND COMPETENT BLUE: LINKING COLOR TO BRAND PERSONALITY

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SUMMARY

It has been five decades since marketers began to investigate the symbolic nature of brands (Levy 1959), thus giving rise to concept of brand personality and spawning extensive interest in this subject (e.g., Aaker 1997; Aaker, Benet-Martinez, and Berrocal 2001; Plummer 1984). Consumer researchers have devoted their efforts to developing reliable scales (Aaker 1997) investigating how brand personality encourages self-expression and association (e.g., Belk 1988; Kleine, Kleine, and Kernan 1993; Malhotra 1981) and have also empirically tested the benefits and consequences of brand personality (Batra et al. 1993; Freling and Forbes 2005).

Despite the plethora of research on the topic of brand personality, there is little research that examines the antecedents of brand personality. While the literature suggests that brand personality can be shaped through many factors including brand name, product attributes, advertising, logo, and package design (Batra et al. 1993) empirical work on the matter is scarce (with the exception of Orth and Malkewitz 2008 and Grohmann 2009). Potential factors that may influence brand personality such as naming, distribution channels, and pricing strategies have yet to be examined; additionally the influence of sensory elements such as music, color, and scent remain virtually unexplored.

In this paper, we use experimental design to explore the relationship between color and brand personality. Based on empirical research in the fields of psychology (Clarke and Costall 2007; Murray and Deabler 1957; Valdez and Mehrabian 1994; Wexner 1954) and marketing (Bellizzi, Crowley, and Hite 1983; Crowley 1993; Gorn et al. 1997; Gorn et al. 2004), along with color psychology texts (Fraser and Banks 2004; Mahnke 1996; Wright 1988) hypotheses that link different hues to brand personality are developed. Our experiment examines the eleven hues (red, orange, yellow, green, blue, purple, pink, black, white, brown, and gray) that comprise the set of universal basic colors (Berlin and Kay 1969).

Variables and Procedure

A set of two fictitious logos adapted from previous research (Henderson and Cote 1998), were created with Adobe Illustrator CS4™ with the assistance of a professional designer. Eleven different color versions of each logo were created. Only hue was manipulated (e.g., red versus blue), keeping levels of saturation and value constant. Consistent with other research examining hue effects with computers, levels of saturation were kept high [220 out of 240 in the Hue Saturation Lightness (HSL) colorspace], while levels of lightness (value) were kept midrange (120 out of 240 in the HSL colorspace) (Mehta and Zhu 2009). Black, white, gray, and brown were exceptions; white is a color with full value, black is a color with zero value, middle gray is a color with mid-level of value, and brown is an orange with mid-saturation and low value. We included white, black, brown, and gray in order to cover the spectrum of Berlin and Kay’s (1969) universal colors.

Two hundred and seventy-nine undergraduate students participated for extra credit in an introductory marketing course. The experiments were conducted in a computer lab containing identical machines, lighting, and other atmospheric elements. Computer monitors were professionally calibrated before the experiments to ensure equivalence among all screens and a uniform experience across the sample. Participants were told that we were interested in finding out which personality traits or human characteristics come to mind when you see a brand logo and read a paragraph describing brand personality. This was the same description used by Aaker in her scale development study (1997). Participants were then presented with a logo and were asked to rate it using Aaker’s (1997) 42 item brand personality scale. Demographic information including age, gender, cultural background, and colorblindness were collected for the analysis. Color preferences assessing participants’ three most liked and three most disliked colors were also collected. In addition, participants provided ratings on logo likability and familiarity.

Analysis and Results

Each logo was then analyzed separately. A multivariate regression was used to evaluate the five brand personality dimensions as the dependent variables, followed by individual univariate regressions for each personality dimension. Ten colors served as the predictor variables, with likability, familiarity, gender, and least/most favorite colors as covariates.
Overall support was found for the majority of the hypotheses. In general, the empirical findings for the hypothesis tests at the dimension level and further exploration at the facet level provide evidence of a link between brand personality and color; thus, further investigation into this relationship is merited.

This work represents the first step in examining the relationship between color and brand personality. This study examined hue only and did not address the influence of the other components of color, saturation and value, nor did it address other design elements such as logo shape. References are available upon request.

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THE IMPACT OF COLOR TRAITS ON CORPORATE BRANDING

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SUMMARY

Like human beings who have specific characteristics, cultures, and philosophies, enterprises have symbols and signs that deliver their corporate identities and represent their corporate images. Napoles (1988) indicated that corporate image is how the mass population sees a company and that a company aims for consumers to recognize its corporate identity as a symbol for the firm (Dowing 1994). Corporate identity and brand identity utilize a systematic approach to give meanings to symbols and visualized concepts, although the starting points of corporate identity and brand identity are different. Corporate identity considers the enterprise perspective and emphasizes the performance and management of the company, while brand identity takes into account the customer perspective in order to specify how customers perceive the functions of the brand.

Ideally, brand identity adds value to a firm’s products and services. It is the sum of all tangible and intangible characteristics of the products and services offered by a firm and is identified by certain essential product labels, such as names, brand symbols, and colors. Color is a particularly effective way to manifest brand identity. Any brand can use a color as the focus of its brand identity, making it the major focus of brand identity by utilizing a single distinctive color or color palette (Schmitt and Simonson 1997). If a color is consistently used across a variety of identity elements, it becomes part of a company’s signature: Kodak’s yellow, IBM’s dark blue, Coca-Cola’s red, and Acer’s green.

More than the symbol of a brand, color is a source of information. A study by the Institute for Color Research revealed that people make a subconscious judgment about an item within 90 seconds of initial viewing and that 62–90 percent of that assessment is based on color alone. Marc Gobé (2004) observed that color is powerful and represents emotions and so not only provides the skeleton of brand identity but also the traits of the brand personality. In the perceptions of human beings, visualization is the most common way to appeal to consumers’ sense organs; in fact, Aristotle indicated that all recognition is triggered by vision, and Lindstrom (2005) specified that vision is primary among all human sense organs. Thus, a visual symbol of vision has the capability to draw consumers’ attention.

This research utilizes Birren’s color theory (1961) to identify the characteristics of colors and interpret the traits of brands and the colors they use in terms of perceptual stimulus and psychological recognition, and Aaker’s Honeycomb model to interpret the customers’ perceptions of a firm’s brand identity. The purpose of the study is to identify whether the traits of corporate identity indicated by the colors used match the key concepts delivered by the enterprise into customer perceptions. The positions, key concepts, and intents of the enterprises will be manifested if they use appropriate colors.

This study showed that color traits can deliver the messages of brand identity and build an emotional connection between consumers and brands. In particular, consumers first react to a brand based on their perception of the traits associated with a color. Corporate identity results in corporate images and associations, such as the cheerful and lively Ronald McDonald representing McDonald’s. Appropriate colors can deliver accurate messages and visions of the enterprise and its identity. While corporate identity represents the external image and reputation that the company attempts to deliver, color delivers its own traits and helps consumers to interpret the meaning of a brand by communicating the corporate identity.

Corporate branding can also attract consumers by using color traits that stimulate the memories of brands. Hence, this work provides preliminary evidence that color traits affect brand identity and corporate identity and that the impact of color on corporate branding is both significant and essential to enterprises. The connection between corporate/brand identity and corporate branding is also built to demonstrate that color traits may affect corporate branding. This study provides a preliminary analysis based on color traits and clues to help companies obtain a better understanding of corporate branding. Finally, we hope that other cases across different industries (instead of eight brands) can be examined for future study in order to build a comprehensive understanding of the impact of colors traits on corporate branding.
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WHEN LESS IS MORE: THE EFFECTS OF PRODUCT QUANTITY ON CONSUMER BEHAVIOR

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SUMMARY

Consumers often do not make final purchase decisions until they are physically in the store (Court et al. 2009). As a result, in-store merchandising strategies, such as product packaging, shelf placement, and inventory control are increasingly influential and essential selling factors affecting consumer choice (Court et al. 2009; AMA 1982). Correspondingly, thorough understanding of the process by which consumers acquire prepurchase information, ultimately affecting purchase decisions, has been referred to as an enduring interest of academics and practitioners alike (Schmidt and Spreng 1996).

While a number of prior studies focus on the effects of product placement, high inventory levels, and product availability (e.g., stockouts, soldouts) on consumer perceptions and purchase decisions (Balakrishnan et al. 2004; Campo et al. 2000; Ge, Messinger, and Li 2009; Koschat 2008), research that specifically evaluates the effects of low inventory levels on consumer prepurchase assessments and buying behavior is not available. This is a critical gap in the literature, because low inventory levels are a reality for many retailers. Consumer purchases of popular products reduce available quantities and lower inventory levels throughout the day.

In contrast to established beliefs, the present research suggests lower inventory levels may serve as a positive cue to potential consumers. We argue that under certain conditions, low inventory sends a signal that an item is popular or recommended by other consumers, which increases expected quality perceptions and subsequent purchase intentions. Two independent experimental studies reveal that in the absence of other information, low levels of inventory, compared with higher levels of a competing brand, can increase perceptions of quality and purchase intentions.

It appears as though low inventory levels provide consumers with behavioral evidence of choices made by other consumers, thus serving as a form of endorsement. This is an important finding because it provides an ironic upside to waning inventory levels that may occur as a function of strong consumer demand for a particular product or a retailer’s limitations that may preclude quick inventory replenishment. Retailers faced with resource limitations, both human and inventory, may find consolation in this finding. The present research suggests these limitations may not be detrimental and may even improve sales under certain conditions. For researchers, this work provides additional insight into noninteractive social influence and how seemingly unintentional observable environmental cues may be utilized in consumer decision processes.

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THE NEXT GENERATION OF BUSINESS LEADERS: INFLUENCES ON UNETHICAL STANDARDS ACROSS MULTIPLE CULTURES

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SUMMARY

Reports of scandalous behavior have long dominated the popular press, with current business pages reporting everything from an increase in earnings restatements to fraudulent business behavior. In an increasingly interconnected world, the fragility of the global marketplace has been evidenced time and time again. From the Enron and WorldCom scandals to the Wall Street banking scandals to the United States government bailout of American auto manufacturers, today’s future business leaders are confronted early in their academic careers with history-making events that have had a profound impact on their country’s economic system. These business students are maturing in a digital age in which they do not have to read about historical scandals; rather, today’s business school students are exposed to behaviors as they unfold and, as such, may be developing professionally by modeling the behaviors of both ethical and unethical business leaders.

The actions exhibited by too many managers today may not be those which we would like our future business leaders to be mimicking. The results from a 2004 CMO Magazine poll to learn the opinions of marketing officers with respect to the impact of ethics on the marketing function highlighted marketers’ specific ethical concerns. The top three ethical concerns facing U.S. businesses, according to the marketing executive surveyed, were: improper accounting practices (48%), conflicts of interest (42%), and deceptive sales and marketing practices (42%). Interestingly, 31 percent of these marketing executives were not confident that companies were taking appropriate actions to curtail scandalous behavior.

Future business leaders from across the globe will ultimately be exposed to, and influenced by, the activities in their work environments. Hence, we propose Social Learning Theory as a theoretical foundation for understanding the ethical standards of future business leaders and to pursue explanatory constructs for unethical standards worldwide. Social Learning Theory explains human behavior in terms of continuous reciprocal interaction between cognitive, behavioral, and environmental influences. Recognition of this reciprocal interdependency is critical for understanding the potentially conflicting signals that our future business leaders receive as they develop their own standards for unethical decision making. Additionally, moral philosophies and deviant behavior are included in the analysis.

Using data drawn from students from 115 four-year undergraduate institutions in 36 different countries, the relationships among role models, capitalism, and laws were examined using multiple linear regression analysis. The data suggest that future business leaders educated in environments espousing all moral philosophies except virtue ethics are influenced by their role models. That is, students educated under cultural norms of egoism, formalism, relativism, and utilitarianism who perceive that managers engage in unethical acts are significantly more likely to compromise their ethics. Also, students who perceive that the ends justify the means in business are more likely to compromise their ethics, and this is consistent across all moral philosophies. Thus, anomie theory does not necessarily hold true with respect to role modeling as an influence since deviant behavior was found across all societies.

However, differences in deviant behavior are found as related to the social influences of capitalism and laws. Capitalism as a social influence varied across the moral philosophies. For example, students educated in the formalism and virtue ethics societies who believe in the relationship between efficient management and capitalism are more likely to compromise their ethics. However, within the capitalism construct, profit entitlement due to risk assumption is negatively related to the need to compromise ethics in all moral philosophies (although only significantly so within the egoist group). Additionally, students of egoist, formalist, and utilitarianism societies are more likely to compromise their ethics if they perceive that anything that is legal is ethical. Thus, the moral compass for these societies appears to be the legal domain.

In conclusion, it appears that students’ likelihood to compromise their ethics is consistently predicted by the behavior of their role models. As well, especially in egoist societies (which includes the USA), using what is legal as a barometer for what is ethical plays a major role. Interestingly, beliefs about capitalism only have influence in
western societies and perhaps not in ways one would expect. Thus, it would appear that capitalism by itself cannot be blamed for future business leaders’ potential for unethical behavior.

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HOW DOES ONLINE WORD-OF-MOUTH INFLUENCE STUDENTS’ COURSE SELECTIONS AND THEIR ATTITUDES TOWARD PROFESSORS?

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SUMMARY

As an important communication venue, Word-of-Mouth (WOM) affects individuals’ decision-making in many situations. With the development of Web 2.0, online WOM has become the focus of a growing body of research. Many prior studies have shown that valence and volume are two important factors influencing the effects of online WOM, where valence represents the nature of information as either positive or negative and volume refers to the total amount of messages. However, prior research does not provide a clear and consistent conclusion on how WOM valence interacts with its volume. To fill this knowledge gap, two studies are conducted in the current research. A special industry, higher education, is selected for investigating online WOM effects.

Since more and more students go online and rate their professors today, Study 1 is designed to be a field experiment. Randomly sampled students’ numerical ratings and written comments about their professors on ratemyprofessor.com are recorded and content analyzed. The enrollment percentage for each of the sampled professors’ courses in the 2009 spring semester is also recorded. Through a mediation analysis, it is found that the relationship between perceived professor quality and actual course enrollment is fully mediated by online WOM valence. More specifically, “good-quality” professors tend to have higher course enrollment percentages because they receive more positive online student comments. On the other hand, “bad-quality” professors receive more negative online student comments, which lead to lower course enrollment percentages.

Built on the findings of Study 1, Study 2 is conducted to explore the interaction effects between WOM valence and its volume. It is designed to be a full factorial 2x2 lab experiment. The two factors manipulated are WOM valence (positive/negative) and WOM volume (high/low). A total of 80 undergraduate students participates in the experiment. The study results replicate what is found in Study 1. When the online comments about a professor are predominately positive, students tend to have more favorable attitudes toward him and are more likely to take his course. In contrast, when the online comments about the professor are mostly negative, students’ attitudes toward him tend to be less favorable, and they are less willing to take his course too. Moreover, such effects of WOM valence are found to be moderated by its volume. More specifically, when the volume is high, the WOM valence effects get even stronger. However, when the volume is low, the WOM valence effects become weaker.

Incorporating both findings in Study 1 and Study 2, an online WOM model is depicted in the current research. Both WOM valence and volume are illustrated to be significant predictors of students’ attitudes toward their professors and their course selection decisions. Online WOM is then argued to be an unneglectable force that higher educators need to pay more attention to.

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HOW DO INSTITUTIONAL PILLARS MODERATE THE EFFECTIVENESS OF FIRMS’ CUSTOMER-BASED MARKETING CAPABILITY ACROSS COUNTRIES?

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SUMMARY

Marketing accountability is a key area of concern for marketing academia and practitioners, as demonstrated by the Marketing Science Institute 2008–2010 research priorities (MSI 2008, p. 2–3). One of the key topics within marketing accountability is the financial contribution of marketing capabilities (e.g., Dutta, Narasimhan, and Rajiv 1999). Interestingly, this topic has received much more attention in domestic than in international research so far. Additionally, for managers to assess the impact of marketing in an international arena, they need measurement systems that link intangible measures of marketing (such as marketing capabilities) to the financial measures used by CEOs and CFOs (MSI 2006). In an attempt to develop such systems in an international arena, the role of the international context becomes critical in that there are many country factors that can dilute the effect of managerial variables (such as capabilities) on performance. Among those country factors, the literature underlines the importance of countries’ institutional variables. To study the role of institutional variables in, for example, the capability-performance relationship and to develop comparative marketing studies across countries, some researchers have suggested the use of the institutional theory (Iyer 1997). Though institutional theory has been employed to study different international phenomena, there is no evidence so far about to what extent institutional variables moderate the marketing capability-financial performance link.

In this sense, the aim of this article is threefold: (1) to understand whether the impact of marketing capability on financial performance is significant beyond the effects of firms, industry, macroeconomic and institutional variables; (2) to study the direct impact of countries’ institutional variables on firms’ financial performance; and (3) to assess whether the countries’ institutional variables significantly moderate the marketing capability-financial performance link.

Methodologically, we have the following groups of independent variables. (a) Managerial: we employ marketing capability in terms of a customer oriented capability and refer to customer-based marketing capability (CMC) as the superior and distinctive process to transform marketing investments into brand equity and customer satisfaction by developing, nurturing and leveraging relationships with and perceptions held by customers. We employ an intertemporal output-oriented data envelopment analysis (DEA) Bootstrap for estimating CMC. (b) Firm: we use size which is the log of annual total assets. (c) Industry: dummy variables of telekom and banking industries are used. (d) Country: we employ macroeconomic variables such as GDP, inflation and unemployment growth; and institutional variables such as normative elements (the metric of country’s management practices and attitudes and values), cognitive elements (the countries’ scores of Hofstede masculinity, individualism, power distance, and uncertainty), and regulative elements (the tax over profits firms should pay in a country annually, time of enforcement a contract at country level, and the strength of legal rights in a country).

Regarding the dependent variable, we follow the financial literature (Damodaran 2002; Palepu, Healy, and Bernard 2000) and employ the following performance measures: revenues, operating income, income before taxes, and net income. The model for estimation is as follows: Performance_t as a function of Managerial_t, Firm_t, Industry_t, Macroeconomic_t, and Institutional_t. As it can be observed, we work with variables in annual variation and not in levels (to control for firm-specific information not modeled). The variables regarding financial, marketing, institutional, and other data cover eight consecutive years, 2000–2007. To avoid potential problems of serial autocorrelation and heteroskedasticity, we estimate the model using generalized least squares correcting estimations for autocorrelation and heteroskedasticity (Mizik and Jacobson 2008).

We focus this study on firms from U.S., Denmark, Finland, Norway, and Sweden. These countries provide an interesting picture about the differences in the institutional elements. For instance, Nordic countries exhibits better scores in management practices and attitudes and values than U.S. Firms in Denmark should pay almost 33 percent of taxes on profits, U.S. firms should pay on
average 44 percent, and Swedish firms should pay almost 55 percent.

The key findings of this study are (1) the growth of firms’ CMC significantly and consistently creates growth of the different measures of firms’ operational performance beyond the effect of country variables, (2) normative, cognitive and regulative institutional elements have a significant effect only on firms’ revenue growth, (3) the effect of the firms’ CMC growth on revenue growth is larger in countries with more tax imposition, and finally (4) the effect of firms’ CMC growth on net income growth is superior in countries with less appropriate norms and in more hierarchical and individualist cultures.

The findings interestingly reveal that more regulative environments (e.g., tax on profits) provide benefits to firms in terms of revenue growth and moderate the capability-revenue relationship. We expected this result arguing that more regulation expands aggregate demand which in turn influences revenue growth. It is important that practitioners see a more regulative environment as a potential for growing but they should also be cautious with this idea because we developed this study on a sample of developed economies (U.S., Denmark, Finland, Norway, and Sweden) and we do not know whether the results will be the same for developing economies.

Another interesting and surprising finding is that marketing capability-net income relationship is larger in countries with less normative orientation (e.g., less ethical practices and social responsibility). We expected that capability-net income link would be greater in countries with more normative orientation as the institutional theory purports. It is important to be precise that data employed for measuring management practices is an index that range from 0 to 100. However, we should caution that all countries in our sample were above the median (index of 50) and therefore had overall good ethical practices. Therefore, further research is needed in order to understand the marketing capability-performance relationship in countries with index of ethical practices below the median since it is possible that this relationship might be reversed as the index decreases. References are available upon request.

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IMPLEMENTATION OF SUBSIDIARY MARKETING STRATEGIES: AN EMPIRICAL INVESTIGATION OF THE ACTORS, MODALITIES, DRIVERS, PARAMETERS, AND PERFORMANCE OUTCOMES

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SUMMARY

Despite extensive research on international marketing strategy, relatively little attention has been directed to what is needed to implement the intended or adopted strategy. In fact, Birnik and Bowman (2007) refer to execution as the missing link that should be explored to advance our understanding. In an attempt to redress this situation, this study develops and empirically tests a grounded model of subsidiary marketing strategy implementation (SMSI) in the context of U.S. based multinational corporations (MNCs).

The following aspects of strategy implementation are considered to delineate its scope. Strategy Implementation Actors: Notwithstanding subsidiary’s direct formal responsibility for carrying out its marketing strategies, we adopt the upper-echelons framework (Hambrick and Mason 1984) and consider the headquarter perspective to investigate HQ managers’ role in SMSI. For the Strategy Implementation Modality, we focus on deployment of resources in terms of managerial time and effort expended. The Strategy Implementation Conditions are identified based on the resource dependence perspective, which suggests that the need to access knowledge from the subsidiary would be the impetus for headquarter involvement in SMSI in order to protect its interest as well as to maintain its supremacy (Ambos and Schlegelmilch 2007). Consequently, the conditions considered are: attitudinal involvement of HQ managers in SMSI, international experience of HQ, customer as well as host-country market diversity. For Strategy Implementation Parameters, we focus on HQ managers’ resource deployment in terms of the marketing tasks because the HQ managers have been observed to relate to the 4P framework in calibrating the managerial resources they allocate to the intended strategy. The Strategy Implementation Performance was assessed based on Ruekert, Walker, and Roering’s (1985) multidimensional performance construct where satisfaction with subsidiary market performance (MP) and profitability were used to determine the effectiveness and efficiency of SMSI, respectively.

Data Collection and Psychometric Considerations

The hypothesized model (Figure 1) was tested with survey data obtained from 252 informants representing 227 divisions at 163 U.S. manufacturing firms that agreed to participate in this study, for a response rate of 61 percent. The psychometric properties of the measures were assessed with a confirmatory factor analysis (CFA) (Bentler 1995). Although the chi-square test was statistically significant ($\chi^2_{(188)} = 258.23$, $p < .05$), the model provided a satisfactory fit to the data (Bentler-Bonett nonnormed fit index [NNFI] = .96; comparative fit index [CFI] = .97; Bollen’s fit index [IFI] = .97; root mean square error of approximation [RMSEA] = .053), indicating the unidimensionality of the measures (Anderson and Gerbing 1988). Furthermore, measures demonstrated adequate convergent validity and reliability with statistically significant ($p < .01$) factor loadings, and the composite reliabilities exceeding the threshold value of .70 (Nunnally 1978). With average variance extracted by the measure of each factor exceeding the squared correlation of that factor’s measure with all measures of other factors, strong discriminant validity was also observed for all the factors considered.

Hypothesis Tests and Results

The hypothesized model was examined by SEM. The chi-square test was statistically significant ($\chi^2_{(229)} = 387.88$, $p < .05$), however, the fit indices [NNFI = .91; CFI = .92; IFI = .92; RMSEA = .073] indicated a good fit with the structural model. The results reveal that HQ managers’ attitudinal involvement has a significant positive effect on HQ resources allocated to product ($\beta = .27; p \leq .005$), pricing ($\beta = .19; p \leq .05$) and distribution activities ($\beta = .13; p \leq .10$). In contrast, HQ’s international experience was found to be significantly and negatively associated with its resources allocated to product ($\beta = -.26; p \leq .005$), pricing ($\beta = -.26; p \leq .005$) and distribution activities ($\beta = -.26; p \leq .005$). Higher degrees of customer diversity have significant positive effects on HQ resources allocated to product ($\beta = .22; p \leq .05$), pricing ($\beta = .21; p \leq .05$) and distribution activities ($\beta = .28; p \leq .005$). Host-country diversity was found to be positively and significantly associated with HQ resources allocated to both product ($\beta = .16; p \leq .05$) and distribution activities ($\beta = .20; p \leq .05$). However, it was not found to be related to HQ resources allocated to pricing activities ($\beta = .06; p > .10$).

We found that HQ resources allocated to product activities had significant positive effects on satisfaction with subsidiary MP ($\beta = .36; p \leq .005$) as well as its profitability.
In contrast, HQ resources allocated to pricing activities had significant negative effects on both satisfaction with MP ($\beta = -0.23; p \leq 0.05$) and profitability ($\beta = -0.17; p \leq 0.05$). Finally, HQ resources allocated to distribution activities were found to have a significant positive impact on satisfaction with MP ($\beta = 0.13; p \leq 0.10$) but not significantly associated with profitability ($\beta = -0.06; p > 0.10$).

**Discussions and Conclusions**

To bring strategy implementation to the forefront of the international marketing strategy research, we undertook a theoretically grounded empirical investigation of SMSI where its nature, drivers, and consequences were examined within the context of U.S. based MNCs. In general, our empirical results support the upper-echelons theory in the strategy literature (Hambrick and Mason 1984) and reveals that managers at the strategic apex of the MNC are involved in SMSI and their involvement does influence the subsidiary performance. Furthermore, the overwhelming empirical support found for our hypotheses signify the relevance and importance of the strategy implementation drivers considered in this study based on the implications of resource dependency theory. In addition, this study offers several recommendations to HQ and subsidiary managers. In particular, the results reveal that HQs interested in increasing their involvement in SMSI should focus first on subsidiaries with diverse customer base and those operating in diverse host countries because of their possession of country-specific knowledge. On the other hand, the depth and breadth of international experience accumulated through appear to diminish the need for HQ involvement in SMSI. Our findings also validate the presumed direct relationship between HQ involvement in SMSI and subsidiary performance. Specifically, HQ involvement in subsidiary product strategy appears to pay off in terms of both HQ satisfaction with subsidiary MP as well as subsidiary’s financial performance. On the other hand, HQ managers must be very cautious when considering involvement in subsidiary pricing strategy since anticipated performance payoffs may be not realized. These results show that simplistic or ad hoc allocation of HQ managerial time and effort to SMSI without careful examination of the country-specific knowledge resources of the subsidiary is not advised. References are available upon request.
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PERCEIVED BARRIERS FOR INTERNATIONALIZATION OF SMALL FIRMS: PERCEIVED LACK OF RESOURCES

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SUMMARY

Internationalization is a major strategic decision for small- and medium-sized enterprises (SMEs), because a firm must make an important strategic decision on whether to internationalize or not in the global marketplace. However, there are still a large number of SMEs that “do not dare cross national boundaries to sell their products and services” (Leonidou 2004, p. 279). As Gilmore and Carson (1999) suggest, some small firms are constrained in finance, management, and market knowledge in their internationalization, in comparison with larger multinational corporations (MNCs). The behavioral modes of internationalization processes have stressed the important role of perceived problems and chances in the firm’s internationalization (Eriksson et al. 1997). The extant literature on small firms’ internationalization only provides a partial examination of barriers to internationalization (Leonidou 2004). Few studies have examined the perceived barriers to internationalization regarding firm resources. Therefore, the perceived lack of resources is the focal attention of this current study.

This study adopts the resource-based view (Barney 1991) to frame the resources that affect internationalization decisions. In addition, this study also integrates technology acceptance model (Davis 1989) to examine the impact of perception and behavioral intention of owner-managers of small firms. Firm strategies are developed in accordance with firm-specific attributes to identify, protect, and exploit their unique skills and proprietary assets (Tallman 1991). In addition, the internationalization models are also behaviorally-oriented. Perceptions actually influence consequential behaviors. Some perceptions can become barriers to small firms’ internationalization. Therefore, perception of firm resources by owner-management of small firms plays an important role in identifying and deploying heterogeneous resources in their internationalization decisions. Thus, we argue that the perceived lack of resources acts as a perceived barrier, thus negatively affecting internationalization of small firms.

This study tests a model to identify small firms’ perceptual barriers to internationalization. The results of this study support the hypotheses that the perceived lack of general and specific experiential knowledge in international market hinders small firms’ intention to engage in internationalization. Knowledge-based resources are perceived as a critical factor for both the internationalized and non-internationalized smaller firms. On one hand, these resources may help some small firms to internationalize in their early stages. On the other hand, some other small firms may be scared way from internationalization due to their perceptual barriers regarding the knowledge-based resources. We also discuss direction for future research. References are available upon request.
WHEN DOES INTERNATIONAL MARKETING STANDARDIZATION MATTER TO FIRM PERFORMANCE?

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SUMMARY

In their fight for global competitive advantage, firms pick strategic options that enable them to save costs and effort in marketing their goods and services on a global scale. The cost benefits and ease of administering make the strategy of standardizing international marketing programs an attractive choice to numerous firms (Douglas and Wind 1987; Katsikeas, Samiee, and Theodosiou 2006). Consequently, standardization is considered the perhaps most influential aspect of international marketing strategy (Zou and Cavusgil 2002).

Most prior research on the topic primarily concerns the antecedents to standardization, analyzing a range of factors that lead firms to adopt this strategy (e.g., Calantone et al. 2006; Jain 1989; Powers and Loyka 2007). Performance implications have received less emphasis, and thus, the question about the impact of standardization on firm performance remains an enduring research concern (Griffith, Cavusgil, and Xu 2008). Among the few studies focusing on this aspect, reported results are inconclusive (Özsomer and Prussia 2000; Theodosiou and Leonidou 2003), limiting further development of theory and improvement of management practices. While prior research predominantly indicates overall beneficial effects of standardization (e.g., O’Donnell and Jeong 2000; Szymanski, Bharadwaj, and Varadarajan 1993), some investigators have also argued that a standardization strategy can come with disadvantages (Lages, Abrantes, and Lages 2008). Consequently, despite its demonstrated benefits, standardization may not always improve performance outcomes.

Therefore, we agree with Ryans, Griffith, and White (2003) on the need to further substantiate “some of the key underlying assumptions regarding the value of standardization” (p. 589). Indeed, researchers are beginning to recognize that the relationship between standardization and performance may be complicated and contingent on other factors. Katsikeas, Samiee, and Theodosiou (2006) argue that the effect of standardization on performance becomes stronger if a fit or coalignment is present between overall marketing program standardization and the market environment in which it is implemented. Their findings – as well as the inconclusive results in studies investigating an unconditional direct link between standardization and performance (Özsomer and Prussia 2000; Theodosiou and Leonidou 2003) – suggest that the performance effect of standardization may increase under certain circumstances and decrease under others. However, researchers have paid little systematic attention to the conditions other than environmental fit that determine when and how standardization relates to firm success. In making suggestions for future research, Zou and Cavusgil (2002) state that important moderators may include not only the external industry environment but also internal organizational attributes. Similarly, Samiee and Roth (1992) posit that standardization needs to be viewed in light of other key firm policies and strategies; certain organizational activities and characteristics may have important implications for the effectiveness of global standardization.

This paper explores the moderating effect of several organizational factors on the relationship between standardization and firm performance. More specifically, we investigate the role of competitive strategies, other aspects of marketing strategy, product characteristics, and general firm characteristics. Thus, the study’s key contribution is to improve our understanding of those internal organization aspects that make standardization a particularly effective approach to international marketing. From an academic viewpoint, our study helps to resolve some of the inconsistent results regarding to the link between standardization and performance.

We conducted a large-scale survey among businesses from various industries to test our research model. The usable returned responses totaled 489, representing a response rate of 19 percent. In our baseline evaluation, we find that, ceteris paribus, standardization has a significant and positive effect on firm performance. Using multi-group analyses we then tested the contingent effect of various organizational characteristics. We found support for five of the seven proposed moderating relationships, suggesting that substantial differences exists between firms with regard to the extent to which standardization effects firm performance. More specifically, the factors cost leadership, coordination of marketing activities, global market participation, product homogeneity, and firm size significantly moderated the relationship between
standardization and firm performance in such a way that
the standardization-performance relationship was strength-
ened at high levels of the moderating variables and weak-
ened at low levels.

We conclude that managers evaluating the adequacy
of a standardization strategy need to consider the list of
contingencies advanced in this research. References are
available upon request.

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WHAT IS THE IDEAL CUSTOMIZATION APPROACH? THE MODERATING EFFECT OF CULTURAL MEANING SYSTEM ACTIVATION ON CUSTOMIZATION

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**SUMMARY**

Customization is a widely adopted marketing strategy within online environments nowadays. The basic idea of customization is to provide individualized messages to message recipients in response to their particular needs or preferences. However, it remains a mystery in the literature how a message should be customized in certain circumstances. In other words, there seems to be no consensus on what the ideal customization approach is, if it exists. The current study examines the moderating effects of cultural meaning system (either individualism or collectivism) activation on two most frequently adopted customization approaches: tailored customization and targeted customization. Specifically, when a message is created for a single person based on his or her unique characteristics, it is refereed as tailored customization. On the other hand, when a message is created for a group of people based on their common characteristics, it is called targeted customization. Based on well established cultural psychology theories on individualism and collectivism, it is predicted that when people’s individualistic meaning systems are activated, they tend to have a more favorable attitude toward tailored customization because individuals’ uniqueness is prominent in tailored messages. In contrast, when collectivistic meaning systems are activated, people tend to generate a more favorable attitude toward targeted customization since the person-in-group relationship is emphasized in targeted messages.

The hypothesis is tested with 52 participants in a 2x2 factorial experiment. Participants’ cultural meaning system activation is manipulated via a five-minute priming task. After it, participants are requested to view a designated website with either some tailored or targeted travel information. It is found that when participants are primed with individualistic meanings, they hold more favorable attitudes toward tailored messages than targeted messages. In contrast, when participants are primed with collectivistic meanings, they tend to generate more favorable attitudes toward targeted messages than tailored ones.

Based on the study findings, it is argued that customization effects are indeed contingent upon cultural meaning system activation. As tailored customization and targeted customization tend to emphasize different cultural meanings, the contexts where they will generate more favorable effects are not the same. Therefore, it is problematic to equalize customization and tailoring. It is also questionable to suggest that the more tailored a message is, the more favorable effect it is going to gain.

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ALTERNATIVE HEDONISM, DIGITAL VIRTUAL CONSUMPTION, AND STRUCTURES OF THE IMAGINATION

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ABSTRACT

Using “alternative hedonism” and “digital virtual consumption” as examples, we extend existing theories of consumer imagining in terms of temporal location, triggers and outcomes. We argue that understanding this complexity will enable marketing practitioners to respond more effectively to changes within the content of the consumer imagination.

INTRODUCTION

Daydream, fantasy, anticipation, nostalgia, reminisce, regret, and worry are all terms that might relate to the imagination. Our ability to differentiate between such terms indicates different functions and types of imaginings. Any of these terms may be used in place of imagination, but they may also help to differentiate between, albeit closely related, concepts. The imagination is taken to be our overall ability to experience things in our mind in the absence of their material presence (Casey 2000), it is responsible for a variety of mental activities (Thomas 2004), and unlike night dreams, the imagination is under voluntary control (Currie and Ravenscroft 2002). Yet this complexity of the imagination is not well covered in consumer research.

Academics have noted that market goods and experiences are good to daydream with (e.g., see Campbell’s 1987 “modern autonomous hedonism”). Yet our suspicion is that there is value in developing a more complete model of the consumer imagination that makes the range and scope of imaginative spaces available – the “structures of the consumer imagination” – more transparent; that recognizes changes in such structures over time, and; that therefore allows for new perspectives on markets and on consumer culture. That is our first aim here, but more than this, we note a criticism that as the market has structured the imagination it has done so in a way that has produced excessive and damaging over-consumption that has ultimately lead to a financial crisis based on consumers wanting to buy “too much trivial stuff” (see Barber 2007) or alternatively, a sense of boredom and ennui (Shankar, Whittaker, and Fitchett 2006). The current global recession is likely a time of reflection where structures of the imagination that define the relationship between consumption and “the good life” are subject to change, especially toward more sustainable living (e.g., see Shi’s 1985 review of similar sentiment in the recession of the 1970s). In this moment of collective reflection on our consumer society we note two possible trajectories: Soper’s (1998, 2007) analysis of “alternative hedonism” and Molesworth and Denegri-Knott’s (2006), (see also Denegri-Knott and Molesworth 2009 [forthcoming]) view of “digital virtual consumption” (DVC). However we also see both of these as potentially limited in their focus on positive, future orientated imagining and we therefore use our extended taxonomy of the imagination to further unpack the imaginative landscape of consumer matter.

THE EXPLICIT USE OF THE IMAGINATION IN CONSUMER RESEARCH

Holbrook and Hirschman (1982) were amongst the first to acknowledge that consumers experience pleasure through fantasy. Subsequent research suggests a general acceptance that individuals fantasize about things they would like to own and experience (Belk, Ger, and Askergaard 2003; d’Astous and Deschênes 2005; Fournier and Guiry 1993). Research has also noted that consumers act on their dreams, they talk about them, search for information on desired commodities, and save toward their dream objects (d’Astous and Deschênes 2005).

An array of terms have been used to refer to pre-consumption imagining including; “day-dream” (Campbell 1987), “pre-purchase dreaming” (Fournier and Guiry 1993), “consumption visions” (Christensen 2002) and “consumption dreaming” (d’Astous and Deschênes 2005). What these conceptualizations have in common is a future orientation and this leads to a dominant theory of the consumer imagination that is based on “desire.” Desire drives the creation of consumption based daydreams, which in turn intensify desire and motivate actual consumption as consumers seek to actualize or partially actualize what they imagine (Belk 2001; Belk, Ger, and Askergaard 2003; Campbell 1987; d’Astous and Deschênes 2005; McCracken 1988).

According to Campbell (1987), McCracken (1988) and Belk, Ger, and Askergaard (2003) consumer desire is created through meaning that we attach to goods – they symbolize a certain way of being: a better lifestyle; an enhanced identity, or; an idealized version of life, which
we seek to realize through purchasing material goods. One attraction of this approach is that it may explain the process of endless wants and desires as possession of the desired good cannot live up to the embodied pleasures created in the imagination (Campbell 1987; McCracken 1988). Disappointment causes us to renew our desire for a new object and so the process of creating pleasurable daydreams about desired goods starts over. Even if possessed goods do not “fail” to live up to imaginings in this way Belk, Ger, and Askergaard (2003) argue that once in possession an object can no longer be desired, and as desire is the sought after experience consumers must attach their desire to something new such that wanting and desiring rather than having becomes the consumer’s main focus.

The concept of desire highlights the important role that consumer goods take on in structuring the imagination. We associate all sorts of life aspirations and events with goods and our consumer society stimulates such feelings, for example through: advertising, branding, retailing, packaging, window shopping, television, film, magazines, the internet, word of mouth conversing, and observation of others (Belk 2001; Belk, Ger, and Askergaard 2003; Falk and Campbell 1997; Featherstone 1991; Friedberg 1993; McCracken 1988; Stevens and Maclaran 2005). In other words much of our leisure and media use aids the construction and actualisation of consumption-related imagining.

NEW CONSUMER DESIRES

A reflection on such positive, future orientated consumer imagination has prompted others to consider developments in the ways in which the consumer imagination may be structured, and if we expect a relationship between the imagination and economic activity, these “trajectories” may be significant for areas of future economic growth. We consider two possibilities here.

Firstly, Soper (1998, 2007) explores “alternative hedonism.” Here the individual may come to imagine and then seek to actualize pleasures that are generally denied or even undermined by the market, possibly prompted by disillusionment that the market is capable of delivering on its promises of the “good life.” These reflections may therefore lead to resistance to the market and/or align individual desires with more civic and ethical possibilities. For example, a desire for more open, green spaces in cities – for fresh air and peace – may lead to support for public parks and to a political will to prevent commercial developments in green spaces. For Soper such sentiment in consumers may lead to the possibility for policy that is more sympathetic to green issues in general and therefore changes in economic structures. Such an analysis of individuals’ future-orientated, positive imagining also ties this work to a much larger body on voluntary simplicit(y (Doherty and Etzioni 2003; Elgin 1993[1981]; Schor 1998) where thinking about the “good life” means imagining a society with less consumption.

Alternatively Molesworth and Denegri-Knott (2006) note that the failure of the material marketplace to sustain pleasurable cycles of desire may encourage “escape” into digital virtual spaces where online and console videogames and “game-like” websites offer new desires and new forms of actualisation, such as trips to other worlds, “ownership” of digital virtual luxury goods, and possibilities to live out exotic other lives. Here we see a warning that individuals’ reflections on the failures of markets to sustain promises of the “good life” may lead to retreat into further individualized and episodic lives rather than some re-engagement with civic and collective narratives of progress (Molesworth 2009). This is an implicit reference to a “market determinism” where the market is looked to, to solve social problems.

However both these discourses consider the consumer imagination in terms of future-orientated positive emotions only – i.e., what individuals desire and how it is elaborated in their imaginations. Our task now is to explore how the structures of imagining that are used here may be further conceptualized such that a fuller understanding of the complexities and nuances of consumer imaginings may be understood.

THE IMPLICIT USE OF THE IMAGINATION IN CONSUMER RESEARCH

Other research has dealt with the consumer imagination in more implicit ways - i.e., often not using the term “imagination,” but noting elaborated thoughts, or worries about consumption. For instance negative post-consumption thoughts have been explored as dissonance (Oshikawa 1969) and more recently as “buyer’s remorse”; post-purchase feelings of regret, generally in relation to how a foregone alternative may have had a better outcome (Tsilos and Mittal 2000). Alternatively satisfaction research focuses on how consumers’ feel regarding the outcome of a situation compared to the expected (read: imagined) outcome (Oliver 1980). These areas of study present opportunities to compare imaginative and real experiences, and emphasize short-term reflective or past-orientated imagining.

Research has also been conducted on nostalgia as it relates to consumption (Havlena and Holak 1991; Holbrook 1993). Nostalgia is seen as positive reflection on past experiences, often from childhood, it is therefore also past-orientated imagining triggered by a variety of personally relevant stimuli (Holbrook and Schindler 2003). This is significant because it suggests that consumption experiences may “live on” in our imaginations long after initial future-orientated desire has passed.
Together these studies suggest the possibility of both positive and negative imaginings and a focus on both the past and the future. Thus, alongside Soper’s (1998, 2007) conceptualization of “alternative hedonism” with its call for future orientated positive imaginings to be “nudged” away from the current focus on endless consumption, we might consider other anti-consumerist calls. For instance, those of Greenpeace or Adbusters that may focus on instilling a negative view of the future where the planet is damaged (especially for others) or where the consequences of consumption produce a bleak personal outlook (in the case of health information about obesity, drinking, or smoking, for example). Similarly we might consider that along with the desire for spectacular futures filled with the exotic noted by Molesworth and Denegri-Knott (2006) regular users of videogames may become nostalgic for “simple” pleasures, or even for material experiences, or may regret time “wasted” playing games (e.g., consider Caru and Cova’s (2003) review of a loss of contemplative time). Market activity may therefore result from the complex interactions of such positive and negative, past and future structures of the imagination. Broadening the scope of the consumer imagination may uncover other forms of imagining that take place throughout the consumption experience.

A BROADER VIEW OF THE CONSUMER IMAGINATION

We now want to consider six key aspects of the imagination broadly identified by Singer (1966) whose work is drawn on by many researchers. These are the importance of mental imagery and thought, bodily sensations and emotion, temporal setting and the degree to which imagined events are possible.

Mental Imagery and Thought

Mental imagery is a representation of something in the mind and may incorporate sight, sound, smell, taste, and touch (MacInnis and Price 1987). For example, we can picture what our living room looks like, the smell of fresh bread, the taste of strong coffee, the sound of a sports car, and we can imagine the warmth of a fire. A variety of researchers note that visual imagery is the most common feature of daydreaming, (Singer 1966; Klinger 1990) and perhaps it is this visual focus that allows the sorts of digital virtual experiences that Molesworth and Denegri-Knott (2006) note to be so compelling. In videogames players cannot feel, smell, taste or touch, yet the largely visual illusion produces desire. On the other hand, Soper (1998, 2007) notes that it is often the impoverishment of the broader senses in the commercial city that may encourage a desire for alternative hedonism.

Daydreams also contain self-talk, or an “interior monologue” (Klinger 1990; Singer 1966). Klinger (1990, p. 68) asserts that we “silently talk to ourselves” the majority of the time, ranging from just a few words to full running commentaries accompanying the mental imagery we create. As a type of thought daydreaming may be distinguished from other kinds of thought such as “problem solving” or “decision making” on the basis that it does not seek to achieve a “mental result” (Klinger 1990, p. 18), rather the intention may be to escape reality and gain pleasure from our imagination (Campbell 1987). This leads to the consideration that different forms of imagining may have different purposes and we consider this below.

Emotion and Bodily Sensations

It is established that “imagery produces physiological effects that mirror perceptual processes” (MacInnis and Price 1987, p. 474). Put simply; visualizing an object or event, may arouse the same emotions and effect on the body as actually seeing the object or experiencing the event in material reality so that we react subjectively as if it were “real” (Campbell 1987; Klinger 1990). Again, this aspect of the imagination may allow for DVC and is the basis for the imagination as a source of hedonism, or pleasure. We can also have subsequent emotional reactions that may conflict with how we felt during the daydream. For instance, you may feel happy and excited during a daydream about a holiday, but afterwards realize that it is unlikely to materialize due to various constraints and feel negatively (depressed, upset) toward it as a consequence (d’Astous and Deschênes 2005). These sorts of emotional reactions are very much classed as part of the imaginative experience (Christensen 2002). However this aspect of reflecting on daydreams is under-considered in consumer research and may have a significant bearing on actions taken by consumers to either modify their daydreams so that such negative emotions are not experienced, or to change their behaviors.

Temporal Setting

As we have noted in the review of consumer research, we have the ability to imagine objects and experiences from our past, present and future (see also Singer 1966; Klinger 1990; Giamba 2000). The temporal setting allows us to distinguish forms of imagination, for example, nostalgia and reminiscing are a longing for the past (Holbrook 1993) and anticipation and wishing refer to imagining the future (Belk, Ger, and Askergaard 2003; Campbell 1987). Other terms are less easy to distinguish based on these criteria. A daydream, for instance, can be based in any temporal setting (Klinger 1990; Singer 1966) and can vary from mundane anticipation to elaborate wishes (Belk 2001; Cohen and Taylor 1976). However, Klinger (1990) notes that daydreams about the present actually make up the majority of daydreams,
occuring when we imagine how the situation we are in may unfold in the next few moments. As such they are fleeting and unmemorable. This more mundane type of imaginative anticipation requires little elaboration because our expectations are based on routine (Campbell 1987). On the other hand both past and future orientated daydreams are considered to be more memorable because they involve more emotion and reflection (Klinger 1990). Here a greater temporal distance produces complex reflection on life that may include the more “superficial” and routine imaginings such that it is possible that the daily “grind” of negative thoughts produces larger daydreams that lead to the sort of resistance that Soper (1998, 2007) identifies.

Level of elaboration and temporal location of a daydream denote different kinds of imaginative experience but whatever the temporal orientation, daydreams are grounded in real events and this may differentiate daydreams from fantasy (Campbell 1987).

Fantasy-Like Embellishment

The use of the terms “daydream” and “fantasy” are used inconsistently across the literature, sometimes as synonyms (Holbrook and Hirschman 1982), sometimes with daydreaming as a form of fantasy (Klinger 1990; Rook 1988), and sometimes as significantly different (Giambra 2000) – which is our stance here. It may be useful to distinguish between fantasy and daydream according to the degree to which material reality is adhered to.

Campbell (1987) stipulates three imaginative phenomena, each of which hold a different position on the reality – fantasy continuum (Christensen 2002). Imaginative anticipation is our expectations about “the way in which an existing course of events might develop” (Campbell 1987, p. 83), guided by our current reality and experience of the past. Fantasy on the other hand “by its nature is not reality” (Christensen 2002, p. 55), to the extent that fantasies are considered to be “incompatible with paramout reality . . . an alternative world” (Cohen and Taylor 1976, p. 73), which may involve impossibilities, such as possessing magical powers. Daydreams, however, sit in the middle and with pleasure as the guide they may be crafted to include events that are highly unlikely to occur in real life, that is, they may be embellished with fantasy (Campbell 1987; Christensen 2002). Such fantasy-like embellishment or abstraction (Shields 2003) refers to the stuff of fiction (e.g., films and books which daydreams can come to represent) in that it is not probable but may be hopeful. Pure fantasy represents no possibility of actualisation, which is problematic for the pursuit of pleasure (Campbell 1987). However this is possibly key to the idea of DVC, where videogames aid in the negotiation of “real” experiences with fantasy embellishments, allowing fantasy to be actualized within the game (Molesworth and Denegri-Knott 2006).

The Triggers for Imaginative Experiences

We have hinted that daydreaming in a pre-consumption context is often activated on demand and returned to and modified to become more pleasurable and vivid (Campbell 1987; d’Astous and Deschénes 2005) however, there are prompts and triggers that may cause an individual to direct attention away from paramount reality, so we also experience spontaneous, involuntary daydreams (Singer 1966). The assumption in psychology that daydreams are predominantly unintentional leads us to question how something spontaneous and involuntary can be considered elaborate and involved. When we look at how unintentional daydreams are triggered it becomes apparent that although they may not be indulged in deliberately – individuals may not consciously “schedule” them – “their timing and substance . . . are definitely not random” (Klinger 1990, p. 76), because they are linked to our concerns and emotions.

Daydreams are based on our goals and desires, whether major or trivial (Klinger 1990), and consequently may be triggered by “goal reminders” (p. 35); something associated with the goal, such as words, events or thoughts. When we come into contact with a goal reminder, at a time when we are unable to meet the goal perhaps because some kind of constraint prevents it, we react to it mentally as a daydream. This view seems well suited to daydreams and imaginings about current concerns (unmet goals and unfinished business) when daydreaming is said to help organize and remind us (Klinger 1990). For example, you see wine at the supermarket, which reminds you about a dinner party you are to host, which then sends you into a daydream about dishes you could serve and so on, but this pattern can also be extrapolated to more distant and important goals and desires. Molesworth (2009) notes how DVC may be a form of imagined escape to deal with dull experiences at work, problems at home, or even thwarted career aspirations. For example, a frustrating evening commute reminds the player about their desire to own and drive a luxury sports car, which leads to a session on a driving videogame on arrival at home.

Stimuli may also be used intentionally by individuals to intensify their desire (Belk 2001; Belk, Ger, and Askergaard 2003). Hence we also start to see that in an environment dominated by commercial messages, these form a significant amount of the triggers for our imagination and as Soper (1998, 2007) implies, calls for alternative hedonism are marginalised. We are surrounded and surround ourselves with commercial messages about things we can, might and should really want, and embracing technology seems to provide an easier solution to managing the imagination than resistance to material desires.
Unintentional past-orientated daydreams are triggered by stimuli that we have an emotional bond with because they were once related to our goals (Klinger 1990). For example you may replay pleasurable experiences from a holiday for weeks or months after your return because certain stimuli remind you of the wonderful time you had. As many of these past experiences are themselves consumption experiences, the market is also well placed to remind us of these and this is a further “problem” for alternative hedonism because it may too often be a yearning for something we have never experienced, or done so only fleetingly. We might see how both the Mini and Beetle brands have been created out of a sense of nostalgia for their original 1960s versions – even though both differ considerably from their originals – whereas the rejection of the consumer society at the same time finds little outlet today where every experience must be paid for.

**Purposes and Outcomes of Imagining**

It should be clear by now that as Klinger (1990) argues, the imagination has an important role and many uses in our lives. For example anticipation may be indicative of planning or rehearsing and a daydream may be pleasurable (Campbell 1987), while fantasy is indicative of escape (Cohen and Taylor 1976).

Pleasure is central to future orientated imagining to the extent that Campbell (1987) recognizes that we may experience greater pleasure in our imagination than in reality. Yet it is also evident that we can attain pleasure from past orientated daydreams that offer the opportunity to replay enjoyable experiences (Klinger 1990). We have also noted the potential for anticipatory consumption to be used for compensation (d’Astous and Deschénes 2005; Fournier and Guiry 1993). When constraints prevent us from achieving the stuff of our dreams, imagining provides compensatory pleasure. Purposive imagining is therefore a coping mechanism (Christensen, Olson, and Ross 2004) or surrogate experience (MacInnis and Price 1987); we turn to our imagination to escape (Cohen and Taylor 1976) and the development of videogames and other DVC is seen by Molesworth and Denegri-Knott (2006) as the multi-billion dollar market response to such a need. Soper (1998, 2007), on the other hand, considers a retreat from the market as another possibility. During a recession constraints on consumption may become even more prevalent and as financial and employment worries, added to environmental concerns prevent consumers from making “unnecessary” purchases we may see more of such imaginative “work” as necessary.

Daydreams about future events provide opportunities to explore and rehearse, which aids decision-making and planning (Christensen, Olson, and Ross 2004). The imagination provides a valuable opportunity to play out various scenarios and imagine the consequences of several alternatives, and this feeds into the decision making process (Phillips, Olson, and Baumgartner 1995). Planning, is also a benefit of imagining future situations and shares a likeness with Klinger’s (1990) organization function of daydreaming; we can prepare, anticipate and organize ourselves through the use of images (Christensen, Olson, and Ross 2004).

The rehearsal quality of imagining lends itself to positive and negative events. As well as helping us figure out goals and desires that we want to pursue, worried and unhappy daydreams help us to plan and rehearse based on things that we fear and want to avoid (Klinger 1990). So along with alternative hedonism there may be useful imaginings about the consequences of over-consumption, and along with the escapism pleasures of videogames there may be reflections on in-game experiences that lead to consideration of aspects of the material world (indeed this is a common line in discussing the reflective, or persuasive aspects of games, e.g., see Turkle 1995). Past orientated daydreams in particular can provide lessons to learn; negative experiences of past events can teach us how to behave in the future or how we would behave differently if a situation arose again (Klinger 1990) and so we might wonder at the lessons individuals will take from the current recession as they reflect.

A key point here is that unlike escapism and even the romantic pleasures of desire, the rehearsal, planning, learning and decision making processes of imagining offers motivation for action (Belk, Ger, and Askergaard 2003; Klinger 1990); in this way imagining is essentially preparation for “real” life. The stuff of daydreams, and of worries therefore constantly provides something for us to aim for, or aim to avoid.

**A TAXONOMY OF CONSUMER IMAGINING**

We have demonstrated that there are more aspects of imagining than have been explicitly considered in consumer behavior research. The range of characteristics that have been discussed exist on a dimensional scale and present a variety of imaginative experiences that may be mapped according to four main elements; the temporal location, range of emotions experienced (positive or negative), degree of abstraction and level of elaboration. When these elements are experienced in different ways and combinations the outcome is different imaginative experiences, which constitute different forms of imagination. For example “pre-consumption daydreaming” is set in the future, features positive emotions, is highly elaborated and may involve abstraction. Nostalgia also features positive emotions, is highly elaborated and may involve abstraction, but is set in the past. The temporal location is the distinguishing feature here. In addition we can also note the range of things that might prompt imagining, the purpose of different forms and the degree to which they...
might set goals for behavior. Table 1 sets out a variety of imaginative experiences that constitute different forms of imagination related to consumer behavior, based on the elements explained above. An issue here is the degree to which an understanding of structures of the imagination may lead to attempts by marketers and others (e.g., policymakers) to “manage” these structures.

We have tried to capture a range of types of imagining that illustrate the elements, purposes and outcomes that we have identified, but it is clear that there may be other terms that could be added as synonyms or as discreet categories. We note the degree to which prompts are the day-to-day stuff of everyday life, or some more persistent ennui, or need to escape. We then consider the range of emotions that allows us to distinguish between positive and negative forms of imagining; temporal location considers a focus on the past or the future; level of abstraction captures the degree of fantasy-like embellishment possible, and elaboration denotes the intensity of an imaginative experience in relation to the mental imagery, thought, emotion and bodily sensations. From this we note the purpose and the outcome in terms of possible market behavior. Finally we include examples from the literature to illustrate the types of goods and experiences that have been found to lend themselves to each form of imagining. However, it should be remembered that a broad range of products, services and experiences could be associated with all forms of imagining and our invitation to marketers is to give more consideration to the ways products interact with the imagination; how numerous forms of imagining may be experienced in relation to just one object.

This working taxonomy offers a broader, systematic overview of different uses of the imagination than is acknowledged elsewhere, including by either Soper (1998, 2007) or Molesworth and Denegri-Knott, (2006) and may be used as a basis to guide research that should endeavor to understand the variety of imaginative experiences related to consumption in greater depth. Although many of these terms may be used synonymously, here we have tried to separate them according to the characteristics reviewed. However, we note the complexity and the way prompts, purposes, and outcomes may overlap or contradict. The imagination is highly situated, based on individual circumstance and past experiences. This has implications for the sorts of studies that may capture details of the structures of the consumer imagination.

Implications for the Trajectory of Consumer Imagining

The consumer imagination is not just about pre-consumption desire as it is often presented in consumer research, although the reasons for the focus on positive future-orientated imagining is obvious (it is where our desire to buy and experience ever more in the market comes from and it is where the future may be glimpsed). However, our call is for a fuller understanding of the complex and contradictory nature of consumer imagination practices. In the current economic climate this is both timely and necessary in order to help marketers, by enabling them to respond more effectively to consumers’ worries, regrets, hopes, and dreams, including perhaps desires for more sustainable consumption that allows alternative hedonism.

A way to understand the scope of the consumer imagination is to study a range of imaginative phenomena as they occur in a consumption situation. To date research often focuses on categories of products in relation to a specific (imaginative) concept (e.g., studies of buyer’s regret and satisfaction have looked at the purchase of cars (Keaveney, Huber, and Herrman 2007). While this gives research a context it may limit the scope of exploration possible with regard to imaginative forms. Our call is for research to trace the ebbs and flows of imagination practices, noting how they drift from one to another, for example from pleasurable pre-consumption daydreams that get embellished over time, to more realistic plans, to post consumption worry and disappointment and then to enjoyable reminiscences and finally nostalgia. What seems clear is that the same goods and experiences may move between these imaginative states such that a car that was once an exciting daydream may become that which is anticipated when the loan gets agreed, or that job is got. But this same desirable car may also then become the thing that produces angst (did we buy the right one with the right options?), and then worry (what if it gets damaged or stolen?) or even regret (as we consider its impact on the environment). Here disillusionment with the pleasure cars provide or promise may lead to a desire for alternative hedonism, or even for the pleasures of DVC. There may of course be many other trajectories and the issue is whether these support market based desires, or result in a rejection of the market as a source of pleasure altogether. Of course another possibility may be the Buddhist tradition of training the mind not to desire, (e.g., see Fromm’s 1976 call for a reflection on having and a focus on being).

We also need to consider prompts, purposes and outcomes of imagining. The problem for a resistance line of argument is that the prompts for a continued market focus may swamp calls for alternative hedonism. This is not just advertising, but the collective experiences of pleasure that consumers may draw from to construct new daydreams or to produce pleasurable nostalgia. Alternative hedonism may require not just new daydreams of non-market pleasures (a rejection of pleasurable consuming futures), but a rejection of the pleasures of a consuming past and inoculation against the ever-present calls of advertising, promotions and shop displays (e.g., consider the calls in Klein (2002), or on the Adbusters website). Understanding the consumer imagination in such circumstances may require sensitive phenomenological investi-
TABLE 1
Taxonomy of the Consumer Imagination

<table>
<thead>
<tr>
<th>Form of Imagination</th>
<th>Prompts</th>
<th>Emotion</th>
<th>Temporal Location</th>
<th>Level of Abstraction</th>
<th>Elaboration</th>
<th>Purpose</th>
<th>Possible Outcome</th>
<th>Example Product Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fantasy</td>
<td>Boredom/ unpleasing experience</td>
<td>Positive</td>
<td>Not defined</td>
<td>Very High</td>
<td>Very high</td>
<td>Compensation/ Pleasure/ Escape</td>
<td>Escapism/ Digital virtual consumption</td>
<td>Videogames and websites, e.g., World of Warcraft (Mokosworth and Denegri-Knott 2006). Picturing oneself as someone else e.g., someone from history (Campbell 1987)</td>
</tr>
<tr>
<td>(Pre-consumption) Daydream</td>
<td>Marketing material/ Boredom/ Current concerns</td>
<td>Positive</td>
<td>Future</td>
<td>High</td>
<td>Very high</td>
<td>Compensiation/ Pleasure/ Explore/ Plan</td>
<td>Consumption/ Resistance to consumption</td>
<td>Cars, houses, holiday homes, travel experiences, expensive items of clothing (Balk, Gerard and Askergaard 2003, d’Astous &amp; Deschênes 2005) Relocation, greater sense of community, more time (Soper 1998; 2007)</td>
</tr>
<tr>
<td>Anticipation/ Expectation</td>
<td>Immediate concerns</td>
<td>Positive/ Negative</td>
<td>Near future</td>
<td>Low</td>
<td>Low</td>
<td>Rehearse/ Decide</td>
<td>Consumption</td>
<td>Planning dinner, food shopping, getting petrol, going out to eat (Christensen 2002)</td>
</tr>
<tr>
<td>Reminisce</td>
<td>Familiar objects or events</td>
<td>Positive</td>
<td>Near past</td>
<td>Low</td>
<td>Low</td>
<td>Pleasure/ Learn</td>
<td>Formation of routine, or habit</td>
<td>As nostalgia but less intense</td>
</tr>
<tr>
<td>Nostalgia</td>
<td>Objects and events from the past</td>
<td>Positive</td>
<td>Past</td>
<td>High</td>
<td>Very high</td>
<td>Compensation/ Pleasure/ Learn</td>
<td>Escapism/ Consumption</td>
<td>Holidays, Souvenirs (Holoh &amp; Havlena 1998; Urry 2002) ‘Retro goods’, e.g. new VW Beetle (Rindfleisch, Freeman and Burroughs 2000).</td>
</tr>
<tr>
<td>Worry</td>
<td>Immediate concerns/ Unpleasing experience</td>
<td>Negative</td>
<td>Future/ Past</td>
<td>Low</td>
<td>High</td>
<td>Plan/ Avoid</td>
<td>Consumption/ Resistance to consumption</td>
<td>Cars, recreational possessions (Richins 1997)</td>
</tr>
<tr>
<td>Buyers Regret/ Disappointment/ Dissatisfaction</td>
<td>Immediate purchase/ or non-purchase</td>
<td>Negative</td>
<td>Near past</td>
<td>Low</td>
<td>Low</td>
<td>Learn</td>
<td>Consumption/ Non-consumption</td>
<td>Cars, IT goods, restaurant experiences (Keaveney, Huber and Herrman 2007) Bundled Vs generic goods, engagement rings, gifts (Tsiros &amp; Mittal 2000)</td>
</tr>
<tr>
<td>Regret</td>
<td>Objects and events from the past</td>
<td>Negative</td>
<td>Past</td>
<td>High</td>
<td>Very high</td>
<td>Learn/ Plan</td>
<td>Consumption/ Resistance to consumption</td>
<td>As buyer’s regret but more long lasting/intense</td>
</tr>
</tbody>
</table>

gations that are able to capture the life-worlds and lived experiences of consumers (e.g., see Thompson 1997; Thompson, Locander, and Pollio 1989).

For marketing the implications of such scope in the imagination may already be implicitly understood. Desire through daydreaming and fantasy is sought in order to drive sales; reminiscing and nostalgia may result in loyalty and more sales (especially of “retro” products); regret and worry may reduce sales and loyalty for some, but energize insurance and other markets; the excitement of anticipation may lead to sales, but angst may prevent them. With consumer practices informed by elaborate imaginative activities we may also note the potential for new business models that exploit in new ways the imaginative spaces that we have described and speculate about how marketers could put this to use. For example, in order to sustain desire whilst waiting for a holiday or for delivery of a new car, businesses could point customers to various imaginative resources related to the purchase such as film, magazine, book, or website recommendations – in effect encouraging various “approaching behaviors” (d’Astous and Deschênes 2005). Post-purchase, positive reviews about the products could be sent in an effort to
ratiﬁ the purchase and reduce the likelihood of dissatis-
faction, along with recommendations for complimentary purchases. However there is also a social responsibility to consider the ways in which the marketing process helps to structure the imagination only in ways that encourage consumption, even trivial, or over-consumption. If we are to hope for more alternative hedonism (and less individu-
alized and escapist DVC) there may be diﬃcult policy
issues relating to restrictions in advertising and promotion and in support of alternative daydreams (for example issues relating to planning of open and green spaces and of public goods in general) and as we noted at the start, the current recession - when there is a collective moment of reﬂection on our consumer society – may be a good time to consider these ideas in detail.

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THE COMPARISONS OF REAL VERSUS VIRTUAL PRODUCT PURCHASE: THE EFFECTS OF SELF-CONGRUENCY AND PRODUCT TYPE

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ABSTRACT

This research explored the impacts of congruency of self-image and product image on the purchase intention of real and virtual products via a 2 (congruency of self-image: actual self-image/ideal self-image) * 2 (real/virtual product) * 3 (product type: utilitarian/hedonic/symbolic) experimental design. It implicated that appropriate product image shaping enhances product identifications and increases purchase intentions.

INTRODUCTION

Nowadays, consumers go to shops not only for the functional benefits brought by products but also for the psychological utilities they entail. People seek sensational pleasure, diversities, or self-image expressions to satisfy their mental need.

Previous studies showed that self-image is not a unidimensional concept (Burns 1979; Rosenberg 1979). When purchasing products, people project different self-images to meet their needs. Marketing scholars proved that when the congruency of self-image and products’ image is high, it leads to a positive influence on people’s preferences toward the products, purchase intentions, and product loyalties (Sirgy 1982). However, when discussing types of products, past research primary focused on the public visibility of products, products’ characteristics, or consumer decision types (Ekinci and Riley 2003). There is less discussion of customers’ needs. This research is based on the product categorization of Woods (1960), who divided goods into three types: utilitarian, hedonic, and symbolic products. Accordingly, our first purpose is to explore the influence of different self-image congruencies on the purchase intention of utilitarian, hedonic, and symbolic products and to examine how this then affects people’s purchase intention.

Besides the real products, we also explore the consumer behavior of virtual products. Today, internet video games are so splendid and novel that people are consequently often immersed in them. While consumers play video games, they can change several roles. These role-playing video games provide fantasies which go beyond people’s real lives. These people could use different selves to bargain for products or manage business affairs, and thus these games indirectly meet different consumer needs. The virtual identities might not be the same as the real identities. Therefore, the second purpose of this research is to analyze whether people consuming virtual products employ different selves to satisfy their utilitarian, hedonic, and symbolic needs and to examine how this then affects their purchase intention.

LITERATURE REVIEW

Self-image and Product Image

Rosenberg (1979) pointed out that self-concept is the overall sum of personal thoughts and affections and could be a reference of self identity. In the cognitive domain, self is a conceptual system of self information (Sirgy 1982). Burns (1979) noted that self-image is a multi-dimensional construct. There are three most important components under this concept (Malhotra 1981; Rogers 1951; Sirgy 1982): (1) actual self: how one looks upon himself. It is the impression of how one subjectively sees himself, (2) ideal self: how one wants to be looked upon or ideally wants to become with regard to certain types of persons, and (3) social self: the self that one expresses to others or how one imagines others evaluate him overall.

Levy (1959) noted that different products projected distinct images. Sirgy (1985a) stated that products and services could also be analogized to have personality image. Product images are composed of a set of characteristics, such as friendly, traditional, modern . . . etc. These attributes are different from the functional characteristics – qualities, prices, and weights, for example. Under some situations, product images are so vivid that these products become the media conveying the message between people’s self-images and the outer world. The relationships and interaction between consumer self-images and product images should be explored further.

Roger (1951) proposed the Theory of Individual Self-Enhancement. He considered that consumers prefer the products that are fitted to their self-images. Dolich (1969) found that consumers showed greater similarity of self concept and the image of the most preferred products than that and the image of the least preferred products. Grubb and Grathwohl (1967) noted that self-congruency is the bonding between the individual’s mental construct of self-image and the symbolic value endowed in the products that he consumes.
Schenk and Holman (1980) brought up the concept of situational self-image. They thought that how the individual acts depend on the characteristics of the environment in which he is situated. Once a person decides what kind of self is the most suitable, he will find ways to express it. The usage of products is one of the ways to represent his self-image (Martin and Bellizzi 1982). According to this concept, one might behave differently in the real and virtual worlds if one employs different self cognition, attitudes, and emotion between these two worlds.

The Relationships among the Self-Image, Product Types, and Purchase Behavior

Sirgy (1982) proved that the purchase motivation would be affected by the interaction of self-images and product images. This result corresponds to the self-enhancing theory noted by Roger (1951). This implies that individual tends toward buying the products which match his self-image, but avoids purchasing the products incongruent to his self-image, which leads to post-consumption dissonance.

People use products to meet their needs. The consumer needs can be classified as three categories (Park, Jaworski, and MacInnis 1986): functional needs, experience needs, and symbolic needs. In line with this concept, Woods (1960) classified products based on consumer needs. She categorized products as utilitarian products, hedonic products, and symbolic products. The first type of products provides practical or necessary functions. The second kind of products emphasizes attractiveness, which brings sensational delight, fantasy, and happy feeling. The last type of product can satisfy the need for self-enhancement, role-positioning, and strengthening group relationships or self-identification.

Hedonic real products specify attractively sensational characteristics. They provide psychological enjoyment rather than being the instrument to achieve aspired self-images. According to Johar and Sirgy (1991), the congruency of actual self-image can satisfy self-consistency needs. The need of self-consistency is viewed as the motivational tendency which serves to insure consistency between one’s actual self-image and related cognition, attitudes, and behaviors. For example, if a consumer buys a sports car with sensational image such as sexy, outgoing, and youthful, the consumer may think of himself as sexy, outgoing and youthful. This leads to evoke his positive attitudes toward the products and higher purchase intention. Thus, we infer the hypothesis:

Hypothesis 1a: The impact of the congruency of actual self-image and hedonic real products on the purchase intention is higher than that of congruency of ideal-self image.

Johar and Sirgy (1991) proposed that the congruency of ideal self could satisfy the needs for self-esteem. Shrauger and Lund (1975) pointed out that the self-esteem motive is the tendency to enhance the self-image. The self-esteem need is the process to surpass the self of the real world and to attain the more perfect self (Sirgy 1982, 1985a, 1985b). To attain the ideal self expectation, symbolic products could be the appropriate media to delivery this message. Through the behavior of purchasing the symbolic products, the individual can approach the ideal groups, which indirectly meet the need of enhancing self-esteem. This psychological mechanism would lead to higher positive attitudes toward the symbolic products.

Thus, we infer the hypothesis:

Hypothesis 1b: The impact of the congruency of ideal self-image and symbolic real products on the purchase intention is higher than that of the congruency of actual self-image.

Utilitarian products don’t have cultural and social meaning. They are focused on practical and necessary usage. People put more efforts into comparing and searching for the difference among various similar utilitarian goods. According to the Elaboration Likelihood Model (Petty, Cacioppo, and Schumann 1983), people are highly involved before they purchase these goods and use the central route thought to deal with the product’s essential information. Chang (2002) concluded that when the product belongs to the highly-involved category, it makes people have high motivation to cope with the different attributes of products. At this moment, the congruency of self-image is less important. The influence of congruency of self-image is inclined to peripheral route thinking, and the strength is limited under the utilitarian products. Hence, we get the following hypothesis:

Hypothesis 1c: The impact of the congruency of actual self-image and hedonic real products on the purchase intention is higher than that of the congruency of utilitarian products.

Hypothesis 1d: The impact of the congruency of ideal self-image and hedonic real products on the purchase intention is higher than that of the congruency of utilitarian real products.

Hypothesis 1e: The impact of the congruency of actual self-image and symbolic real products on the purchase intention is higher than that of the congruency of utilitarian real products.

Hypothesis 1f: The impact of the congruency of ideal self-image and symbolic real products on the purchase intention is higher than that of the congruency of utilitarian real products.
An on-line game player investigation (sample size = 303) conducted by Bei (2004) disclosed that the imaginative roles are more attractive than are the prestige roles in the real world (i.e., doctor, lawyer, president . . . etc.). The four most popular roles are a swordsman, magician, head of a gang, and FBI investigator. Regardless of whether these roles are positive or negative images, the participants place more importance on the fantastic roles and project their selves toward these roles. In the virtual world, what people present may not be the actual self-image but rather the ideal self. A consumer could project a more ideal self-image in a virtual world.

As mentioned before, hedonic products can satisfy sensational needs. In a virtual world, hedonic goods can bring exciting experience and higher creative imagination. Compared with hedonic real products, consumers who buy virtual hedonic products expect more fantastic enjoyment. Therefore, the impact of the ideal self-image is higher than that of the actual self-image.

Hypothesis 2a: The impact of the congruency of the ideal self-image and hedonic virtual products on the purchase intention is higher than that of the congruency of the actual self-image.

In a virtual world, the symbolic goods transmit the message to others that the user has some specific status distinct from the common public. The display of one’s usage of some symbolic products enhances the user’s self-esteem needs. Therefore, the symbolic virtual products could indirectly heighten one’s ideal self-images. We infer that

Hypothesis 2b: The impact of the congruency of the ideal self-image and symbolic virtual products on the purchase intention is higher than that of the congruency of the actual self-image.

Under the situation of a virtual world, people still focus their emphasis on the essential characteristics of utilitarian products. They select the utilitarian goods which can bring the most usefulness (e.g., solve problems). The congruency of self-image and product image is a minor factor to be considered. The influence of self-image is limited. We conclude:

Hypothesis 2c: The impact of the congruency of actual self-image and hedonic virtual products on the purchase intention is higher than that of the congruency of utilitarian virtual products.

Hypothesis 2d: The impact of the congruency of ideal self-image and hedonic virtual products on the purchase intention is higher than that of the congruency of utilitarian virtual products.

Hypothesis 2e: The impact of the congruency of actual self-image and symbolic virtual products on the purchase intention is higher than that of the congruency of the utilitarian virtual products.

Hypothesis 2f: The impact of the congruency of ideal self-image and symbolic virtual products on the purchase intention is higher than that of the congruency of the utilitarian virtual products.

METHOD

The Measurement of Congruency of Self-Image and Product Image

The actual self is how the individual looks at oneself (Roger 1951; Burns and Farina 1979; Malhotra 1981; Sirgy 1982). This self perception is subjective. The ideal self is how the individual treats himself, or what kind of person he is ideally. This is the cognitive result of one’s over-estimation of himself. In the past literature, the self-image has been measured in three methods. They are the Q-sort method, semantic differential method, and direct measurement method. The first was developed by Sommers (1964). The semantic differential method is conducted by several sets of two opposite adjectives to evaluate self-image (Dolich 1969; Hoelter 2001; Malhotra 1981). The second method estimates the self-image and product image with the same measurement items. The level of the congruency of self-image and product image is calculated from the absolute value of these two different scores (i.e., absolute difference model) or by squaring the difference scores and then radicalizing them (i.e., Euclidean Distance Model).

Sirgy et al. (1997) commented that the semantic differential method is the mathematical result of two sets of evaluation scores, which is an indirect way. The direct method could have higher predictive validity. However, the direct measurement method has a shortcoming. We can’t know which item affects the self-congruency. From the result of the direct measurement method, we only get the kind of conclusion such as the higher the self-congruency, the higher the dependent variable. We can’t get detailed reasoning such as “the higher the self-congruency, especially in the youth-mature item, the higher the dependent variable.” This drawback reduces the application to managerial practices. Besides, this research included virtual products. It is hard for people to evaluate an item such as “I am like the person who uses this product” because people use the Internet and can’t make sure who buys the same virtual goods. Based on the above two reasons, we adopt the semantic differential method to measure the congruency of product image and self-image. Here, we use Malhotra’s (1981) measurement items, which comprise 15 sets of adjectives. This
The dependent variable is purchase intention, which is measured separately by the real products and virtual products. Fishbein (1975) used “consider” and “willing” to measure the purchase intentions. It is a five-point Likert-type scale from “very impossible” to “very possible.” Tauber (1973) addressed the fact that past measurement items couldn’t examine whether products finally satisfied a consumer’s needs. It caused the gap between purchase intentions and actual re-purchase behaviors. He pointed out that it could be improved by adding the items of “product importance” to find out the agreement between products and individual inner needs. These are also good predictors of consuming behaviors. Thus, we added two items to measure the importance of products to consumers.

The moderators are the three types of products. The definitions are introduced in the former sections. We conducted two pretests to find out the three types of real products and virtual products. The purpose of pretest one and two is to find the representative goods of each type (i.e., ask people to classify the types of products by assigning 100 percent to the three product types) and to test the Chinese version of Malhotra’s self-image scale. To find the relevant product candidate for the real and virtual products, we adopted the expert opinion method. The questionnaire was distributed in two versions: one for real products and the other for virtual products. The effective sample consisted of 32 people (i.e., 20 on-line game players and 12 common people). The final real products which were selected as the experiment stimulus in the main study are toothbrush (utilitarian real product), KTV (hedonic real product), and ring (symbolic real product). The virtual representative products are detoxified panacea (utilitarian virtual product), e-lover (hedonic virtual product), and knight badge (symbolic virtual product).

The questionnaire of the main study was composed of four parts. The first is to test the level of the individual self-image. The second is to test the level of product image. This second part will have two versions designed for real products and virtual products participants. The third part is to measure the purchase intention, which includes four items: “considering to buy,” “the purchase intention,” “purchasing this product is an important consumption for me,” and “owning this product is important for me.” The fourth part is the classification of product types and product familiarity measurement. We asked people to assign the weight of listed products to the three products again. If this weighting is inconsistent with the result of pretests, then we discarded the whole questionnaire. We also add the items of product familiarity (i.e., 7 point Likert-type scale). The purpose of the product familiarity scale is to screen out the people who are unfamiliar with the listed products. An especially key factor is whether the virtual product questionnaires filled by people are valid. Past research showed that product ownership influences the result of the self-congruency (Birdwell 1968). For the virtual products, it is hard to define ownership. Besides, the hedonic products bring about almost a feeling or experiential enjoyment rather than the ownership of certain products. For example, the consumption of KTV is for singing, not owning the KTV facilities. Thus, we replace the concept of ownership with familiarity (Barone, Shimp, and Sprott 1999) in the questionnaire item.

The two versions of the questionnaire were distributed at Warner Village in Taipei City. We randomly selected people and asked them whether they played online games frequently. If they answered yes, then the virtual product version questionnaire was given to them. If not, then the real product version questionnaire was given.

RESULT

The numbers of real product and virtual product questionnaires are 228 and 201. After deducting the copies that were not filled out completely, we finally had 226 real product questionnaires and 192 virtual product questionnaires. The female respondents make up 75.66 percent of the real product questionnaires and male respondents account for 70.31 percent of the virtual product questionnaire, thus apparently displaying the actual phenomenon that male users still account for a great part of all on-line users. The ages are between 16–25 years old (74% and 80% for real and virtual products separately). In the manipulation check, we discarded the questionnaires that had a familiarity score of below 3. The three product types also reached a high accuracy rate of classification in both the real products and virtual products categories (at least above 92% in real products and above 85% in virtual products).

The Cronbach’s α of purchase intention items is .76 in the real product category questionnaires and is .8 in the virtual product category questionnaires. Due to the high reliability, we used the mean of these four purchase intention items to represent the purchase intention.

By aggregating the difference scores of 15 self-image items and product images, we obtained the congruency scores of self-images. Because some difference scores are negative, we adopted the Euclidean-Distance method to resolve this problem. The sum of these 15 self-image difference scores represents the level of the self-congruency. The higher the sum is, the lower the congruency is. When the actual self-image and product images are compared, we called this figure the difference scores of actual self-image. When the ideal self-image and product images are compared, we called this the difference scores of actual self-image.
scores of ideal self-image. A regression equation is built to test the relationship of the self-congruency and purchase intention.

\[ Y = \beta_0 + \beta_1 X + \varepsilon \]

\( Y \) is the mean of the four purchase intentions items. \( X \) is the differences scores of self-congruency scores. \( \beta_0 \) is the intercept. \( \beta_1 \) is the coefficient of the self-congruency. \( \varepsilon \) is the error term. The result of the real products is shown in Table 1.

About the hedonic real product – KTV, we found it is not significant both in the congruency of actual and ideal self-image. That is, the congruency of actual self-image and ideal self-image would not affect the purchase intention of the hedonic real product. Thus, hypothesis H1a is not supported.

Regarding the regression result of the symbolic real product – ring, the coefficient of the difference scores of actual self is -.02 (\( p < .05 \)). Besides, the Pearson correlation coefficient between it and purchase intention is -.208 (\( p = .015 \)). It means that when the difference scores of actual self-image is lower (i.e., the congruence of actual self-image is higher), the purchase intention is higher. This result shows that the purchase intention of the symbolic real product is more influenced by the congruency of actual self-image. Thus, hypothesis H1b is not supported. To further analyze which self-image item has a higher influence on the ring purchase intention, we used the 15 self-image items as the independent variable and found that the item “economical-extravagant” is significant (i.e., \( \beta = -.162, p < .05, R^2 = .048 \)) toward the ring purchase intention. When the congruency of “economical-extravagant” product image and self-image is higher, the ring purchase intention is higher.

From Table 1, we found that the coefficients of the difference scores of actual self-image and the difference scores of ideal self-image are not significant toward the purchase intention of the hedonic real product (i.e., the KTV). For this reason, we couldn’t corroborate which kind of congruency of self-image influences the purchase intention of utilitarian real products more. Therefore, hypothesis 1c and hypothesis 1d are not supported.

The coefficient of the congruency of ideal self-image toward the symbolic real product (i.e., the ring) purchase intention is not significant, but the congruency of actual self-image is significant, compared with the former result that it is not significant toward the purchase intention of toothbrush (utilitarian real products). Therefore, hypothesis 1e is supported but hypothesis 1f is not supported.

The result of the virtual products is showed in Table 2. The coefficient of purchase intention of the hedonic virtual product – e-lover and the difference scores of actual self-image is -.038 (\( p < .05 \)). The Pearson correlation coefficient between these two variables is -.254 (\( p = .0165 \)). That is, when the difference score of the actual self-image is lower (i.e., the congruency of the actual self is higher), the purchase intention of the virtual hedonic product is higher. It is not the same as what we originally inferred. The hypothesis 2a is not supported. We explored the 15 self-image items as independent variables to regress to the purchase intention of e-lover and found that “comfortable-uncomfortable” (\( \beta = .019, p < .05 \)) and “domi-

<table>
<thead>
<tr>
<th>TABLE 1</th>
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<tbody>
<tr>
<td><strong>The Regression Analysis of Self-Congruency Toward Real Product Purchase Intention</strong></td>
</tr>
<tr>
<td>Depend Variable: Purchase Intention</td>
</tr>
<tr>
<td>Toothbrush</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>KTV</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Ring</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

* \( p < .05 \)

Note: The negative value of \( \beta_1 \) means when the differences score between self-image and product image is lower (i.e., the congruency of self-image is higher), the purchase intention is higher.
nating-submissive” ($\beta = -.0128, p < .01$) were significant. That is, when the congruencies of these two items of actual self-images were high, it could increase the e-lover purchase intention.

In the symbolic virtual product – knight badge’s aspect, the regression coefficient of the congruency of the ideal self-image toward purchase intention is $-.018 (p < .05)$. The Pearson correlation coefficient between these two variables is $-.197 (p = .0359)$. That means the difference of ideal self-image has significant negative influence on the purchase intention. Thus, hypothesis 2b is supported. We next examined the 15 self-image items and found that “rugged-delicate” ($\beta = -.017, p < .01$), “colorless-colorful” ($\beta = -.018, p < .01$) and “modest-vain” ($\beta = -.098, p < .05$) total differences of self-congruency have significant negative impact on purchase intention. That is, when the three items of self-congruency of self-image are high, it leads people to have higher purchase intentions to the knight badge.

From the regression result of Table 2, the ideal self-congruency has no significant coefficient toward the purchase intention of the hedonic virtual product – e-lover. The actual self-congruency has a significant coefficient toward the purchase intention of virtual hedonic product. However, the coefficient of actual self-congruency toward utilitarian product – detoxified panacea is insignificant. This implies that the actual self congruency has higher impact on the purchase intention of hedonic products than on that of utilitarian products. Therefore, hypothesis 2c is supported but hypothesis 2d is not supported.

Also, we found that the self-congruency has no significant influence on the purchase intention of the utilitarian product – detoxified panacea. However, the actual self-congruency has no significant influence on the purchase intention of utilitarian products and symbolic products. Thus, hypothesis 2e is not supported but hypothesis 2f is supported.

**DISCUSSION AND MANAGERIAL IMPLICATION**

From this research, we found that if we divide self-image into “actual self-image” and “ideal self-image,” they have different influences on different product types. Even the same types of products are affected by dissimilar self-images. The result of the congruency of the real world cannot be generalized to the virtual world. Findings will be discussed as follows.

To the common people, utilitarian products (for example: a toothbrush) are for daily use. They do not belong to any specific group. It is hard to form a vivid image of who is the product user. When people purchase utilitarian products, they focus more on the product attributes than on the self-congruency. This result is consistent with Chang’s (2002) finding.

Regardless of the actual self-congruency or ideal self-image, there are no significant influences on the hedonic real products’ purchase intentions. We examined the 15 self-image items and the result showed that the standard deviations of KTV product image are lower than that of other types of products. It appeared that people

### TABLE 2

<table>
<thead>
<tr>
<th>Depend Variable: Purchase Intention</th>
<th>IDV: Congruency of Image</th>
<th>Effective Sample</th>
<th>$\beta_1$</th>
<th>F</th>
<th>$R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detoxified Panacea</td>
<td>Actual self</td>
<td>134</td>
<td>-.009</td>
<td>1.16</td>
<td>.009</td>
</tr>
<tr>
<td></td>
<td>Ideal Self</td>
<td>134</td>
<td>-.013</td>
<td>2.64</td>
<td>.020</td>
</tr>
<tr>
<td>E-Lover</td>
<td>Actual self</td>
<td>89</td>
<td>-.038*</td>
<td>5.96*</td>
<td>.064</td>
</tr>
<tr>
<td></td>
<td>Ideal Self</td>
<td>89</td>
<td>-.0032</td>
<td>3.85</td>
<td>.042</td>
</tr>
<tr>
<td>Knight Badge</td>
<td>Actual self</td>
<td>114</td>
<td>-.010</td>
<td>1.05</td>
<td>.009</td>
</tr>
<tr>
<td></td>
<td>Ideal Self</td>
<td>114</td>
<td>-.018*</td>
<td>4.51*</td>
<td>.039</td>
</tr>
</tbody>
</table>

* $p < .05$

Note: The negative value of $\beta_1$ means when the difference scores of self-image and product image is lower (i.e., the congruency of self-image is higher), the purchase intention is higher.
have high agreement when recognizing KTV’s image. If KTV has a certain specified image, the congruency of image is not the dominant factor before consuming it. Other factors that should be considered are the location, the expense, and the service, etc. This will weaken the effect of product image toward the purchase intention. Another possible explanation is that the consumption mode of KTV is different from other products used in this research. The most distinct point is the number of people who collectively consume it. We usually purchase a toothbrush or a ring alone or with 1–2 accompanying friends. However, the number of people who consume KTV is usually over four. The individual congruency of self-image could be suppressed by the group conformity behaviors.

One of the findings is that the purchase intention of a virtual hedonic product is significantly affected by the congruency of actual self-image. We infer that people are repressed by the social norm and moral restraint in the real world. They release the pressure when they are situated in the virtual world. Thus, people could want to use money to purchase an e-lover which can comfort their dull lives. This is a psychological feedback mechanism which needs to be further explored.

In the aspect of the purchase intention of a symbolic product, the real product, the ring, is influenced significantly by the congruency of actual self, while the virtual product, the knight badge, is significantly affected by the congruency of ideal self-image. The definition of symbolic products clearly expounds that these goods could bring about the satisfaction of people’s symbolic needs. The symbolic needs are divided into two categorizations: “Role Position” and “Self Enhancement.” The former expresses to others that you belong to some class or some group. The ring is the symbolic tool to declare to others that there is a strong love relationship between two lovers. The latter is the ambition to promote the self to a higher class or certain noble group (Sirgy 1982). The knight badge reveals the message that people who own this are promoted to a higher military official rank. These two kinds of symbolic meanings might give some reasons for our research result.

For managerial practitioners, they can shape their product image according to the target consumers’ self-images. At the same time, they also need to examine the product type to which their products belong. The utilitarian product should focus on the appealing product attributes. If the product is a hedonic product, managers should put more efforts on fitting the actual self-image of target consumers. However, if this hedonic product is consumed by group of purchasers, managers should put marketing resources on the product qualities or other substantial benefits. When selling symbolic products, especially luxury and fashionable goods, managers should notice the symbolic meanings embodied in their merchandise. If the symbolic product is classified as a role positioning good, the marketer should shape the product’s image by the actual self-image of their target consumers. If the symbolic product belongs to the self-enhancement categorization, managers should develop marketing strategies to maintain their product image according to the ideal self-image of target consumers.

Different product types project different self-images. The market practitioner should make clear the product type to which their products belong. Moreover, they can examine this in detail through the 15 specific self-image items employed in this research and then shape relevant product images. This will strengthen the identification with target consumers and will effectively raise their purchase intentions.

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THE EFFECTS OF PARTICIPATION IN ONLINE BRAND COMMUNITIES: FINDINGS FROM XBOX COMMUNITIES IN BRAZIL

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ABSTRACT

This study of Brazilian consumers proposes and empirically tests a theoretical framework explaining the effects of online brand communities on the company’s brand marketing and future consumer behavior. Results confirm positive effects of the antecedents tested on participation and community identification. Community identification impacts behavioral effects, which influences marketing effects.

INTRODUCTION

Brand communities, defined as “specialized non-geographically bound communities, based on a structured set of social relationships among admirers of a brand,” (Muñiz and O’Guinn 2001, p. 412) are increasingly important, not only as conduits of information, places of social support, and channels of self-expression for consumers, but also as marketing programs for firms (e.g., Algesheimer and Dholakia 2006; McAlexander, Schouten, and Koenig 2002). One consequence of this increased interest is that popular brands often have many established online brand communities (OBCs), resident on the firm’s website or organized by customer enthusiasts. For example, Microsoft XBOX 360, the leading video gaming console, has an established OBC (www.xbox.com/Community) hosted on the firm’s web-site and managed by Microsoft managers. Concurrently, there are dozens of XBOX OBCs, founded and managed by fans such as the Brotherhood of the Box (www.bob.com.sg).

The objective of this paper is to develop and test a theoretical framework (see Figure 1) describing the consumer’s engagement within online brand communities, along with key antecedents that drive engagement and their marketing and behavioral consequences on consumers. We developed the framework not only by drawing upon prior research from marketing, social psychology, and sociology, but additionally by conducting an extensive netnography of Brazilian XBOX community members over a period of more than two years. Survey data gathered from active participants of the two largest Brazilian XBOX online brand communities is used to test our proposed framework. The data collection site is especially significant because few previous studies have examined online consumer behavior in Brazil, even though it is a vibrant world economy with one of the highest per capita rates of overall internet use (Fusco 2008) and internet use for social purposes (IBOPE/NetRatings 2008).

A BRIEF REVIEW OF ONLINE BRAND COMMUNITY RESEARCH

We study online brand communities, which reside on web-sites and are sustained through online interactions, in the current research. OBCs serve many different functions for consumers and firms. For consumers, OBCs act as conduits of information, channels for solving product-related problems and learning how to use its features, places for finding new friends for social support and for meeting existing friends, and as a means for self-expression through creation and sharing of symbolic content (e.g., Muniz and O’Guinn 2001; McAlexander et al. 2002). For firms, OBCs are low-cost, high-efficacy marketing programs which can achieve a number of different marketing objectives simultaneously: the abilities to conduct quick and low cost marketing research with the target audience, deliver prompt customer service at low expense, educate and socialize new customers, strengthen attachment to the firm’s brand for existing customers, and increase the frequency and loyalty of customer purchase behaviors (Algesheimer and Dholakia 2006; Muñiz and Schau 2005).

Several aspects of brand communities are worth noting. First, a brand community is a social collective organized around one particular brand, which means that the collective comprises of consumers who have at least some heightened enduring interest in that brand (Muniz and O’Guinn 2001). Such an interest may stem from an attachment to the brand itself, from a more general interest in the product category to which the brand belongs, or (more likely) both. Second, regular social interactions and communication between members, accomplished through online channels such as bulletin boards, chat-rooms, and email lists, is essential not only for the community’s business to be conducted, but perhaps more importantly,
for the relationships between community members to form and strengthen.

Third, OBCs must possess three markers that sociologists stipulate as essential for any social collective to be truly considered a community: (1) a consciousness of kind, (2) a sense of moral responsibility, and (3) the knowledge and acceptance of the collective’s rituals and traditions. The first core marker of community, the so-called consciousness of kind, refers to the intrinsic connection that OBC members feel toward one another through a sense of belonging to the group, and a sense of difference or separation from those who are non-members (Cova 1997; Muniz and O’Guinn 2001). The second core community marker is a feeling or sense of moral responsibility or obligation toward the OBC itself and its other members, and may include a concern for their well-being as expressed through acts of help or social support such as by teaching newer members how to use the product, and educating them about the practices and norms of the OBC. The third core community marker is the knowledge and acceptance of the OBC’s shared rituals and traditions by its members. This discussion is helpful in providing the background necessary to develop our framework.

THEORETICAL FRAMEWORK AND RESEARCH HYPOTHESES

Our proposed theoretical framework is graphically summarized in Figure 1. As can be seen the framework describes three key antecedents, three mediators, and an outcome variable “marketing effects.” Hypotheses regarding the relations between these dimensions are now presented.

**Perceived Psychographic Homogeneity – PPH**

Even though its participants are united in their interest in the brand, to say that an OBC is diverse or homogeneous is to recognize other qualitative or categorical distinctions among them that are evident to its participants (DiTomaso, Post, and Parks-Yancy 2007). We define perceived psychographic homogeneity as “participants’ perceptions of the extent to which other members are similar to them in their values, interests, and hobbies.”

Perceived psychographic homogeneity is important to study in OBCs for several reasons. First, psychographic variables are distinct segmentation and targeting variables used to choose potential community participants by managers (e.g., Li and Bernoff 2008). Community participants are aware of these similarities and differences, as they come up in conversations. They can also be ascertained through members’ profiles, and via the content and methods of their online interactions. Organizational psychology research shows that greater team diversity slows down decision making, reduces the amount of intra-group communication, leading to more communication breakdowns, and interpersonal conflict (Greening and Johnson 1997; Hambrick and D’Aveni 1992; Hoffman 1985; O’Reilly, Snyder, and Boothe 1993). Based on these findings, we argue that homogeneity perceptions will be beneficial to participants, leading us to hypothesize:

H1: Perceived psychographic homogeneity of OBC members will have positive impacts on (a) community participation (H1a) and community identification (H1b).

![FIGURE 1 Proposed Theoretical Framework](image-url)
H3: Brand Relationship Quality will have a positive impact on community identification. This involves cognitive aspects such as the degree to which the consumer believes that the brand's image overlaps with his or her self-image, and emotional elements such as the degree of the consumer's emotional attachment to the brand. We note that such a conceptualization is in line with how Algesheimer and colleagues (2005) defined brand relationship quality, as well as with prior conceptualizations of related constructs such as Bhattacharya and Sen's (2003) “consumer-brand identification” construct and De Wulf, Oderkerken-Schröder, and Iacobucci (2001)'s “relationship with the brand” construct. We argue that the consumer's relationship with the brand is something he or she brings to the community and consequently to the extent that it is strong, it will influence the degree to which she/he identifies with the community. In hypothesizing this effect, we underscore the fact that most consumers already have an existing relationship with the brand prior to joining and participating in OBCs.

H4: Community participation will have a positive impact on community identification.

H5: Community participation will have a positive impact on behavioral effects.

Community Identification – CI

The second mediator we included in our conceptual framework is community identification, which prior research has found to be an important driver of behavioral and marketing outcomes (e.g., Algesheimer et al. 2005). Theoretically, it is viewed as an essential condition, via consciousness of kind, for a social collective to be considered a community (Muñiz and O’Guinn 2001). Community identification draws upon self-categorization theory (e.g., Turner 1987) which posit that people are hard-wired to categorize the social world into groups so as to simplify their thinking and interactions with others, and view themselves as members or non-members of specific social groups. It also relies on social identity theory (e.g., Tajfel and Turner 1986) which suggests that a categorization process is used by individuals to derive a valued self-
identity, which in turn satisfies the drive for positive self-esteem. Based on these ideas, and consistent with Algesheimer and colleagues (2005), we define community identification as “the degree to which the participant categorizes himself or herself as a member of the brand community.” A higher degree of community identification implies that the participant places greater value on his or her identity as a brand community member.

Many prior studies have shown that social identification influences the individual’s actions concerning the social category (Algesheimer et al. 2005; McAlexander et al. 2002). Also consistent is research showing that individuals identifying with a particular group tend to imitate its members to reinforce the shared identity (e.g., Mackie 1986). Consequently, we expect the degree of the community’s influence on members, operationalized by behavioral effects, to be positively affected by community identification.

H6: Community identification will have a positive impact on behavioral effects.

Behavioral Effects – BE

Is the third mediator and responsible for the influence the OBC’s have on participants’ decisions regarding the product and the brand. This variable is defined as the impact of OBC opinions on opinions of individual community members and their decisions in the product category and brand (Dholakia et al. 2008). A number of brand communities studies have shown that communities exert substantial influence on their members, impacting their thoughts and actions (e.g., Muñiz and Hamer 2001; Algesheimer et al. 2005; Thompson and Sinha 2008). Bagozzi and Dholakia (2006a) concluded that greater shared intentions among community members lead to more behaviors related to the product in question, as money spent on the product and product use.

Consumers who are members of brand communities tend to buy only one brand and to provide positive word of mouth. They tend to act as aggressive defenders of the brand. We hypothesize that the extent to which the community influences thoughts, beliefs, and decisions regarding the brand will dictate how strong these marketing effects are for the consumer (Algesheimer et al. 2005; Mathwick et al. 2008; Muniz and O’Guinn 2001). The community’s influence will translate into marketing success. Thus, we posit:

H7: Behavioral effects will have a positive impact on marketing effects.

Marketing Effects – ME

Is the terminal construct in our proposed framework. It captures outcomes that occur according to the community expressed through brand loyalty, repurchase and advocacy intentions, given their consequence to the firm. The more integrated is the consumer into the brand community, the more loyal she/he will be to the brand, because identification is more common with the brand that consumers consume as part of the community (McAlexander et al. 2002). The formation of relationships with consumers who share their interests is a reliable way to persuade consumers and connect with it, such a connection influences causing them to have more behaviors associated with the repurchase and loyalty.

METHOD

The first stage of our research was exploratory, and employed netnographic observation and analysis (Kozinets 2002) and in-depth interviews. We chose netnography because this method is designed specifically to study “the language, motivations, consumption linkages, and symbols of consumption-oriented online communities” (Kozinets 2002, p. 70). We conducted netnographic research in six different OBCs over a period of more than two years to better understand processes and bases of social interactions within them. Additional details about our netnography are available upon request.

To complement this investigation with the perceptions of individual consumers that interact in different OBCs, we performed in-depth interviews with participants of OBCs for high involvement goods and services. The measures employed in the study were mainly derived from the literature review and development of items based on the results of this exploratory study following Churchill (1979). The items developed were then submitted to three marketing professors to check for face validity and consistency. The appendix provides the measures used in the study (English translations) along with sources.

To test our proposed conceptual model, we conducted an empirical study with active members of the two largest XBOX OBCs in Brazil during early 2008. The first, Portalxbox (http://www.portalxbox.com.br), is an OBC organized and managed by customer enthusiasts of XBOX; the second, XBOX Brasil (http://www.xbox.com/pt-BR), is the sole XBOX community managed by Microsoft in Brazil. In both cases, data were gathered in cooperation with the community’s managers through a link in the communities’ webpage to the research questionnaire. Data were collected between January and April 2008. The final sample had 555 valid cases, 336 from Portal XBOX and 219 from XBOX Brasil.
To test the research hypotheses, data were analyzed using SPSS 15.0 and LISREL 8.5 (Jöreskog and Sörbom 1998). First, exploratory data analyses were done to allow a better understanding of the sample and to verify adequacy of the psychometric properties. Exploratory factor analysis and reliability analysis – assessed via Cronbach’s Alpha and item-item and item-total correlations – were performed for each community individually and for the full sample including aggregated data. No major differences in factor distribution or reliability were found between the two community samples. All subsequent analyses reported in this paper are done with the full sample. Next, we evaluated construct validity, the proposed model dimensions were submitted as different measurement models to confirmatory factor analysis (CFA) (Jöreskog and Sörbom 1996). The measurement models adjustment criterion, allied to unidimensionality, reliability, convergent, and discriminant validity (Jöreskog and Sörbom 1996; Bagozzi et al. 1991; Steenkamp and Trijp 1991; Dunn et al. 1994; Garver and Mentzer 1999) were used to support construct validity. Content validity was achieved through logical-theoretical analysis (Peter 1981; Devellis 1991) verified in the data collection measures development.

The structural equation model (SEM) included all respondents and was used to test the hypotheses. Goodness-of-fit of the models was assessed with \( \chi^2 \)-tests, the Root Mean Square Error of Approximation (RMSEA), the Non-Normed Fit Index (NNFI), the Goodness-of-fit Index (GFI); the Adjusted Goodness-of-fit Index (AGFI) and the Comparative Fit Index (CFI). Details regarding these indices can be found in Bentler (1990) and Marsh, Balla, and Hau (1996). The Maximum Likelihood (ML) method was used. All analyses were performed using covariance matrices.

**RESULTS**

Demographics: Virtually all respondents are male: 98.9 percent male, 1.1 percent female. Respondents ranged in age from under 18 to over 40. 17.5 percent were under 18, 33.5 percent were between 18 and 25, 27 percent were 26 to 30, 16 percent were 31 to 35, 4.3 percent were between 36 and 40, and the remaining, 1.6 percent were over 40 years of age. By gross monthly household income, 22.4 percent made less than 3,000 Reals\(^1\), 39.2 percent made between 3,000 and 7,500 Reals, and 37.8 percent made more than 7,500 Reals. Respondents also reported over 40 years of age. By gross monthly household income, 22.4 percent made less than 3,000 Reals\(^1\), 39.2 percent made between 3,000 and 7,500 Reals, and 37.8 percent made more than 7,500 Reals. Respondents also reported

**Evaluation of the Measurement Model**

*Unidimensionality and Internal Consistency* Besides the adjustment of measurement models that proved to be in accordance with literature recommendations – GFI, NNFI, and CFI > 0.90 and RMSEA < 0.08 (Hair et al. 1998), we used three other measures to evaluate internal consistency of constructs. Unidimensionality was pursued and achieved through examination of standardized residuals proposed by Garver and Mentzer (1999), Jöreskog and Sörbom (1988) and Steenkamp and Trijp (1991). According to the authors, in order to present unidimensionality, a dimension should have all its standardized residuals equal to or lower than ±2.58. Composite reliability (\( \hat{\eta}_c \)) is a measure analogous to coefficient (Fornell and Larcker 1981; Bagozzi and Yi 1988), and average variance extracted (AVE; \( \eta_{AVE} \)) estimates the amount of variance captured by a construct’s measures relative to random measurement error (Fornell and Larcker 1981). Estimates of \( \hat{\eta}_c \) above .60 and \( \eta_{AVE} \) above .50 are viewed as indicating good internal consistency (Bagozzi and Yi 1988; Fornell and Larcker 1981). As Table 1 shows, the values for all constructs for these three indexes are indicative of good unidimensionality and internal consistency.

*Convergent Validity.* For Garver and Mentzer (1999) and Bagozzi et al. (1991), the convergent validity of a scale is given by the quality of its fit-indices. Besides all the scale dimensions having been validated through the examination of their fit-indices, the factor regression coefficients were also verified to certify the convergent validity. All the factor regression coefficients were statistically significant, which, according to Bagozzi et al. (1991), means that t-values are higher than \(|1.96| \) for \( p < 0.05 \). As a strong condition for convergent validity, Steenkamp and Trijp (1991) suggest that all the factor regression coefficients should exceed 0.5. Both conditions were achieved and are provided in Table 1.

*Discriminant Validity.* We evaluated discriminant validity of the model using the procedure suggested by Fornell and Larcker (1981) and widely used by other researchers (e.g., De Wulf et al. 2001; Ramani and Kumar 2008). The AVE (\( \eta_{AVE} \)) for each of the seven factors was compared to the highest variance that the factor shared with other factors in the model. These results are provided in Table 2.

As can be seen, the AVE extracted for each factor was always greater than the highest shared variance, indicating the factors are discriminant.

**Structural Model Estimation**

Considering that constructs were validated we moved a step toward the structural model test. Only one strong modification index was identified between latent variables, suggesting a new path from Brand Relationship Quality and Marketing Effects (BRQ ME – index 88,39). According to Bagozzi and Baumgartner (1994) one of the
biggest problems in structural models are related to weak specification that can also occur by omission of relevant variables, as for inclusion of irrelevant ones, as well as due to bad specification for relations between latent variables. In this sense the authors recommend that besides a strong a priori theoretical base, alternative theoretical paths should be taken into consideration so relevant relations between latent variables will not be undetected. The fit statistics for this full model including the new path were: ($\chi^2$): 1162.12; ($Df$): 312; $\chi^2/Df$: 3.725; $p$: .000; GFI: .87; NNFI: .91; CFI: .92; RMSEA: .07. The $\chi^2$ is significant ($p < .05$); however, this is usually the case for large sample sizes like the one we have. The NNFI, CFI, and RMSEA are within acceptable ranges, whereas the GFI is slightly lower than the threshold.

Next step we evaluated the proposed hypotheses. Considering the impact of perceived psychographic homo-
generality on community participation, we found that, as expected, it has a strong positive impact ($\gamma = .31, p < .001$) supporting H1a. Also as predicted, perceived psychographic homogeneity impacts community identification significantly ($\gamma = .21, p < .001$), supporting H1b. Hypotheses H2a and H2b checked the impact of availability of virtual venues on community participation ($\gamma = .24, p < .001$) and on community identification ($\gamma = .24, p < .001$). As one can see in both cases there is a positive direct impact of the antecedent variable on the other ones, providing support to both hypotheses. H3 examines the impact of brand relationship quality on community identification. Also as predicted there is a significant positive impact ($\gamma = .17, p < .001$), providing support to this hypothesis. H4 presupposes the impact of community participation on community identification ($\beta = .63, p < .001$). This relation was strongly supported. The impact of community participation on behavioral effects was not significant ($\beta = -.002$, ns), not providing support to H5. Community identification proved to have a strong positive impact on behavioral effects ($\beta = .72, p < .001$), supporting H6. The impact of behavioral effects on marketing effects proved to be significant and positive ($\beta = .08, p < .05$), supporting H7. The new proposed relation from brand relationship quality to marketing effects also proved positive significant effects ($\beta = .46, p < .001$). The percentages of variance in community identification, community participation, behavioral effects and marketing effects explained by their respective antecedents were 82 percent, 18 percent, 49 percent and 24 percent respectively. Also four rival models were tested in order to better assure the validity of the proposed model. All models provided a poorer fit considering adjustment indexes and significant paths, providing evidence for the proposed model. Details for these procedure are available upon request.

**GENERAL DISCUSSION AND CONCLUSIONS**

In the current research, we studied the effects of perceived psychographic homogeneity and availability of online venues on community participation and community identification, as well as the effects of brand relationship quality on these two variables. Also the effects of these variables on firm-relevant outcomes such as behavioral effects and marketing effects were investigated. Information regarding how these variables affect the brand community’s effectiveness is critical for its managers in making decisions regarding which consumers to target. Our analysis found support for our conceptual framework in a sample of 555 active members of the two largest XBOX brand communities in Brazil.

Results show that community identification is explained through community participation, but perceived psychographic homogeneity, availability of online venues and brand relationship quality also help to enhance such identification. Community participation, in turn, depends more strongly upon perceived psychographic homogeneity followed by availability of online venues.

Community identification had the highest impact on behavioral effects. Marketing effects were explained through effects from brand relationship quality (although this relation was not in the hypothesized model) and behavioral effects, as initially hypothesized. As marketing effects are much related to loyalty to the parent brand, in this case Microsoft, on several dimensions (Zeithaml et al. 1996; Bennett and Rundle-Thiele 2005) as satisfaction, word of mouth and loyalty, it is desirable, from a consumer behavior perspective, that relationship quality that consumer has with XBOX is an antecedent of such marketing effects, which theoretically justify the inclusion of such a previously unhypothesized relation in the theoretical model.

Another interesting result to be noted, and having significant academic relevance, refers to the corroborations of the relation proposed by Algesheimer et al. (2005) that assumed a previous identification with the brand (brand relationship quality) enhances consumer integration and identification with the brand community. Also this examination directly answers Bagozzi and Dholakia’s (2006b) call for future studies to investigate the power and direction of the relation between brand relationship quality and community identification.

To summarize, our framework provides a nice addition to the corpus of studies examining psychological processes leading to social influence in brand communities by examining relationships between key variables and testing them in a Brazilian context.

**Managerial Implications**

Marketing professionals are very interested in the way communities will create value for their companies (Algesheimer et al. 2005). In this respect, one relevant managerial outcome of this study is related to the value online brand communities have as research and information source for companies. Communities show their value as a good marketing investment for organizations, not only considering enthusiasts that take a part in such social interactions, but also the whole market segment that can be influenced by segmentation and positioning strategies that were drawn based on subsidies derived from these communities (Ridings et al. 2002; Algesheimer and Dholakia 2006).

Our results also shed light on an interesting paradox about marketing effects of online brand communities related to the fact that some of the most favorable results of brand communities are in fact related to brand relation-
ship quality and not to the community itself. In this sense, even there are evidences that community influences on buying decisions affect marketing effects, as satisfaction, word of mouth and loyalty, apparently such effect are more related to the consumer’s relationship with the brand than with the community itself. These results, for example, can lead companies to evaluate when it is interesting for companies to develop official communities and when they can lead consumers take care of such a task.

From a manager’s perspective, we found two important drivers of positive processes and outcomes in communities that they have some control over: participants’ perceptions of psychographic homogeneity and the availability of virtual venues. Consider homogeneity perceptions first, it is clear that consumers value similarity in fellow participants regarding their values, interests and outlooks, and to the extent that these issues are brought to the forefront and discussed, the social influence of the OBC is likely to increase, according to our findings. Managers could do so by providing specific venues to discuss these issues, organize events focusing on commonalities, and do other creative things marketing-wise to reinforce the common interest. Likewise, our study finds that greater availability of virtual venues has a positive effect on participation and identification, suggesting that this may be one cost-effective way that OBC managers can produce positive outcomes.

In this sense, the company must have a strong relationship with communities, helping them in a variety of online activities. However, our study also raises the important issue of the role of offline interactions that merits further attention. In particular, if online venues are beneficial, does pushing participants to interact face-to-face produce further positive benefits? According to Lin (2007), although most of activities in online communities will happen in online environments, the social bonds between consumers cannot be sustained if there are not strong offline interactions. Consequently, face to face interactions would help to create connections between members, enhancing community value for companies (Shang et al. 2006), besides collaborating for a sense of belonging between community members encouraging them to participate and share information (Lin 2007). A better understanding of companies’ value in face to face online communities’ events, and also the role of face to face interactions in the development and strength of bonds between community members appears as a field camp for future studies in the area.

Limitations and Future Suggestions

Despite the study’s contributions, it does have some limitations. The first limitation regarding study scope and generalization of results refers to the inclusion of only one product and brand in this study. Despite the adherence of such a brand and product to the study purposes and also to the necessary characteristics for a brand to have a brand community, we are aware the need of replication of the proposed model in another communities for other products and brands, including consumers of a different nationality. Another limitation is that although the use of Brazilian respondent samples is novel and extends the study of brand communities to a new nationality, it does indicate caution when extrapolating these findings to consumers of other countries. Still, we have no reason to expect significant cultural differences between Brazilian XBOX customers and those of other countries. Also another scope limitation refers to the profile of the customer managed community studied as portalxbox has a structure and organization that is not easily found in consumer-managed communities.

In conclusion, our present findings provide new and useful insights in answering key questions regarding the effectiveness of OBCs. Online brand communities offer a unique approach for delivering low-cost service support to the firm’s customers for virtually all products. As such, marketing researchers are offered a fertile domain to study interesting and practically important group-level processes and phenomena.

ENDNOTE

1 As of October 25, 2008, 1 Brazilian Real = .44 U.S. Dollars.

REFERENCES


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**APPENDIX 1**

**Summary of Constructs and Their Measures**

*(English Version of Measures)*

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Psychographic Homogeneity (PPH)</td>
<td>(v1) Other [Community] members and I share the same values. 1/9; (v2) I think the members of [Community] are very similar in their interests and hobbies; (v3) I have the same outlook on life as most other [Community] members do.</td>
</tr>
<tr>
<td>Availability of Online Venues (AVV)</td>
<td>(v4) [Community] has many highly interactive venues such as chat rooms for its members to communicate with one another; (v5) [Community] has several options of online venues.</td>
</tr>
<tr>
<td>Community Identification (CI)</td>
<td>(v6) I perceive myself to be part of [Community]. 2/7/9; (v7) I have meet wonderful people thanks to this brand community 2/7; (v8) The image that I have formed of myself fits perfectly with the [Community]’s identity.</td>
</tr>
<tr>
<td>Brand Relationship Quality (BRQ)</td>
<td>(v9) I feel emotionally attached to the XBOX brand 3; (v10) The XBOX brand has an important role in my life 2/7; (v11) The XBOX brand’s image and my image are similar in many respects 2/7; (v12) I feel a strong sense of identification with the XBOX brand 2/7; (v13) This brand says a lot about the kind of person I am 2/7.</td>
</tr>
<tr>
<td>Community Participation (CP)</td>
<td>(v14) I help other [Community] members by answering their questions 10; (v15) I spent a lot of time each week communicating with others in [Community] 10; (v16) I am motivated to participate in various [Community] community activities 2; (v17) I like to provide support to other members in [Community] 2; (v18) I usually contribute to generate an interesting communication flow between community members.</td>
</tr>
<tr>
<td>Behavioral Effects (BE)</td>
<td>(v19) [Community] has a lot of influence in the way I take my buying decisions regarding video and online games; (v20) This community has a lot of influence in my opinions about this brand; (v21) After participating in the community, I buy more Microsoft products; (v22) I will continue to buy Microsoft products because of my attachment to this community.</td>
</tr>
<tr>
<td>Marketing Effects (ME)</td>
<td>(v23) I’m very satisfied with Microsoft; (v24) I say positive things about Microsoft to my friends and relatives 6; (v25) I will recommend Microsoft to anyone that asks for my advice 2/4/5/6; (v26) I intend to continue buying Microsoft products in the future 4/5/6; (v27) I will continue to be a loyal Microsoft customer 6.</td>
</tr>
</tbody>
</table>

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CALLING OR BLATANT COMMERCE? CLIENTS’ VIEWS ON EFFORTS OF A FOR-PROFIT ORGANIZATION TO ENGAGE IN A SOCIETAL ISSUE

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Frank Go, Erasmus University, The Netherlands
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SUMMARY

It is a great challenge for marketers to make their brand the most compelling symbol for a value society deems important (Holt 2004). Johnson & Johnson’s “Campaign for Nursing’s Future” in 2002, intended to enhance the nursing profession, provides a telling example of how such an endeavor can be successful. Nurses reported feeling a surge of pride when they viewed the commercials. The campaign appeared to foster the organization’s reputation (Hatch and Schultz 2008). However, such efforts to enrich a brand with societal significance are not without risk. The claims an organization makes should appear to be untainted by any pressure from the market economy – otherwise they may come across as inauthentic window-dressing which can have a negative effect on customers’ loyalty. Our core question is: What makes the difference between a successful endeavor to emphasize the societal meaning of a corporate brand and a “fake” appeal to societal values that makes clients wonder to what length an organization is willing to go to enhance its profit?

We identify three key conditions that jointly underlie the success of such endeavors: perceived fit, perceived authenticity, and the perception that features of the societal endeavor flow forth from the organization’s characteristics. An example of this last condition is that people may believe that an organization’s intention to foster a more flexible way of working logically flows forth from its innovative character. Following Tauber (1988, p. 28), we conceptualize “fit” as “when the customer accepts engagement into the societal issue as logical and would expect it from the organization.” Fit is a condition for the organization to come across as authentic. Both perceived fit and authenticity depend upon the degree to which people perceive the societal contribution to flow forth logically from the organization’s characteristics. We argue that if these three conditions are fulfilled, the audience’s attitude toward the organization’s societal contribution will be more positive and that they will be more loyal to the organization.

This reasoning leads to five hypotheses. Firstly, the more people perceive the features of an organization’s societal endeavor to flow forth from its own intrinsic characteristics the more (1) people will perceive a fit between the organization and its societal endeavor and (2) the more the organization will come across as authentic. As far as the societal endeavor is concerned: (3) more people perceive it to fit the organization, the more positive their attitude toward it will be. The perceived fit will (4) partially mediate the relation between the degree to which the societal endeavor flows forth from organization’s characteristics and the perceived authenticity of the organization. Finally, (5) the more the organization comes across as authentic, the more customers will remain loyal.

A software house, labeled “SH” for reasons of confidentiality, provided the research setting. They engaged in a program to make people take more advantage from the opportunities of information and communication technology to improve their work life, “the Work Project.” Qualitative research delivered six attributes of SH and five of “the Work Project.” These formed the input for an online survey, which delivered 213 usable questionnaires from clients. The hypotheses were tested using structural equation modeling.

The data supported all five hypotheses. Clients’ loyalty intentions were fully mediated by perceptions of authenticity and their attitude toward the Work Project was fully mediated by the fit they perceived between the organization and its Work Project. Perceived fit partially mediated the relation between the degree to which features of “the Work Project” depended upon organization characteristics and the perceived authenticity of the organization. Surprisingly, if only the two characteristics of SH that clients perceived to cause most of the societal endeavor’s features were included in the analysis, our model fitted even slightly better. The results suggest that the positive effects of societal endeavors as undertaken by SH can be achieved with just two well chosen key organization characteristics, which can be uncovered with the approach designed in this study. Such a small number facilitates the task of marketing officers to communicate how the organization’s societal ambitions flow forth logically from the organization’s characteristics, and facilitates its application in practice.
REFERENCES


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TO GIVE AND GET BACK: DO CAUSE PORTFOLIO CHARACTERISTICS INFLUENCE THE RETURN ON CORPORATE SOCIAL RESPONSIBILITY?

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Stefanie Rosen, University of South Carolina, Columbia

SUMMARY

In 2008, corporate social responsibility (CSR) was on a steady increase, with company contributions to charities totaling $4.4 billion, an increase of 90 percent since 1990 (Foundation Center 2009). A firm’s engagement in CSR activities is associated with several benefits such as stronger customer-company relationships (Sen and Bhattacharya 2001), increased customer satisfaction (Luo and Bhattacharaya 2006), positive product evaluations (Brown and Dacin 1997), and equity preservation (Godfrey, Merrill, and Hansen 2009). Therefore, charitable giving can be viewed as an investment that can help secure the company’s competitive advantage. However, research has also shown that the relationship between corporate giving and value creation is nonlinear (Wang, Choi, and Li 2008). Thus, it is relevant for managers to understand how to manage their company’s charitable activities to achieve a high return on investment.

By engaging in a variety of activities that result in charitable giving (such as direct donations, cause-related marketing, or sponsorships), companies, intentionally or unintentionally, create cause-portfolios through forming relationships with these causes that are visible to their stakeholders. These relationships can exist at the organizational, brand, or product level (Varadarajan and Menon 1988) and can typically be categorized as communal obligation, goodwill building, or strategic giving (Porter and Kramer 2002). Thus, we conceptualize cause portfolios as consisting of all cause-related relationships that a company forms as a consequence of engaging in socially responsible practices. Consequently, cause portfolio management refers to the strategic management of all the company’s cause-related relationships including selection, maintenance, and exit of the causes. Here, we advance propositions as to how cause portfolio characteristics can influence a company’s performance.

First, we distinguish cause portfolios through their structure, which refers to the number of causes to which a company donates. While companies tend to support causes that its key stakeholders want it to support (Drumwright 1996), it has also been shown that agency costs increase with charitable giving, resulting in a curvilinear relationship between the magnitude of charitable giving and company performance (Wang, Choi, and Li 2008). We propose a similar effect for the number of causes to which a company donates. Depending on the stakeholders, companies can be expected to donate to several causes. However, giving to too many causes can increase costs associated with charitable giving, for example, through an unfocused cause portfolio and subsequently diluted philanthropic reputation. Hence, a company has to find a balance between supporting too few or too many causes in order not to dilute its philanthropic reputation or alienate important stakeholders. Thus, we advance the proposition that cause portfolios with a moderate number of causes perform better than ones with a low or high number of causes.

Our second proposition refers to the similarity and substitutability of causes within the portfolio. Specifically, we propose that causes within a cause portfolio have to be high in similarity and low in substitutability. Similarity has been used to describe brands in brand portfolios and refers to the extent to which brands within the firm’s brand portfolio are positioned close to one another and appeal to the same consumer segments (Morgan and Rego 2009). Therefore, similarity within the portfolio increases the focus of the cause portfolio and should increase the efficiency of resource allocation among these causes. Causes that are substitutable, however, have to compete for company’s resources. By dedicating resources to two substitutable charities, the company forgoes the opportunity to dedicate these resources to a charity that can increase the incremental value of the portfolio through, for example, emphasizing the company’s positioning or targeting a different stakeholder group.

Last, we propose that cause portfolios have a stronger positive influence on a company’s performance when they are unique in the marketplace. The rationale is that similar portfolios from competitors erode the competitive advantage that a company can gain from charitable giving. Bhattacharya and Sen (2004) show that positive consumer attitudes toward the company resulting from CSR can only translate into greater loyalty when the attitudes toward key competitors of the focal company are less positive or different. Thus, a portfolio is expected to translate into greater value for the company when it is different from competitors’ giving practices.
In summary, as companies engage in charitable behavior, they are presented with the challenge of managing the different causes they support through a number of philanthropic activities. We propose that firms should consider cause portfolios instead of assessing each cause separately and manage their characteristics such as the number of causes, alignment within the portfolio, and uniqueness in the marketplace to increase the potential return from charitable investments. References are available upon request.

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THE ODD COUPLE: MANAGING “IDEOLOGICAL DISTANCE” IN THE CORPORATE-NONPROFIT RELATIONSHIP

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SUMMARY

There has been a marked increase in the number of relationships forged between corporations and nonprofit organizations (NPOs) in recent years. Despite this, previous studies of these relationships have been limited, or focused on issues more relevant to needs of the corporate partner. This research focuses on the strategic marketing practices of nonprofit organizations, specifically their partnerships with commercial enterprises, as they attempt to create a stable and advantageous financial environment for themselves. These partnerships form a unique bridge between the for-profit and nonprofit goals of value creation and offer vast potential to produce new and more innovative ways of “doing business by doing good.” However, the potential for conflict within such relationships is significant and can lead to a disparity in thinking that we have termed “ideological distance.” This term refers to the cognitive gap that often occurs between corporate financial goals and nonprofit social goals. It may cause conflict or create important boundaries within these relationships regardless, or because of, governance mechanisms.

The aim of this research was to develop an empirically based framework of how nonprofit organizations can use governance to manage ideological distance in corporate-nonprofit partnerships. Differences in approach of NPOs toward their corporate partners has been described by scholars in terms of the NPO’s belief structure – e.g., mistrust of business generally – or differences in financial ideology. Corporate partners tend to bring to their relationships experience in the economic traditions of fiscal accountability and standard contracting, whilst NPO partners tend to bring the more social traditions of trust-building, engagement with stakeholders and political persuasion. This can lead to either a mismatch of formal-informal expectations, leading to potential exploitation of a less powerful partner, or an over-emphasis on contracting arising from low levels of trust. Social network pressure also impacts the corporate-nonprofit relationship and can affect the NPOs perceived legitimacy. Thus, a degree of “ideological distance” exists within each corporate-nonprofit relationship. If an alliance is effectively managed then it can give the NPO a heightened sense of legitimacy, yet exploration of how these relationships should be structured to do this is limited. We explored both explicit (regulative institutions) and implicit (cognitive institutions and relational embeddedness) governance in our assessment of these relationships.

We employed a qualitative method to establish an inherent logic in the management of these partnerships mainly from the NPOs perspective. We used a strategic sampling procedure to identify experts or “decision makers” who had primary responsibility for one or more corporate-NPO relationships amongst registered Australian nonprofits. A total of 20 organizations with current corporate partnerships were interviewed. Data were collected through three sources at each organization: (a) extensive semi-structured interviews over multiple occasions with corporate relationship managers; (b) documents that defined any examples of “contracting” for these relationships (e.g., memos, policies, actual contracts); and (c) discussion with additional team members and general observation of the partnership “in action” whilst at the NPO. Respondents were asked to provide evidence of both a “successful” and an “unsuccessful” partnership. An interview protocol was developed from the literature that loosely guided discussion that included themes of organizational legitimacy, relationship management and ideological distance. The transcribed interviews and the other collected data were subjected to coding and analysis by the study authors. Final data analysis employed pattern-matching techniques and emphasis was placed on identifying reoccurring themes and structures for facilitating theory building.

We describe an important finding that advances our understanding of these unique partnerships through the role of maintaining almost two levels of function (financial focus and social focus). Embeddedness and structure are important contributors to relationship success and conflict negotiation. Our study found that the use of contractual agreements and embeddedness in corporate-NPO partnerships plays a significant role in the success of these relationships from the perspective of the NPO. This management of “ideological distance” can provide a point of reference for the NPO through which they can make decisions that balance their more social goals and search for equitable compromise. However, our findings also suggest that inter-organizational relationships with diametrically opposed organizational goals yet aligned relationship goals are inherently risky for both partners and...
are supported best where both parties – particularly the NPO – maintain their inherent identity within and outside of the relationship. The results contribute to the small but growing discourse around corporate-NPO partnerships. These relationships provide a vital addition to the study of social marketing and social issue management.

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CONSUMER’S PERCEIVED TRUST IN IT-ECOSYSTEMS:  
CONCEPTUALIZING SYSTEM-CENTRIC AND  
USER-CENTRIC DETERMINANTS OF TRUST  
IN DIGITAL ENVIRONMENTS  
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SUMMARY  
Introduction and Background  
Digital ecosystems or IT-Ecosystems (ITE’s) are composed of multiple and independent entities such as individuals, organizations, services, software, and applications as a number of new independent systems that operate and communicate with their own infrastructure (man to machine; machine to machine; person to person) sharing one or several missions. As self-organizing environments and with re-combination or evolution of its digital components, ITE’s are highly complex to study and to manage. A better understanding of how ITE’s and the interconnected components create benefits and added-values in view of different types of consumers is of particular importance to support the establishment of digital environments and manage their resources. Therefore, considering and conceptualizing trust, acceptance, autonomy and controllability as crucial prerequisites at the intersection of marketing and technology, ITE’s can turn to an information-based ecological system for consumers.  

Encompassing different components of perceived trust in ITE’s, in our paper, we rely on a multi-dimensional framework of trust effects referring to system-centric as well as user-centric determinants of trust. Based on our conceptual model, we develop two sets of propositions: The first ones dedicated to technological drivers of trust in ITE’s, the second set of propositions referring to user’s individual as well as social drivers of trust. The model and propositions are discussed with reference to future research steps and business implications.  

Conceptualization  
In an attempt to structure existing definitions, structural approaches, antecedents, and consequences of trust, we rely on six key constructs of trust as defined by McKnight and Chervany (1996). These six trust-related constructs named (1) system trust, (2) dispositional trust, (3) situational trust, (4) trusting beliefs, (5) trusting intention, and (6) trusting behavior form a group of trust-dimension that are conceptually distinguishable, but are interrelated to each other in specified ways (McKnight and Chervany 1996). Especially in the context of interdependencies between trust and the adoption of ITE’s distinguishing between (I) technological-driven and/or (II) user-driven components of trust as presented in Figure 1, these six constructs cover the most important elements of perceived trust.  

With reference to the technological characteristics that influence consumer’s perceived trust in ITE’s and its components, we develop propositions focusing on three different topics: (1) The security, privacy, and functionality of the technology, (2) the topic of usability referring to perceived usefulness, ease of use, and information quality, and (3) the presentation against the background of complexity reduction and orchestration of information.  

Our set of user-centric trust relations relies on both the theory of reasoned action (Fishbein and Ajzen 1980) and the theory of planned behavior (Fishbein and Ajzen 1985). Adapted to our ITE scenario, trusting beliefs lead to an intention to trust that becomes manifest in a positive trusting behavior at its best (McKnight and Chervany 1996). This individual trust building process is influenced and determined by a lot of different individual and social dimensions and characteristics (Grabner-Kräuter and Kulcsa 2003). The reason for this is that trusting beliefs are primarily formed “outside” the ITE components itself, but typically in the same way beliefs are formed in the adaptation process within product shopping or service acquiring (Gefen et al. 2003). This process is based on the interaction of cognitive and emotional dimensions, which influences many different kinds of individual factors (Johnson and Grayson 2005). Firstly, the (1) individual trust forming factors knowledge and expertise, innovativeness, involvement, aspiration level, convenience, and risk tolerance are discussed in detail. Secondly, (2) social influences on perceived trust and the adoption of innovative technologies and ITE components with regard to an individual’s need for uniqueness, prestige orientation, and susceptibility to social influence are presented.
Conclusions

Focusing on the link between perceived trust and ITE’s, we examine the crucial role of technological and user-centric drivers in determining the success factors in orchestration and adoption of IT-ecosystems. In a number of situational contexts and different ITE-scenarios, the perception of potential or actual users may lead to a better understanding of the highly interrelated trust components and outcomes. Based on this, an empirically verified typology of different segments of users who differ in their willingness to trust the ITE and its components are of special importance with regard to assess possible market opportunities. Based on our model, practitioners might be able to understand the multidimensional origins of trust and market adoption. Even if a product shows high-performance technological features, the lack of trustworthiness may be the highest barrier for market success. Therefore, we suggest including trust-related insights into the process of research and design of technological innovations and the orchestration of ITE’s. References are available upon request.

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PROSPECTIVE CONFIDENCE IN THE KNOWLEDGE OF THE WEB

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SUMMARY

Confidence in consumer knowledge has attracted the attention of researchers recently. In part, this owes itself to the research stream of knowledge calibration (Alba and Hutchinson 2000). Research in education has carefully differentiated between predictive and postdictive confidence in comprehension. We extend this distinction to the domain of the Web and examine prospective confidence in knowledge of the web. Drawing from theory and current research, we propose that greater levels of involvement with the web, general self-efficacy, domain specific self-efficacy, subjective knowledge of the web, and experience with the web lead to greater level of prospective confidence in the web. We also propose that prospective and retrospective confidence in the web are correlated; in addition, it is proposed that calibration is higher for retrospective confidence in the web than for prospective confidence. Using data from a sample of adults, our study finds that prospective confidence is a function of subjective knowledge and general self efficacy. We also found that prospective and retrospective confidence in knowledge of the Web are correlated. Moreover, the evidence suggests that the calibration of prospective confidence is lower than that of retrospective confidence.

REFERENCE

TOWARD A BETTER UNDERSTANDING OF TRUST IN WEB 2.0 SOCIAL NETWORKS

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ABSTRACT

Online social networks are becoming increasingly important not only as venues for individuals to communicate and present themselves but also as marketing and advertising vehicles. Millions of participants reveal stunning amounts of private information in an environment that is largely devoid of security standards and practices. This paper addresses the pivotal question why social network users are being so trusting. A conceptual framework that facilitates the identification of key issues related to trust in Web 2.0 networks is presented. Thus the paper contributes to a better understanding of factors that influence adoption and usage of social network sites.

INTRODUCTION

The concepts of Web 2.0 facilitate a new type of communication that becomes increasingly important. Web 2.0 is the popular term for advanced Internet technology and applications, including blogs, wikis, podcasts, RSS, and social networks (Lai and Turban 2008). The most popular Web 2.0 application in recent years is the emergence of online social networks (OSNs) or virtual communities, in which membership continues to grow exponentially (Lai and Turban 2008). OSNs such as Facebook, MySpace, Friendster, Xing, or studiVZ are a new form of self-representation and communication, and imply a social behavior that is different to the real world (Bonhard and Sasse 2006). Since their introduction, these OSNs have not only attracted millions of users, but have become an essential part in their everyday activities – a parallel universe, satisfying in the virtual world the human need for sociability (Ganley and Lampe 2009). Social networking sites generate billions of dollars in revenue and are being increasingly used in marketing and advertising campaigns. However, very little research has been done to investigate the factors that influence the usage of OSNs (Gangadharbatla 2008).

The amount and scope of information that OSN participants freely reveal are stunning and constitute a highly attractive data mining and profiling source for different interest groups, ranging from marketers to recruiters, private detectives, public authorities, and hackers. Information technology experts characterize Web 2.0 social networks as “attractive targets for those with malicious intent,” because each site offers a huge user base sharing a common infrastructure, and the information users willingly supply is highly valuable (Mansfield-Devine 2008). The average user’s profile contains information about her/his home address, her/his pet’s name, where she/he went to school, her/his mothers’ maiden name and other family details – just the kind of information used for security or “lost password” questions stated, e.g., by online banking services. Many participants also provide more or less detailed information about their interests, sometimes including their political and sexual orientations or intimate portraits of their social or inner life (Gross and Acquisti 2005). Every now and then problems related to privacy or security issues on social network sites are reported in the media. For instance, in May 2008 the social networking website Bebo admitted that a “bug” in its systems enabled users to view other people’s private information. Phone numbers and addresses were made available as some of Bebo’s 40 million users found themselves randomly switched to other people’s accounts (Eriksen 2008). Evidence from many other online social networks indicates that millions of social network users nevertheless do not hesitate to share their thoughts, experiences, images, files, videos, and links in an environment that is largely devoid of security standards and practices.

Disclosing personal information on the Internet presupposes trust because the consumer does not know whether her/his personal information may be used in ways that could result in harm to the consumer, or lead to unwanted future solicitations, credit card theft, or even a hijacking of one’s online identity (Milne and Culnan 2004). Obviously, social networking takes place within a (largely unwarranted) context of trust. Consequently, the question arises why social network users are being so trusting. Little research has considered the interrelationships between trust, social networks, and the Web 2.0 environment. In this paper, we analyze the role of trust in OSNs from a network governance perspective that integrates concepts of social network theory, social capital and the role of value in relational exchanges. By placing greater emphasis on trust this paper aims at affording a better understanding of information revelation behavior in Web 2.0 networks. Specifically, the following research questions are addressed:

- What are the basic goals of Internet users to engage in online social networks?
- What role does trust play in online social networks?
• What are the sources of trust in online social networks?

The paper proceeds as follows. We begin by adopting a working definition of online social networks, followed by an overview of goals and benefits of participation in OSNs. We then develop a conceptual framework that facilitates the identification of key issues related to trust and discuss, in turn, perspectives, types, and sources of trust in OSNs. To evaluate and potentially extend the theoretical argumentation and research propositions we conducted three focus group discussions with StudiVZ, Facebook, and XING participants.

**DEFINING ONLINE SOCIAL NETWORKS**

Broadly, a social network can be defined as a set of actors and the set of ties representing some relationship – or lack of relationship – between the actors (Brass et al. 1998). Actors in a social network (people, organizations, or other social entities) are connected by a set of relationships, such as friendship, affiliation, financial exchanges, trading relations, or information exchange. An OSN uses computer support as the basis of communication among its members (Andrews et al. 2002). OSNs are organized around users and provide a basis for maintaining social relationships, for finding users with similar interests, and for locating content and knowledge that has been contributed or endorsed by other users (Mislove et al. 2007). Web-based social networks provide different means for users to communicate, such as e-mail, instant messaging services, blogging, and photo/video-sharing. By then hundreds of online social networks have been launched, with similar technological features that support a wide range of interests and practices (Ellison et al. 2007). Social network sites can be oriented to work- or business-related contexts (e.g., XING), romantic relationship initiation (the original goal of Friendster), or they can aim at connecting those with shared interests such as music (e.g., MySpace) or the college student population (e.g., StudiVZ, or the original launch of Facebook). Most online social networks support the maintenance of already existing social ties, but there are also networking services that support the formation of new connections with strangers, based on shared interests, political views, or activities. Some online social networks are directed at diverse audiences, whereas others attract people based on common interests or shared racial, sexual, religious, or nationality-based identities (Boyd and Ellison 2007).

Drawing on Boyd and Ellison (2007) we define online social networks as web-based services that allow individuals to (1) create a public or semi-public profile for themselves within a bounded system, (2) indicate a list of other users with whom they are connected, and (3) view and traverse their list of connections and those made out by other users within the system. The type and specific name of these connections may vary from network to network.

In the marketing literature, the terms online social network and virtual community are often used synonymously. Virtual communities are viewed as consumer groups of varying sizes that meet and interact online in order to achieve personal as well as shared goals of their members (Dholakia et al. 2004). When social network sites “hit the mainstream” after the launch of MySpace in 2003, a shift in the organization of online communities became apparent. While websites dedicated to communities of interest still exist and flourish (e.g., Dogster, CafeMom, Feierabend), online social networks catering to a broader audience are primarily organized around people, and not interests. Early public online communities such as Usenet and public discussion forums were structured by topics or according to topical hierarchies, but prevailing social network sites are structured as personal or “egocentric” networks, with the individual at the center of his/her own community (Boyd and Ellison 2007). These online social networks addressing a very broad target audience enable users to articulate and make visible their social networks, whereas the opportunity to come into contact with strangers usually is of minor importance.

**MOTIVATION TO PARTICIPATE IN ONLINE SOCIAL NETWORKS**

For several years information exchange between consumers on online social networking sites has grown exponentially. Thus, especially marketing researchers have been and still are challenged to provide insights what motivates consumers to participate in and contribute to online social networks. Recent research into virtual communities has advanced our understanding of the reasons why people get involved in online social networks. However, many knowledge gaps still exist (de Valk et al. 2009; Pempek et al. 2009). Many people join online social networks out of a desire to be part of a community comprised of people who share similar interest. However, participation in online social networks can meet a considerable number of needs. One important focus of online communities is on guidance and informational support that enhances decision-making (Macaulay et al. 2007). Other needs that can be met by online social networks are affiliation and belonging, power and prestige, and entertainment (Andrews et al. 2002; Balasubramanian and Mahajan 2001).

Using the perspective of goal and action identity theories, value can be regarded as the most important goal of network users in relational exchanges. Concerning value typologies, the range and variety found in the literature are very wide, although the hedonic versus utilitarian value difference transcends in most cases (Gallarza and Gil Saura 2006). Different types of Web 2.0
social networking groups focus on different kinds of value for their members. Social benefits have been shown to be the influence factor that most strongly motivates consumers to participate in online communities and to articulate themselves (de Valck et al. 2009; Ellison et al. 2007). Available research suggests that most online social networks primarily support pre-existing offline relationships or solidify offline contacts, as opposed to meeting new people (Boyd and Ellison 2007). Recent studies report that students and alumni primarily use Facebook to communicate, connect, and stay in contact with others (Ellison et al. 2007; Fogel and Nehmad 2009). The particular importance of social value also became apparent in three focus group discussions the author conducted with StudiVZ, Facebook, and XING participants. For instance, when asked what they thought was the most important benefit of using Facebook, discussants responded that they could stay in touch and reconnect with friends all over the world. Dholakia et al. (2004) differentiate between two kinds of social value. Maintaining interpersonal connectivity refers to the social benefits derived from establishing and maintaining contact with other people, such as friendship, and social support. Another type of social value is social enhancement, the value that network participants derive from gaining acceptance and approval of other members.

Utilitarian value refers to tangible or objective benefits and can be defined as the value derived from accomplishing some pre-determined instrumental purpose (Chaudhuri and Holbrook 2001; Dholakia et al. 2004). For online social network participants either informational value or instrumental value can be of special relevance. Informational value is derived from getting and sharing information in the online community (Dholakia et al. 2004). Several XING participants responded that one of the most important benefits of XING is the “automatic” updating of contact features – the contacts (there are not friends but contacts in XING) of the participants upgrade their profiles themselves so “I have always current data such as phone numbers, e-mail addresses, changes of job from my schoolmates, former fellow students, etc.” When social interactions in online communities help participants to accomplish specific tasks, such as solving a problem, validating a decision already reached, or buying a product, online social networks provide instrumental value. Hedonic value relates to the experiential aspects of human consumption in which emotions and feelings of enjoyment or pleasure play a pivotal role (Chaudhuri and Holbrook 2001). Dholakia et al. (2004) speak of entertainment value that community members derive from fun and relaxation through playing or otherwise interacting with others. As one Facebook participant articulated, “for me, entertainment (on Facebook) is an important factor – when I sit in front of the computer all afternoon and work on a project paper, I have about 10 to 20 logins during the afternoon.”

In sum, connectivity and friendship oriented networks such as StudiVZ and Facebook emphasize social value and hedonic value (reflecting enjoyment, fun, and pleasure), whereas in online groups that operate on functional support and shared experience (e.g., eBay, XING) utilitarian values are more important. These assumptions largely were affirmed in the focus group discussions with StudiVZ, Facebook, and XING participants. One specific motive that was mentioned by several discussants in each focus group was curiosity – “curiosity to find out who had a look at my profile” (two XING participants), “curiosity what’s the news” (a Facebook participant), or “curiosity who that person is” (one StudiVZ participant). Referring to the above value typology, the online social networks provide instrumental value to their members in all these cases.

TRUST IN ONLINE SOCIAL NETWORKS – A GOVERNANCE PERSPECTIVE

Exchange of valuable information in (online) social networks would be limited without trust both in the network infrastructure and the other network participants. The role of trust in OSNs can be investigated from a governance perspective that allows to integrate concepts of social network theory and exchange theory. Here governance relates to the different modes of co-ordinating individual actions. Trust can be seen as a powerful alternative to formal governance mechanisms that allow exchange relationships to be formed and attempt to control opportunism (Puranam and Vanneste 2009). I assume a complementary relationship between trust and governance, as far as trust may enhance the effect of governance on exchange performance. Conceptual debates and empirical results suggest, in most cases, that trust has an important part to play in social networks and exchanges, but the precise role is not completely clear (Gubbins and MacCurtain 2008). The relationships among concepts of social network theory, exchange theory and trust are very complex and far from conclusive. As a more detailed conceptual discussion is beyond the scope of this paper, I only point out selected facets.

A better understanding of social processes in Web 2.0 communities requires a finer-grained analysis of the quality and configuration of network ties. Adopting a social network approach to the analysis of trust involves the assumption that individual actors are embedded within a network of relationships (Jones et al. 1997). The concept of embeddedness refers to the influence of the network on its members’ behavior (Granovetter 1992). Granovetter (1992) distinguishes between two levels of embeddedness: Relational embeddedness and structural embeddedness. Relational embeddedness describes the kind of personal relationships people have developed with each other through a history of interactions. Structural embeddedness refers to the network’s overall structure or architecture.
and thus concerns the properties of the social system and the network of relations as a whole. It provides the basis for social mechanisms to adapt, coordinate, and safeguard exchanges and thus enhances the likelihood of network governance (Jones et al. 1997). Structural embeddedness focuses on social pressure that the network as a whole exercises on the development of a single relationship. The embedded perspective proposes an evolutionary conceptualization of trust and argues that trust increases as a consequence of the accumulation of positive experiences (Ganzaroli 2002). Granovetter (1992) suggests that being embedded in cohesive networks accelerates the creation of trust. The cohesiveness of the network structure, where a specific relationship is embedded, facilitates the circulation of information about parties’ reputation and the socialization of common behavior. The prevalent characteristics of a network shape the behavior of its members (Ganzaroli 2002).

From a social network perspective, within OSNs there are few strong relationships or ties that foster the development of trust, cooperation, and intimacy, and many weak ties that frequently are characterized by occasional interaction and low emotional intensity (Granovetter 1973). Levin, Cross, and Abrams (2002) introduced the concept of trusted weak ties and empirically demonstrated the structural benefits of weak ties, showing that they provide better access to non-redundant and innovative information. Their findings suggest that there are trusting and non-trusting weak and strong ties, implying that trust and tie strength are related but not synonymous (see also Gubbins and MacCurtain 2008). Weak ties in (online) social networks tend to link individuals with many other people who might be more socially dissimilar, providing new sources of useful information or new perspectives. Investigating the mediating role of trust in effective knowledge transfer (Levin and Cross 2004) found that trusted weak ties yielded the most useful knowledge. I assume that trusted weak ties are the prevalent relationships in online social networks that facilitate effective information exchange and knowledge transfer and thus essentially contribute to network performance.

By supporting both strong and loose social ties online social networks allow users to create and maintain larger sets of relationships from which they could potentially draw resources, because the Web 2.0 technology is well-suited to maintaining such ties cheaply and easily (Ellison et al. 2007). Thus, online social networks contribute to the generation of social capital, a term with numerous definitions in multiple fields (Adler and Kwon 2002; Burt 2000). Nahapiet and Ghoshal (1998) define social capital as “the sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual . . .” (p. 243). In this regard the concept of social capital can be considered as a way to describe the value that can be accrued through a social network and from the social resources of the actors embedded within that network (Gubbins and MacCurtain 2008). Or put it another way, the value of social networks manifests to participants as social capital (Ganley and Lampe 2009). In the social capital literature, the concept of trust has been frequently discussed, but there is no decisive view on its particular role in definitions of social capital (see the references in (Gubbins and MacCurtain 2008)). I posit that trust will affect the intention to participate in online social networks (and the actual participation and the social capital that can be accrued both from the network itself and the resources that may be mobilized through the network) through its influence on creating value (see also the arguments in (Sirdeshmukh et al. 2002) who propose a mediating role of value in the trust-loyalty relationship).

Drawing on the logic of social exchange theory online consumer behavior is largely determined by individual users’ cost-benefit analyses (Blau 1964; Dwyer et al. 2007; Metzger 2006; Thibaut and Kelley 1969). Internet users weigh the benefits of engaging in OSNs (e.g., staying in touch with friends) against the costs (e.g., the risk of privacy invasion). Only if the exchange or interaction is perceived to be beneficial, the individual is likely to enter into an exchange relationship. Prior research in the context of privacy concern found that consumers who perceive that the benefits of information disclosure exceed the risks, both current and future, are more likely to disclose (Milne and Culnan 2004). Consistent with social exchange theory tenets, trust can be conceived as a counteragent to risk in that higher trust allows individuals to determine that the benefits outweigh the risks. In this perspective trust bears important functions for the consumer – it reduces information complexity and lowers the perceived risk of a transaction or an exchange (see also Luhmann 1989). Only where there are high levels of trust, people are more willing to take risk in information and other exchanges (Nahapiet and Ghoshal 1998).

**TYPES OF TRUST IN ONLINE SOCIAL NETWORKS**

The relative importance of trust depends – among other factors – upon the complexity and the context of an action. To analyze trust in the Web 2.0 environment different types of trust have to be distinguished. First, trust can be conceptualized on different levels of analysis, reflecting the array of entities, individuals, dyads, groups, networks, systems, firms, and inter-firm alliances in which trust and related processes play a role (Rousseau et al. 1998). In Web 2.0 social networks trust is both a micro- and a macro-level phenomenon in which there is an interplay between the macro-network created by the (corporate) actor who designed it and the micro-groups formed by the individual network users (Lai and Turban 2008).
In the organizational trust literature trust is mostly defined as a belief or expectation about the other (trusted) party, 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 (e.g., Mayer et al. 1995; Rousseau et al. 1998). Accordingly, trust in the Web environment is most often defined as a belief or expectation about the website, the web vendor and/or the Internet as the trusted party or object of trust or as a behavioral intention or willingness to depend or rely on the trusted party (Grabner-Kräuter and Kaluschka 2003; McKnight and Chervany 1996; McKnight et al. 2002; McKnight and Chervany 2002). In the context of OSNs other network participants, the network provider and the social network site are essential objects of trust. The analysis of online trust has to consider impersonal forms of trust as well, because in computer-mediated environments personal trust is a rather limited mechanism to reduce uncertainty (Grabner-Kräuter and Faullant 2008). The Web 2.0 technology itself has to be considered as an object of trust. Trust in technical systems mainly is based on the perceived functionality (e.g., reliability, capability, correctness, and availability) of a system (Lee and Turban 2001; Thatcher et al. 2007).

To this point, trust has been treated as a situational construct. But trust can also be conceptualized as a cross-situational, cross-personal construct, encompassing individual characteristics of the trustor. Following the trust typology proposed by (McKnight and Chervany 1996) this type of trust is called dispositional trust. Mayer et al. (1995) include a very similar construct “propensity to trust” in their trust model. These constructs have their roots in personality psychology (e.g., Rotter 1967) and recognize that people develop, over the course of their lives, generalized expectations about the trustworthiness of other people. Dispositional trust is a stable within-party factor that not only affects trust toward other individuals or groups of individuals but also toward technical systems or social network sites (Grabner-Kräuter and Faullant 2008). More specifically, it can be assumed that dispositional trust affects trusting beliefs about the trusted object (other participants, social network site, provider, Web 2.0 technology) and the behavioral intention or willingness to depend on the trusted party. I also propose a direct effect of dispositional trust on both the kind and the amount of information users provide in their profile.

Drawing on conceptualizations of trust in the social psychology literature (e.g., Lewis and Weigert 1985) many researchers differentiate cognitive and affective/emotional trust. Cognitive trust refers to “good rational reasons why the object of trust merits trust” (Lewis and Weigert 1985, p. 972). Cognitive trust is based on evaluating the competence, reliability, and predictability of the trusted object and reflects the economic understanding of trust as a rational choice (Riegelsberger et al. 2005; Johnson and Grayson 2003). Affective trust, on the other hand, is the emotion-driven form of trust that is based on immediate affective reactions, on attractiveness, aesthetics, and signals of benevolence. Frequently trust-based behavior results from a mix of affective and cognitive trust (Riegelsberger et al. 2005; Corritore et al. 2003). Concerning the relationship between the value of participation in OSNs and trust it can be assumed that cognitive trust is greater when the perceived utilitarian value is high (Chaudhuri and Holbrook 2001). On the other hand, OSNs with a higher pleasure potential that provide non-tangible, symbolic benefits and are likely to hold a greater potential for evoking positive emotions and affect-based trust in a consumer. Assuming that trust in OSNs is based both on cognitive and affective reasons and reactions I propose that utilitarian value, hedonic value and social value are positively related to trust in OSNs. Furthermore I propose that the importance of cognitive and affective trust depends on the type(s) of value the participants derive from participation in this specific OSN.

**BASES OF TRUST IN ONLINE SOCIAL NETWORKS**

Trust may develop for a number of reasons, and often for a variety of reasons working together. Drawing from the general trust literature this section briefly outlines some important bases of trust in online social networks. A number of authors have identified different bases or sources of trust in relational exchanges (e.g., Zucker 1986; Lewicki and Bunker 1995; Shapiro et al. 1992; Doney and Cannon 1997; Kramer 1999; McKnight et al. 1998). In the context of online social networks it makes sense to combine the discussion of different grounds or bases of trust with the perspective of trust as a dynamic concept which can be divided into different developmental stages or phases, each with specific characteristics (Lewicki et al. 2006). According to Rousseau and Sitkin (1998) three different phases of trust can be distinguished: the phase of trust building, where trust is formed; the phase of stabilizing trust, where trust already exists; and the phase of dissolution, where trust declines.

In the phase of trust building, trust in a specific social network site and/or in other network participants can emerge on different bases. Drawing on the trust-building process framework proposed by (Doney and Cannon 1997), it can be argued that initial trust in online social networks often develops through a transference process. The “extension pattern” of trust development suggests that trust can be transferred from one trusted “proof source” to another person, group of persons or other object of trust with which the trustor has little or no direct experience (Doney and Cannon 1997). Preliminary results of three focus group discussions the author has conducted with StudiVZ, Facebook, and XING participants indeed show that recommendations and invitations...
of real world friends were by far the most important reasons for joining these online social networks, generating personal profiles, and thus revealing personal information.

In the first developmental stage online trust can also be based on rational calculation of potential costs and benefits. Lewicki and Bunker (1995) named this first stage calculus-based trust. Similarly, Doney and Cannon (1997) speak of trust involving a calculative process, when the trustor calculates the costs and rewards of another party choosing between cheating or staying in the relationship. The majority of focus group discussants indicated that they are not really concerned about a potential breach of trust by the social network provider, “... because there are millions of other users who reveal personal information on social network sites and don’t worry at all” (one Facebook discussant) and, besides, “... for Facebook good reputation is very important.” Concerning the credibility of profile information of other network participants several StudiVZ and Facebook discussants have doubted the tenability of wrong or flattering information, “... because other people who really know that person immediately would find out that he is cheating.”

When an Internet user for the first time visits and explores a less renowned social network site that has not been recommended by friends, her/his initial trust might be primarily based on cognition. Cognition-based trust relies on rapid, cognitive cues, or first impressions, as opposed to personal interactions (McKnight et al. 1998). Cognitive perceptions of network characteristics such as size of the network, current number of participants online, discussed topics, privacy and security, usefulness and ease of use of the network site can be considered as important bases or antecedents of network trust in the phase of initial trust formation and trust building on “self-researched” network sites.

After some time and continuous interactions on a social network site the judgements of a participant about this specific network become more a function of the interactions themselves. The trust-relationship may enter the second stage of trust development which is dominated by trust based on the trustor’s knowledge and understanding about the trusted party resulting from past interactions (knowledge- or experience-based trust) (Lewicki and Bunker 1995). Doney and Cannon (1997) describe the prediction process of developing trust that relies on repeated interactions and the trustor’s assessment of the other party’s past behavior and evinced trustworthiness. Hence, in the phase of stabilizing trust, factors such as familiarity with the technological features and communication tools of the social network site or satisfaction with past interactions with other community members are important antecedents of online trust.

Explicit and tacit understandings regarding transaction norms, interactional routines, and exchange practices can be considered as another source of trust in online social networks. Such explicit and tacit understandings, captured in both formal and informal rules, provide an important basis for inferring that other participants in the social network are likely to behave in a trustworthy manner (Kramer 1999). Rule-based trust is predicated not on a conscious calculation of consequences, but rather on a shared understanding of the system of rules pertaining to appropriate behavior. The question of how explicit and implicit rules function to create and sustain mutual trust in online social networks was not discussed in the StudiVZ, Facebook, and XING focus groups, but it would warrant further investigation.

The most mature level of trust is restricted to interpersonal trust and dominated by internalization of the other’s preferences, mutual empathy, and identification with each other (identification-based trust). Identification-based trust represents the highest and most solid level of trust which may be reached by the parties to the trust relationship. Trust is mainly formed and influenced by joint values, tasks and goals, by creating a collective identity, and by physical proximity or emotional closeness (cf., Shapiro et al. 1992; Lewicki and Bunker 1995; Ratnasingham 1999). Using similar arguments Kramer (1999) has coined the term category-based trust, which refers to trust predicated on information regarding the trusted party’s membership in a social or organizational category or network. Shared membership in a social network can serve as a rule for defining the boundaries of low-risk interpersonal trust that bypasses the need for closer personal knowledge (Kramer 1999). Because of the cognitive consequences of category membership and ingroup bias, individuals tend to attribute positive characteristics such as honesty, benevolence, integrity, and cooperativeness to other network members.

The assumption that trust in online social networks often develops through a transference process was confirmed in all focus group discussions. Beyond that, I assume that the importance of different sources of trust is contingent upon the type of Web 2.0 social networking group. I posit for example that in online social networks that operate on the principles of democratic participation and friendship (e.g., MySpace and Facebook; see also Lai and Turban 2008; who elaborate on the characteristics of five types of groups) cognition-based trust and calculus-based trust are of minor importance, whereas knowledge-based trust might be of more significance, e.g., for evaluating information exchange with former schoolmates. I propose that in “friendship” networking groups trust is mainly category- or identification-based and formed and influenced by joint values, tasks and goals, or by common experiences. Furthermore I suggest that in more utility oriented networks, such as XING, calculus- and rule-
Based trust are of major importance, whereas identification with other network participants and mutual empathy play a minor role. Preliminary analysis and interpretation of the focus group discussions seem to affirm the above propositions.

**DISCUSSION AND CONCLUSION**

Online social networks are becoming more and more important not just as places for individuals to communicate and present themselves but also as marketing/advertising vehicles (Gangadharbatla 2009). Despite the limited scope of this research in progress, it marks a step in the right direction toward a better understanding of factors that influence adoption and usage of social network sites by developing a conceptual framework that integrates concepts of social network theory, social capital, and the role of value in relational exchanges. I have attempted to systematically identify promising areas for upcoming research by discussing the role of trust in Web 2.0 social networks, as both an antecedent and an outcome of network participation and information disclosure. Drawing from the general trust literature I distinguished between different types of trust and identified different bases of trust in online social networks. Preliminary findings of our qualitative focus group study affirm our proposition that the importance of different sources of trust is contingent upon the type of the Web 2.0 social network. Building on the conceptual framework developed in this paper a number of specific questions can be addressed: What are the antecedents (categories: cognition-based, experience- and knowledge-based, personality-based) of trust in OSNs and how do these antecedents influence trust development? How do different types of trust influence the willingness to join OSNs and the willingness to provide personal information? How does the interaction between the characteristics of OSNs and different types of trust influence participation in OSNs and revelation of personal information? Future research should analyze these issues.

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DOES REWARDING REFERRALS AFFECT PERCEIVED SENDER CREDIBILITY? AN EMPIRICAL INVESTIGATION IN CELLULAR TELECOMMUNICATION SERVICES

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SUMMARY

Customers’ positive word of mouth (WOM) is regarded as a very effective marketing tool that enables companies to gain new customers (Haywood 1989; Wangenheim and Bayón 2007) as well as bond current customers (Helm 2003). The “power of word of mouth” (Arndt 1967) is generally attributed to its high credibility. As customers communicate at no or low cost for the firm, WOM is also a highly efficient marketing tool (Wilson 1994). Consequently, customer referral programs (CRP) have caught notable attention in scientific literature (e.g., Godes and Mayzlin 2004; Ryu and Feick 2007; Wirtz and Chew 2002). In such programs, the service provider offers customers a reward for persuading others to also become customers. Ryu and Feick (2007) demonstrate that offering rewards can increase customers’ referral intentions. However, research has neglected to investigate whether rewarding referrals has an effect on the recipient’s perception of the sender of the referral and, specifically, whether sender credibility is affected. A reduction in credibility might then affect downstream behavioral variables. Therefore, we address the following research questions: Does rewarding referrals have a negative effect on sender credibility as perceived by the recipient? Does a change in perceived credibility affect recipient attitudes and purchase intentions toward the service provider?

To answer these questions, we draw on research on attribution theory, tie strength (Brown and Reingen 1987), and the theory of planned behavior. We understand credibility as a two-dimensional concept for evaluating a source of information that consists of the components competence (or expertness) and trustworthiness. In order to test our set of hypotheses, we conduct an experiment. We chose a post-test-only control group between-subjects design (Campbell and Stanley 1963) and manipulated the independent variables “reward” (no reward; reward) and “tie strength” (weak tie; strong tie) using four different scenarios. All groups were completely randomized.

All student subjects were told that they met another student during class and decided to have lunch together. While having their meal, they coincidently talked about cellular telecommunication providers. Subjects were also told that they already were customers of a service provider, that their contract was about to expire, and that they were uncertain about prolonging or switching. The fellow student recommended switching to his provider “MobileStar” and to choose the student tariff “Student@Star.” The variable “reward” was manipulated by telling subjects that, at the end of their conversation, the fellow student told them about the service provider’s CRP and that he asked the subject to name him as a referrer in case of choosing the provider. He indicated that he would receive 50 Euros for a successful referral which is a common reward for referrals in the industry. In the control group, this part of the conversation was omitted, resembling a naturally occurring WOM situation. The variable “tie strength” was manipulated by describing the relationship that subjects had with the fellow student. In the weak-tie scenario, subjects were asked to think of one of their distant acquaintances. In the strong-tie scenario, they were to think of one of their closest friends (Granovetter 1973). Scenarios and questionnaire were pretested. In total, 184 (109 male, 74 female; 24 years on average) students from three German public universities were included in the net sample (8 excluded).

Study results show that rewarded senders are ascribed negative motives by referral recipients more frequently than non-rewarded senders. This result holds for strong and weak ties. However, in case of rewarded referrals, recipients do not ascribe negative motives to weak-ties more often than to strong-ties.

Furthermore, we can show a significant main effect of tie strength on perceived sender credibility, indicating that, within strong-tie dyads, recipients regard senders as more credible than in weak-tie dyads, irrespective of referral rewards. We find that none of the independent variables have an influence on perceived competence of the sender, but that referral rewards reduce perceived credibility of the sender, irrespective of tie strength.

Referrals from friends lead to a more positive attitude toward the service provider. Recipients of a referral from a strong-tie are more likely to switch to the referred service provider. However, while we presumed that recipient attitude will be less favorable in case that the recipient believes that the sender will receive a reward, data did not support this assumption. Whether the referral is rewarded or not seems not to impact purchase intentions.

In summary, our results show that rewarding referrals may decrease their overall effectiveness because rewarded
senders are attributed more negative motives for their referral and credibility decreases. Given that credibility is deemed one of the main factors explaining the “power of WOM,” this finding is important in gauging CRP. The credibility effect is based on the trustworthiness component while perceived expertise of the sender is not influenced. This highlights that the reward indeed is the cause of loss in credibility.

Unexpectedly, we did not find recipients’ attitudes toward the provider to be less favorable in case of rewarded referrals. Also, purchase intentions seem not to be negatively affected by referral rewards. These are rather surprising findings, given that credibility is generally regarded as a strong determinant of source persuasiveness and subsequent recipient behavior. In our study, persuasive power of rewarded and natural referrals appears to be identical; they have identical effects on attitudes and purchase intentions. However, strong-ties have an overall stronger persuasive power, their referral – whether rewarded or not – has a stronger impact on recipient attitudes and purchase intentions.

To our knowledge, this study is the first to theoretically analyze and empirically confirm the effect of rewarded referrals on sender credibility as perceived by the recipient of the referral. Unlike most approaches, our study focuses on the effects of WOM on the recipient’s view of the sender. Our findings complement prior studies that confirm superior effectiveness of targeting strong-ties in referral programs (Wirtz and Chew 2002) insofar as persuasiveness is stronger in strong-ties and likelihood to switch to the referred service provider is higher.

However, managers should be aware of potential “social side effects” of using customers’ referrals for corporate means: perceptions of a rewarded sender are worse than perceptions of a natural referrer, indicating a threat to the personal relationship between sender and recipient. While we could not detect subsequent effects on attitudes toward the service provider and behavioral intentions, additional studies should replicate ours and evaluate whether the decrease in credibility has further consequences for a service provider and the evolution of WOM as a marketing tool.

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EXPLORE THE EFFECTS OF REFERRAL REWARD PROGRAMS ON SATISFIED AND DISSATISFIED CUSTOMERS

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SUMMARY

Referral reward programs are a well accepted marketing instrument for service providers. In referral reward programs, a customer receives a reward for convincing others to become a customer. To date, referral reward programs have been perceived as an adequate means for increasing referral likelihood among satisfied customers. As a consequence of the proliferation of referral programs, firms have recently increased the size of the rewards.

In our research, we analyze consequences of an increase in reward size for the effectiveness of referral reward programs. Large rewards may not only increase satisfied but also dissatisfied customers' recommendation behavior. As satisfied customers are intrinsically motivated to give word-of-mouth (WOM), we assume that large rewards may be even more effective in increasing dissatisfied customers' recommendation behavior compared to satisfied customers.

As research so far has neglected potential referral behavior of dissatisfied customers, we also examine positive and negative consequences of recommendations by dissatisfied customers for service providers. A positive effect for service providers might result from a potential commitment effect of articulating WOM. Based on findings from public commitment literature, we assume a commitment effect of articulating positive WOM on dissatisfied senders. However, there is also a potential negative consequence for the service provider. In case the receiver of WOM learns about the sender's dissatisfaction with the service provider, this might negatively affect the relationship between receiver and provider. To test our hypotheses, we conducted three experimental studies.

In Study 1, we research effects of reward size on satisfied and dissatisfied customers. We conducted a 2 x 2 between-subjects factorial design. The variables were manipulated on two levels: customer satisfaction (dissatisfied and satisfied) and reward size (10 reward and 50 reward). The representative sample consists of 154 participants. Our results reveal a significant interaction effect between satisfaction and reward size on WOM. When customers are satisfied, their intention to recommend is higher in case a small reward is given compared to a large reward. In contrast, when customers are dissatisfied, the intention to recommend is significantly higher when large rewards are offered instead of small ones. Therefore, while increasing rewards positively affects dissatisfied customers' recommendation intentions, satisfied customers' recommendation intention decreases when a large reward is offered.

In Study 2, we focus on the effect of articulating WOM on dissatisfied senders. We tested the proposed hypotheses by conducting an experiment. We manipulated the articulation of WOM (no WOM, WOM). In total, 114 business students participated in this experiment. The results reveal a significant positive effect of articulating WOM on senders' loyalty. Dissatisfied customers' loyalty increases when a recommendation is voiced. Therefore, articulating WOM although being dissatisfied has a positive effect on the sender's attitude toward the service provider.

In Study 3, we research potential negative consequences of WOM in case the receiver learns about senders' real attitude. In this experiment, we vary whether the senders' dissatisfaction with the service provider is detected by the receiver or not (no detection, detection) and research the effect of the detection on the relationship between receiver and service provider. Two hundred twenty-five students took part in the study. We do not find any negative effect of detecting senders' dissatisfaction on the quality of the relationship between receiver and the service firm. Thus, the detection of a recommendation voiced by a dissatisfied sender does not have negative consequences on the relationship between service provider and new customer.

Our results offer insight on the consequences of reward size increases. Increasing the size of rewards offered within referral reward programs motivates dissatisfied rather than satisfied customers to recommend the service. Satisfied customers are even less motivated to recommend the service provider when a large reward is offered compared to a small one. This has implications for service providers' decisions about reward sizes. When choosing large rewards, firms must take into account that
some of their best customers, i.e., their most satisfied, will even reduce their recommendation intention.

However, large rewards motivate dissatisfied customers to give WOM which in turn has several positive effects for service providers. The service provider does not only acquire a new customer but also profits from a dissatisfied sender’s increased loyalty caused by the sender’s public commitment. According to this result, customer referral programs are an additional option for service providers to deal with dissatisfied customers. We also could not confirm a negative effect on the new customer-service provider relationship in case a new customer detects that the referral was given by a dissatisfied customer. Hence, motivating dissatisfied customers only leads to positive consequences for the service provider. References are available upon request (igarnefeld@notes.uni-paderborn.de).

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AN EMPIRICAL TEST OF THE DRIVERS OF CONSUMER TRUST IN AN E-RETAILER AND ITS OUTCOMES DIRECTED TOWARD CUSTOMER RETENTION

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SUMMARY

Trust is advocated as the single most important factor for consumers choosing an online supplier (Bain and Company/Mainspring 2000; Reichheld, Markey, and Hopton 2000; Urban, Sultan, and Qualls 2000; Vatanasombut, Stylianou, and Igbaria 2004). To study trust mechanisms underlying consumer-e-retailer exchange relationship, this research takes a new perspective, a perspective directed toward customer retention. By bringing together trust literature and global evaluations theory, this study develops a conceptual model that identifies a consumer’s attitude toward the four key components of his entire purchase experience with an online store (i.e., website design, fulfillment/reliability, privacy/security, and customer service) as the key drivers of consumer trust in the online store and future intentions and consumer loyalty as the direct consequences of trust.

Data for the study was collected using an online survey distributed via email to a national sample of 4,156 online consumers who were randomly drawn from a panel containing about three million people. The response rate was 23 percent. Hypotheses were tested using structural equation modeling. Although the empirical test largely supported the research hypotheses underlying the proposed relationships in the conceptual model, some surprising findings were demonstrated by the empirical results.

Findings of the study imply that although trust was still central in online transactions, the degree of its centrality was challenged by the empirical results that trust played a partially mediating role between its antecedents and outcomes instead of the fully mediating role predicted by the study. This finding was discovered by testing the conceptual model using the overall sample, which combined the pure and multi-channel online store data points. Specifically, trust appears to partially mediate the effect of fulfillment/reliability satisfaction on future intentions as well as the effect of security/privacy attitudes on future intentions; likewise, trust partially mediated the effect of website design attitudes on consumer loyalty as well as the effect of customer service satisfaction on loyalty.

When controlling for offline experience satisfaction in predicting consumer trust in a multi-channel e-retailer, we found that trust mechanisms in the relationship between consumer and a multi-channel online store were somewhat different from what was predicted by the researcher. Specifically, the findings imply that customer service satisfaction and security/privacy attitudes still played important roles in consumer trust in a multi-channel online store when controlling for offline experience satisfaction. However, website design attitudes and fulfillment/reliability satisfaction no longer influenced trust after controlling for offline experience satisfaction. Interestingly, trust was found to influence future intentions toward a multi-channel online store but not loyalty. Instead, website design attitudes and offline experience satisfaction influenced consumer loyalty toward a multi-channel online store directly. It was also found that trust played a partially mediating role between security/privacy attitudes and future intentions as well as between offline experience satisfaction and future intentions. Additionally, it was found that trust played a fully mediating role between customer service satisfaction and future intentions. This finding is consistent with what was predicted by the researcher. Lastly, it was found that fulfillment/reliability satisfaction did not play any role when controlling for offline experience satisfaction in the multi-channel context.

For both pure and multi-channel contexts, consumer loyalty was found to influence future intentions in this study. This finding is not surprising given the fact that both attitudinal and behavioral dimensions were incorporated into the definition of loyalty in this study.

As depicted above, some findings are contrary to the researcher’s prediction. Those findings together imply that trust mechanisms in the relationship between consumer and a multi-channel online store may be different from those in the relationship between consumer and a pure online store. Future research into this area is warranted. References are available upon request.
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CONCENTRATION OF MARKETING CHANNELS AND BRAND-LEVEL RETAILER MARGINS

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SUMMARY

Concentration in the retail industry has grown considerably during the last few decades in many advanced countries. In the light of this trend, the shift in market power within marketing channels from manufacturers and intermediate wholesalers to dominant retailers, and the resulting economic impact on retailers’ margins, have become increasingly important issues. Given such ongoing structural changes affecting retailers, the objective of this research is to investigate the impacts of marketing channel concentration in each distributive stage on both wholesale and retail prices, and on the difference between these prices — namely, retail gross margins — at the level of brands. Many retailing studies have investigated retail margins using either firm-level financial data or price data on a small number of products supplied by a specific industry. However, research measuring the impact of the concentration of marketing channels on retailer margins using comprehensive brand-level wholesale price datasets, covering various consumer products, is missing from the existing literature, primarily owing to the scarcity of brand-level wholesale price datasets. Hence, the simultaneous investigation of the retail margins of various products undertaken in this study provides new additional insights into the retail industry. Specifically, this research is able to address this issue empirically using a unique official Japanese dataset, the National Survey of Prices, which reports not only the retail prices but also the wholesale prices of famous national brand items and does so not simply at the category or firm level but also at the brand level.

The most notable empirical finding from this research is that retailers’ margins on a broad range of consumer products have an inverse relationship with the degree of wholesaler concentration, which implies that interactions between retailers and upstream wholesalers occur. This finding is consistent with previous empirical studies that have investigated the impacts of manufacturer concentration in a specific industry on category-level retailer margins (e.g., Steiner 1993; Ailawadi and Harlam 2004). Although previous empirical studies have confirmed this tendency (known as the Steiner effect) from price data on a specific product category, this study is the first to find the inverse relationship between supplier concentration and retailer margins by employing extensive wholesale price data, covering various consumer products, is missing from the existing literature, primarily owing to the scarcity of brand-level wholesale price datasets. Hence, the simultaneous investigation of the retail margins of various products undertaken in this study provides new additional insights into the retail industry. Specifically, this research is able to address this issue empirically using a unique official Japanese dataset, the National Survey of Prices, which reports not only the retail prices but also the wholesale prices of famous national brand items and does so not simply at the category or firm level but also at the brand level.

A further unique contribution of the present study is that it investigates the impact of wholesaler concentration rather than manufacturer concentration.

In contrast to the case of wholesaler concentration, this study finds that the degree of retailer concentration itself has no influence on the retail margin, consistent with empirical findings in Betancourt and Gautschi (1992, 1993); the one exception, however, is the case where manufacturers’ branches sell products directly to retailers. In this case only, the degree of retailer concentration positively affects retailers’ margins. As at least one wholesale stage becomes disintermediated when one of the manufacturer’s branches sells a product directly to a retailer, “double marginalization” by both a manufacturer and a wholesaler does not occur. Therefore, the supply quantity is not reduced below the desired level, enabling retailers to obtain a higher margin more easily. Therefore, we may interpret the result as indicating that the disintermediation of wholesalers prevents the retailers’ purchase prices from being driven up and the quantity of supply being reduced, thus enabling retailers to earn higher margins, ceteris paribus.

Other empirical findings in this research relate to wholesale prices and retail prices. As generally expected, wholesale prices depend positively on the degree of wholesaler concentration. In relation to retailers, when these are classified by retail format, supermarkets face a smaller increase in their purchasing prices than do ordinary retail stores as a result of supplier concentration. This suggests that a large retail format exerts a stronger bargaining power over suppliers compared with the small retail format of ordinary retail stores. As expected, retail prices are positively associated with the degree of retail concentration. However, a closer examination of retail format classifications reveals that supermarkets do not raise retail prices according to their degree of concentration. This result implies that a significant part of their benefits from concentration is passed on to consumers in the form of lower prices, which is consistent with the theoretical framework presented by Aalto-Setälä (2002). Additionally, when sales companies established by manufacturers or manufacturers’ branches — both of which may be regarded as distributors substantially integrated by a specific manufacturer — sell products directly to retailers, a greater wholesale concentration reduces retail prices. We may interpret this result to mean that vertical integration of the distribution function by a manufacturer leads to...
lower retail prices by avoiding double marginalization and thus enhances consumer welfare.

A further supplementary result shows that the brand holding the highest share in each item category tends to exhibit a low retailer margin. This result may reflect the fact that a retailer is willing to accept a lower gross margin to deal in a popular brand item when the brand holds consumer loyalty (Steiner 1993). References are available upon request.

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EFFECTS OF THE EXTANT ENVIRONMENT ON INFLUENCE STRATEGY USAGE IN THE FRANCHISE SYSTEM RELATIONSHIP

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SUMMARY

Franchising is literally sweeping the world. There are believed to be more than 750,000 franchise businesses operating in the U.S. employing over eighteen million people, accounting for over $1.5 trillion in economic output (Redstone Advertising 2009). However, this explosive growth in franchising has not been without difficulty. Corporations are finding it increasingly challenging to deal with more diverse and uncertain external environments as they grow all across the globe. Prior research has found the franchise failure rate to be 15 percent to 34 percent (Olson 2008; Bates 1998; Castrogiovanni, Justis, and Julian 1993). Thus, studying factors that influence the success of franchises in varying environments is a promising field for academic research.

Given the contractual nature of franchise system relationships, the macro environment presents special challenges for decision makers in these organizations. Difficulty in gathering and processing information on the environment can negatively affect a channel relationship in numerous ways (Dwyer and Welsh 1985). Therefore, when a franchiser desires for a franchisee to undertake certain actions it will seek to exercise its position of power in the system by communicating in different ways that include information exchange, requests, recommendations, promises, threats, and legalistic pleas (Frazier and Summers 1984, 1986; Boyle et al. 1992). Thus, influence strategies are “the communicated portion of influence attempts that one channel member uses to gain the compliance of another channel member” (Payan and McFarland 2005).

Previous research has found that influence strategies fall into one of three categories: non-coercive, soft coercive, or hard coercive (Venkatesh, Kohli, and Zaltman 1995). Non coercive strategies (which include information exchange and recommendations) operate by changing the attitude of the target about the attractiveness of the intended behavior (Payan and McFarland 2005). When utilizing a soft coercive strategy (which include requests and promises), a source explicitly identifies a particular course of action that the source would like the target to take. These forms of communication intrude into the franchisee’s decision making realm to a degree and entail an implied element of coercion (Frazier and Summers 1984). Hard coercive influence strategies (which include threats and legalistic pleas) stimulate conformity on the basis of the influence mechanism of source-controlled punishments and rewards (Payan and McFarland 2005). Therefore, because environmentally uncertainty affects dependence levels of franchisees on franchisers, we contend that the franchisers’ choice of influence strategy (hard, soft, or non-coercive) is driven, at least to some degree, by perceived conditions of environmental uncertainty. Additionally, Achrol and Stern (1988) identified three dimensions that are useful in studying environmental effects on franchise system processes. In this tradition, researchers have studied the impact of environmental heterogeneity, variability, and munificence on channel structures and processes (Grewal and Dharwadkar 2002). It is proposed that three dimensions of the environment (heterogeneity, variability, and munificence) will independently exert varying degrees of influence on the franchiser’s selection of communication strategies within a franchise channel dyad.

Our data collection consisted of a single franchise sector, which was selected to minimize the effect of possible cross industry managerial differences. For an industry to be a good candidate, its participants should face differing environmental conditions across the sample frame. After considering a variety of possibilities, the fast food industry in the United States was selected for the study. According to the National Restaurant Association research and figures from the U.S. Bureau of Economic Analysis and the Bureau of Labor Statistics, vast regional and local environmental differences exist within the restaurant industry, which fits the criteria for candidacy. To test our hypotheses, we measured franchisees’ perceptions of the franchise system relationship. We targeted franchisee owners that control five or less total units in an effort to locate owners that are intimately involved in the day-to-day operations of their business. These owner/managers usually deal directly with the franchiser, so the key informant data collect method was implemented (Quinn 2009).

A national sample of one thousand one hundred and forty-five (1,145) franchisee-owned restaurants was chosen to participate in the study. Franchisees of 10 different fast food companies were mailed survey questionnaires. Ninety-three percent of the names and addresses, repre-
senting eight of the companies, were purchased from a marketing research company in the Midwest. Companies surveyed included McDonalds, Burger King, Taco Johns, Subway, Blimpies, Pizza Inn, International House of Pancakes, and Arby's. The remaining names and addresses were received from two companies (Sonic and Steak-Out) that voluntarily agreed to participate in the study. A total number of 180 usable responses were obtained, resulting in a net response rate of 16.1 percent. Although the response rate is low, it is comparable to those of several other empirical studies in the channel arena (cf., Etgar 1977; Brown and Day 1981; Weiss and Anderson 1992).

Generally, our findings differentiate from previous research which indicates channel members commonly prefer to use non coercive influence to coordinate their channel partners. In fact, our study demonstrates that the use of hard coercive strategies significantly increase during uncertain and tenuous environmental conditions. In these conditions, franchisers refuse to avoid dysfunctional conflict when coordinating franchisees as previous research suggests. However, we do see that as uncertainty gives way to more stable environments, the use of hard coercive strategies likewise decrease. In more stable environments, and especially in rich munificent environments, franchisers move toward softer coercion tactics, if any are needed at all. Ultimately, our research demonstrates that franchiser use of influence strategies are certainly determined by environmental influences.

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EFFECTIVE BRAND STRATEGY IMPLEMENTATION: A REVIEW OF THE LITERATURE AND FRAMEWORK FOR FUTURE RESEARCH

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SUMMARY

Understanding brand strategy implementation (BSI) has been a long-standing goal of researchers and managers alike and scholars widely agree on the importance of BSI for enhancing firm performance (e.g., Aaker 1996; Keller and Lehmann 2006). While the focus of extant research has been on marketing instruments, organizational BSI capabilities and their link to firm performance have attracted only limited attention and still are not well understood (Chimhanzi and Morgan 2005; Hickson et al. 2003; Menon et al. 1999; Piercy 1998). Accordingly, although organizations invest huge amounts of resources in BSI efforts, many strategy implementation initiatives fall far behind expectations (Bigler 2001; Hickson et al. 2003; Ind 2007; Wong and Merrilees 2007).

Against this background, the objective of this paper is to conceptually investigate effective BSI and clarifying the link between strategy development and implementation. To this end, we review the extant conceptual and empirical literature on BSI and, based on the literature review, develop a conceptual framework of effective BSI.

In line with extant research we define brand strategy implementation (BSI) as the communication, interpretation, adoption, and enactment of a brand strategy or a brand strategy initiative (Noble and Mokwa 1999).

The literature review shows that there is a variety of conceptual work and a limited but growing body of empirical evidence, which provide various insights into BSI. However, these insights fail to provide a clear picture of effective BSI. This is mainly due to researchers’ limited use of theories and the variety of theories used in those studies with a theoretical foundation. Given the fragmented empirical evidence and the lack of consistent efforts to integrate the evidence systematically, research on effective BSI requires conceptual research that integrates previous BSI-related research, organizes and explains existing evidence of this research (e.g., by using well-established bodies of theory), and provides guidelines for theory-driven, systematic future research on BSI.

Further, the literature review shows that various issues important to understanding effective BSI (i.e., the conceptualization of organizational BSI capabilities, possible implementation effects of brand strategy development, and the relationship between organizational BSI capabilities and firm performance) remain unclear. Hence, these issues should be addressed in conceptual work aimed at understanding BSI effectiveness.

We developed a conceptual framework for investigating effective BSI with four basic elements: (1) BSI effectiveness, (2) implementation-related brand strategy development capabilities as determinants of BSI effectiveness, (3) firm performance as outcome of BSI effectiveness, and (4) organizational learning capabilities as moderators of the relationship between brand strategy development capabilities and BSI effectiveness. Basically, the proposed framework links organizational BSI capabilities to firm performance and suggests implementation-related brand strategy development capabilities, organizational learning capabilities, and BSI effectiveness as core elements of organizational BSI capabilities. Our framework organizes both important variables related to, and extant evidence on, effective BSI. It builds on scholars’ conclusion that a better integration of brand strategy development and brand strategy implementation would result in higher BSI effectiveness (Noble 1999; Thorpe and Morgan 2007). More specifically, its basic rationale is that brand strategist, strategy development process, and brand strategy, all usually considered as elements of strategy development, possess particular implementation-related characteristics that strongly affect BSI effectiveness.

We use organizational learning theory (Argyris 1989; Huber 1991; Kim 1993) and the resource-based theory of competitive advantage (Barney 1991; Barney 2001) to link organizational BSI capabilities to firm performance, and based on these theories, identify key variables of effective BSI and explain how these variable relate to each other. While the framework focuses on a set of relationships that the theories and previous research suggest as key to the investigation of effective BSI, based on the theoretical rationale, additional relationships may easily be identified and integrated into the framework.

Theoretically, we identify the core elements of organizational BSI capabilities (i.e., implementation-related brand strategy development capabilities, execution- and improvement-oriented Organizational learning capabilities, and BSI effectiveness). Drawing on the organizational learning theory and the resource-based theory of competitive advantage we link organizational BSI capabilities to firm performance, and based on these theories,
identify key variables of effective BSI and explain how these variables relate to each other. Furthermore, we clarify the link between brand strategy development and BSI, which the literature review has identified as important, but largely neglected by previous research. Finally, we provide an answer to the question of how organizational BSI capabilities affect firm performance, adding to the literature on performance-relevant organizational skills (Day 1994). Managerially, the paper suggests key variables and mechanisms managers should focus their attention on in their efforts to enhance BSI effectiveness and BSI’s contribution to firm performance. References are available upon request.

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EXPLORING THE BRAND PRODUCTIVITY GAP

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SUMMARY

Brands are generally considered among the most valuable intangible assets that a firm can have which means that investment to manage those brands is a high priority for top management (Keller and Lehmann 2006). As a response to the worldwide economic crisis, many firms are cutting back on their brand building investments. The important question is whether or not this decision is best for the firm. Reducing brand investments will reduce costs, but it could reduce brand outcomes, too. Taken together, these two countervailing effects may result in either higher or lower returns on branding, and the questions of which will result and why are difficult to answer.

Drawing on the production economics literature (e.g., Seiford and Zhu 1999; Luo and Donthu 2006), in this paper, we introduce a two-step brand productivity model that measures and investigates how firms convert multiple brand inputs into multiple outputs during the brand management process. The first step incorporates conversion of brand investments into customer-related outcomes and thus captures brand efficiency, how well brand investments do what they are meant to do, influence customers. The second step addresses the translation of customer-level outcomes into financial outcomes and captures brand effectiveness, the degree to which customer outcomes result in better firm performance. Brand productivity combines both perspectives into an overall assessment of branding capabilities. This two-step approach fits with the recent notion that value creation at the customer-level alone is insufficient to ensure the ultimate success of the firm (Grewal et al. 2009). Firms must do two transformations well to obtain an appropriate level of financial returns from their brand investments. Distinguishing between the two steps opens the brand productivity “black box” so that where, in the brand productivity chain, a given firm is not as efficient and/or effective as its competitors can be determined.

We also expand on existing studies linking brand investments to financial outcomes by applying data envelopment analysis (DEA) instead of parametric (regression-based) methods. Using DEA is a response to recent calls for methods that identify above-average brands that outperform their industries (Muhanna et al. 2004) and allows benchmarking the actual investment (i.e., inputs) of each brand against the level invested by best-performing, frontier brands operating under the same conditions. We test our brand productivity model with comprehensive panel data for 244 brands in 12 product categories, allowing generalization beyond existing studies which have focused on a few top brands in a single category. Moreover, we expand the brand-specific inputs we investigate to include product quality and distribution as well as communication, i.e., advertising, the sole focus of previous work. This use of more of the important brand investments, combined with the DEA methodology, allows us to optimize resource allocation across the different branding instruments. In addition, we include multiple outcome measures from different sources. We use panel data from the large scale Young & Rubicam Brand Asset Valuator to capture customer-level brand outcomes (brand awareness and brand image), and we employ product-market metrics (brand revenue premium and EBITDA) and stock-market related information to capture financial brand outcomes.

Our results reveal several interesting patterns. There are considerable brand efficiency and effectiveness differences across brands and across product categories. Specifically, unproductive brands exhibit two typical input-output transformation patterns resulting in brand productivity gaps: inefficient-effective (e.g., financial service brands) and efficient-ineffective (e.g., desktop computer brands). Additionally, differentiating between the two steps provides insights into the specific sources of brand productivity gaps, and these insights enhance the firms’ sense and ability to respond as it aims to improve its brand management process. By contrasting a brand’s current productivity level with a best-performing benchmark brand in its respective industry we provide suggestions on how a brand can reduce its brand investments without threatening either its customer or financial outcomes. Finally, we find that our two-step model bears significant advantages over a less sophisticated one-step model.
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SPONSORSHIP DEAL CHARACTERISTICS, FAN PERCEPTIONS, AND SPONSORSHIP FIT: AN EMPIRICAL EXAMINATION

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SUMMARY

Sponsorship fit is frequently mentioned and empirically examined as a success factor of sponsorship (e.g., Becker-Olsen and Hill 2006; Simmons and Becker-Olsen 2006; Speed and Thompson 2000). Sponsors that are perceived as congruent with the sponsored object have been found to benefit more from their sponsorship engagements in terms of increasing brand equity (Becker-Olsen and Hill 2006; Gwinner and Eaton 1999; Simmons and Becker-Olsen 2006) and purchase intentions (Speed and Thompson 2000) than incongruent sponsors. Sponsorship fit can be defined as perceived match of attributes between sponsoring firms and sponsored objects (Becker-Olsen and Hill 2006). While sponsorship fit has been considered as a determinant of sponsorship success, little knowledge exists about the antecedents of sponsorship fit. However, from a managerial point of view, especially for sponsors that are in a particular situation of low fit, identifying antecedents of (in)congruence is highly relevant for improving the effectiveness of sponsorships. On the one hand, sponsorship fit can be seen as a result of a cognitive process including different antecedents which are different for each individual. On the other hand, sponsorship fit is likely to be different between brands, i.e., the group level. From a managerial perspective, it is highly relevant to determine if firm actions are reflected in fan evaluations of sponsorship fit, especially if fans are a relevant target group. The size of this target group can be as large as 50.3 (CF Barcelona), 32.8 (Manchester United) or 19.9 (Bayern Munich) Million fans in Europe alone (figures: Sport+Markt 2008).

Existing literature on group level determinants of sponsorship effectiveness is predominantly based on self-reported data (e.g., Cornwell, Roy, and Steinard 2001) rather than examinations of objective differences between sponsorship deals and their impact on consumer perceptions.

Hence, the present paper contributes to the literature by examining the individual and firm-level antecedents of sponsorship fit. We draw on (1) a sample of 1,799 soccer fans from 31 clubs of the first and second German soccer league in order to obtain individual drivers of sponsorship fit. In addition, we gathered (2) objective data, i.e., characteristics of shirt sponsorship deals of clubs analyzed in order to explain between-group differences. Given the nested structure of the data, hierarchical linear modeling (HLM) is an adequate method for analysis and hence applied in this study (cf., Bryk and Raudenbush 2002 for an overview on the method).

Several factors have been mentioned in previous studies that are proposed to contribute positively to sponsorship fit or sponsorship related outcomes. Functional similarity (Gwinner and Eaton 1999), relatedness to the sponsored activity, perceived benefits of the partnership (Woisetschläger and Haselhoff 2009), regional identification of the sponsor (Woisetschläger and Haselhoff 2009), the sponsors sincerity (Speed and Thompson 2000), dominance in the partnership, and the ubiquity of the sponsorship (Speed and Thompson 2000) are potential determinants of sponsorship fit.

Besides determinants of sponsorship fit that are perceived differently by individual fans, characteristics of the sponsorship partnership are proposed to affect sponsorship fit. Typically, sponsorship contracts can be characterized by the contract value (i.e., the amount paid by the sponsor per year), the duration of the contract, and the regionality of the sponsor. These objective measures indicate the firm’s commitment in terms of budget, timeline, and shared regional identity. Differences in contract value, contract length, and regionality are expected to partially explain differences of the level of sponsorship fit over different sponsor-partnerships.

Results indicate that at the individual fan-level, sponsorship fit is influenced by relatedness to the sponsored activity, dominance, sincerity, regional identification, and perceived benefits. Functional similarity and ubiquity did not show an impact on sponsorship fit. The model explains 47.35 percent of the variance in sponsorship fit.

At the group level, results show that the intercept of the regression is significantly influenced by past contract length, future contract length, and regionality. However, there is no significant influence of contract value. About 31 percent of the variance in the intercept of sponsorship fit can be explained by past contract length, future contract length, and regionality of the sponsor.
Our findings reveal that, on the individual fan level, perceived benefits are the strongest determinant of sponsorship fit. Sponsors should therefore actively communicate the benefits of their engagement. Regional identification is also an important antecedent of sponsorship fit. Firms that show their belongingness to the region of the club are perceived as in-group members, and therefore as congruent to the club. Perceived sincerity of the sponsor is also a positive determinant of sponsorship fit. Therefore, firms should communicate that they are reliable partners of the particular club but should avoid to be perceived as a dominator of the club. Relatedness to other sports activities is also positively contributing to sponsorship fit. Contrary to our propositions, functional similarity and perceived ubiquity are not significantly related to sponsorship fit. As a consequence, functionally dissimilar firms such as McDonald’s in their current partnership with the FIFA football federation could be perceived as congruent partners as a result of other determinants of congruence. Moreover, sponsorship engagements with several clubs are not negatively perceived by the fans.

On the group level, results show that past and future contract lengths contribute positively to sponsorship fit. Sponsors that strive for short-term impact are evaluated less favorable, while sponsors that are situated in the region of the club are evaluated significantly better in terms of sponsorship fit. If companies are willing to take advantage of this fact is likely to depend on the attractiveness of the regional market and the fans as target customers. Contrary to our expectations, contract value is not significantly related to sponsorship fit. Hence, firms should invest in long-term sponsorship relations instead of spending more of their budget over a shorter time period. References are available upon request.

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THE SPILLOVER OF BRAND EQUITY WITHIN A CORPORATE SPONSORSHIP PORTFOLIO

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SUMMARY

The image transfer between a sports enterprise or celebrity endorser and a single corporate sponsor’s brand is well documented in the literature (e.g., McCracken 1989; Gwinner and Eaton 1999; Speed and Thompson 2000; Till and Busler 1998, 2000). However, these sponsor or endorsement relationships seldom exist in isolation (Smith 2004). Numerous firms often associate their brand with the same iconic enterprise or celebrity simultaneously. While the research to date on brand associations in the context of sponsorship has focused on consumers’ association of a sponsored enterprise with a sponsoring firm (Gwinner and Eaton 1999; Meenaghan 1991, 2001; Meenaghan and Shipley 1999), this study investigates brand spillover effects between sponsors partnered with a common sports enterprise. An experimental design utilizing actual consumer brands is employed to ascertain the influence of a sponsorship portfolio on consumers’ perceptions of brand equity and purchase intentions of a particular sponsoring brand.

Although empirical research on the impact of a portfolio of brand images in a sponsorship environment is lacking, early brand alliance research has shown the physical or symbolic combination of two or more individual brands can result in spillover effects (Fang and Mishra 2002; Rao, Qu, and Ruekert 1999). These effects occur when consumers’ perceptions of a single brand are influenced by the other brands in an alliance or joint branding situation (Lebar et al. 2005; Samu, Kirshnan, and Smith 1999; Simonin and Ruth 1998). Drawing on the theories of brand associations (Keller 1993, 2003) and brand equity (Aaker 1991), and considering empirical evidence in brand alliance situations, the following two hypotheses were tested:

H1: Within a sponsorship portfolio composed of multiple brands, consumers’ perceptions of the brand equity of a sponsor are positively influenced by the brand equity of the other brands contained within the portfolio.

H2: Within a sponsorship portfolio composed of multiple brands, consumers’ purchase intentions for a particular brand are positively influenced by the brand equity of the other brands contained within the portfolio.

In the primary study, 160 undergraduate students from two Northeastern universities were randomly assigned into one of two sponsorship portfolio conditions. Each condition employed three distinct brands and one common focal brand within the sponsorship portfolio. Brands were chosen based on their brand equity scores in Brandweek’s annual Superbrands issue (2008) and after an initial pretest and focus group. Marriott Hotels was selected to serve as the common brand in both sponsorship portfolios. Dodge, Kmart, and Discover Card comprised the LOW portfolio condition; while the HIGH portfolio condition consisted of Toyota, Target, and VISA.

Subjects were subsequently asked (as a distracter task) to assess the clarity and effectiveness of three different advertisements, each of which featured a professional hockey league thanking the same four corporate sponsors for their support. Then, respondents’ perceptions of brand equity and purchase intentions were ascertained through previously validated scales (Aaker 1996; MacKenzie, Lutz, and Belch 1986; Voo, Donthu, and Lee 2000).

An analysis of variance (ANOVA) was employed to analyze the difference between subjects’ perceptions of Marriott in the low and high portfolio conditions. The brand equity impressions of Marriott (H1) were significantly higher when Marriott was presented within a sponsorship portfolio consisting of higher equity brands (p = .017). Though respondents exposed to the portfolio of sponsors consisting of higher equity brands demonstrated a greater intention of choosing Marriott for their next hotel stay, the difference between portfolio groups (H2) was not statistically distinct (p = .155).

The study undertaken in this paper reveals empirical evidence of a spillover effect in brand equity between corporate sponsors aligned with a common sports enterprise. This finding extends the literature on commercial sponsorship, which has primarily been concerned with the dyadic relationship between the sponsored enterprise and a single sponsoring firm (e.g., Gwinner 1997; Meenaghan 2001; Speed and Thompson 2000). Future research should take a broader perspective of the sponsorship environment by focusing on the full context of the commercial sponsorship portfolio instead of a dyadic alliance between a single corporate partner and a sponsored enterprise.
This research also advances the brand alliance literature by extending the evidence of spillover effects to secondary associations (Keller 1993; Lederer and Hill 2001). While the sponsoring brands in this experiment did not directly align with each other to produce a co-branded product or engage in an intentional co-marketing initiative (Bucklin and Sengupta 1993), their connection to a common promotional enterprise led respondents to seemingly form associations between brands that impacted assessments of brand equity. As a result, firms entering alliances to achieve promotional objectives should carefully map the secondary associations that accompany such an alliance. References are available upon request.

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SUMMARY

Many marketing problems exist of several interconnected traits simultaneously driving an outcome. Examples may include brand value decisions, product launch decisions or firms’ foreign market entry. In such situations, seeking for the individual effect of an independent variable or simple interaction effects may be of little interest. However, marketing researchers rarely look for configurations of decisions or consider multiple sets of solutions leading to the same outcome. This lack of attention for additivity and equifinality of solutions probably is an artifact of prevalent research methods in marketing.

This study introduces qualitative comparative analysis (QCA) as a useful complementary method to address these issues in marketing research. Based on Boolean algebra rules, QCA can identify complex combinations of traits that have the necessary and/or sufficient conditions for an outcome. QCA is a mixed qualitative–quantitative technique originally developed for sociology and political sciences that models relations between variables in terms of their set membership rather than using traditional correlation- or regression-based methods. Specifically, instead of disaggregating observations into independent, analytically separate elements, and then testing their average net effects on an outcome using statistical theory, QCA conceptualizes cases as any possible combinations of elements or traits and uses Boolean algebra to identify combinations that offer necessary or sufficient conditions to lead to specific outcomes. This makes QCA capable to describe complex sets of relationships overcoming the assumptions of additivity and equifinality. Moreover, the use of a mathematical/descriptive logic also makes QCA suitable to deal with configuration analyses even in very small populations, thus being a powerful complementary technique to existing research methods in marketing.

To demonstrate the potential of QCA, we replicate and extend an existing study on new product development (NPD) that focuses on the effectiveness of a hierarchical approach as a means to accelerate NPD. Apart from the centrality of the NPD in marketing, our choice was informed by access to the original data and the fact that such study is one of the few already published works that simultaneously contain the three interesting elements for applying QCA: additivity, equifinality, and small sample size as an extra complicating factor.

The results of the QCA replication show some similarities with the original study, in that the effects of acceleration approaches on market opportunities and firm performance are highly congruent. A hierarchical implementation approach improves firm performance, and random approaches are not effective for increasing firm performance. Moreover, the implementation of NPD acceleration approaches in a manner consistent with the MRW hierarchy does not enhance market opportunities, but other, nonhierarchical approaches can do so. The other QCA results appear only partially consistent with the original findings and suggest that a more hierarchical implementation pattern relates to neither improved new product profitability nor higher development speed. Furthermore, we only find partial support for the original claim that a fully random approach is associated with higher development speed.

Our replication also helps to understand the impact of individual NPD acceleration approaches, something that was not investigated in the original study. Along this line, we find that the simplify approach is most important for increasing development speed and improving performance. Conversely, eliminating steps apparently is a poor approach that should be never implemented except to enhance firm performance. The other approaches in the MRW hierarchy have contingent effects, depending on the other acceleration approaches implemented. In general, the role of doing things in parallel seems less important than that of speeding up or eliminating delays. Furthermore, our QCA replication results reveal that the approaches that increase development speed also tend to improve new product profitability and market opportunities. The main difference pertains to doing things in parallel.

To further show the potential of QCA, we extend the replication by including another possible contingent fac-
tor for which we had information in the original dataset: the degree of sophistication of the NPD organization. The results of our additional QCA analyses support the notion that the organizational structure of the NPD process influences the effect that specific acceleration approaches have on development speed and/or performance. Firms with simple NPD organizations have multiple pathways they might follow to accelerate their development process. In particular, they may adopt less sophisticated acceleration approaches in isolation, such as speeding up, or pursue combinations, such as speeding up versus the elimination of delays or the simplification of activities. Firms with sophisticated, team-based organizations benefit most from combining the simplification approach with parallel processing while not engaging in task elimination and removing delays.

We make a threefold contribution to marketing literature. First, we provide initial evidence of the power of QCA in conditions where additivity, equifinality, and a small sample size affect the research context. We do not advocate QCA as the only or a superior technique per se but promote it as an alternative and complementary approach for circumstances in which multiple and complex interaction effects are possible, yet too complex to investigate using traditional analytical techniques. Second, our paper adds to the existing stream of methods research by highlighting the generally overlooked relevance of method triangulation. Researchers widely acknowledge the importance of using multiple methodologies to increase the robustness of findings, yet most marketing research continues to rely on single analytical methods. Moreover, studies based on methodological replications and/or extensions are negligible in marketing. Our study proposes QCA as a useful complementary tool to increase the robustness of findings in the marketing field. Third, our study adds to the NPD literature, especially on the stream that cites the effectiveness of different acceleration approaches to reduce NPD time. By applying QCA to an existing study, we enhance our understanding of the effect of simultaneous use of several acceleration approaches on development speed and performance. Because additional data on NPD organization was available in the original data set (not used in the original analysis) we also were able to make an interesting extension, exploring how the use of acceleration approaches is contingent on the NPD organization within a firm.

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IMPROVING THE DIRECT ESTIMATION OF DEMAND BY ADJUSTING FOR INCORRECT PRICE-STATEMENTS

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SUMMARY

The key to a profitable pricing of product innovations is to estimate consumer demand accurately. To gauge demand for new and existing products, market researchers often measure consumers’ maximum willingness to pay (WTP) using direct WTP elicitation methods such as the open-ended (OE) question format. The OE question format offers several benefits to the market researcher such as cost and time savings and is often used in market research. However, under the hypothetical OE question format survey respondents have little incentive to perform the necessary cognitive effort in order to accurately state their WTP, as their WTP statement has no economic consequences. Therefore, direct measurement of consumers’ WTP using the OE question format may yield biased results. In this research, we argue that respondents may reduce their cognitive effort by reporting some other type of price than their current maximum WTP, as other price concepts such as internal reference prices might be more readily available to respondents. Based on this argument, we present a new approach to adjust for such incorrect price statements and hence, reduce the bias of the OE question format.

In our first study, we ask 99 subjects to state their WTP for a newly introduced electronic bike, using the OE question format. In addition, the participants have to self-select a price-type among six possible price concepts that would best reflect the type of price they had stated during the previous WTP elicitation task. Such price-types include, e.g., the price the product would presumably cost in a store, a fair price, or a price the respondent would pay in the future. Our data reveals that most respondents (56.57%) indeed do not state their current maximum WTP but report other price concepts instead.

Based on this finding, we develop a second study in which we ask 781 consumers to state their WTP for a newly developed consumer good, a scarf with the imprint of the university’s logo. The study design comprises three experimental groups (between-subjects design). In the first group (OE group), consumers only have to state their current maximum WTP using the OE question format. In the second group (OE-Cut group), the OE question is followed by a price-type self-selection task (similar to Study 1). In the third group (BDM group) we determine WTP directly by the incentive compatible BDM mechanism proposed by Becker, DeGroot, and Marschak (1964). We first test the existence of a bias of the WTP statements in the OE group. We define the bias as the difference between the hypothetically (i.e., OE group) and actually (i.e., BDM group) stated mean WTP. A t-test and a Kolmogorov-Smirnov (KS) test show WTP statements in the BDM group are significant lower compared to the OE group (9.11 Swiss Francs versus 14.31 Swiss Francs). Similar to the first study, the data reveals that a majority (55.72%) of the respondents in the OE-Cut group state a price that differs form maximum WTP. In order to adjust for these incorrect price statements, we exclude those respondents from the sample who did not correctly answer (i.e., they claim to have stated their true maximum WTP in the price-type self-selection task) the WTP question ex-post. On this reduced sample, we run a separate analysis. Both, a t-test and a KS-test show that mean WTP does no longer significantly differs between the BDM benchmark and the reduced OE-Cut group (9.11 Swiss Francs versus 9.71 Swiss Francs). This finding indicates that hypothetical bias might be mitigated by only considering statements of those respondents that are able to correctly state their WTP.

To conclude, we find that the respondents do not always answer in a way that is intended by the market researcher and that our proposed approach to improve WTP measurement with the OE question format is capable to significantly improve the external validity of the measurement. By means of adding a price-type self-selection task after the OE question and only considering the respondents who give the correct answer, we show that it is possible to improve the WTP results in such a way that the hypothetical bias is removed to an insignificant level.
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QUANTIFYING QUALITATIVE DATA: A NOVEL APPROACH TO MEASURE BRAND ASSOCIATIONS

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SUMMARY

The branding literature suggests that not all brand associations are equal and the strength, uniqueness and valence of brand associations need to be considered when measuring brand associations (Keller 1993). We provide an approach to address all these dimensions simultaneously. Using a pilot study, uniqueness of brand associations is determined by coding associations into several mutually exclusive meaning components. The serial order of free association elicitation is used to assess association strength. This serial order, combined with a measure of valence, is used to create a quantification of open-ended brand associations called a “Weighted Valence Index” (WVI). Then, the WVI is used to predict brand attitudes.

Aaker (1991) asserted that the underlying value of a brand name is often the set of associations – its meaning to people – anything connected in memory to the brand name. Associations are the “the heart of brand-building” (Aaker and Joachimsthaler 2000a, p. 263). Brand association in marketing is typically elicited through free association method (e.g., Chen 2001). Free association, also known as word association, allows consumers from various backgrounds to respond freely in their own terms with whatever verbal form they feel most appropriate. Free association data in marketing is typically used in a qualitative fashion where the semantic meaning of associations is considered and interpreted together with frequencies and or percentages of such semantic meaning. In this research, in a series of stages, we turn free associations into measures equivalent to that of interval scale items, such as semantic differential and Likert scales, which lend themselves to rigorous assessment of reliability and validity. We used quantified free associations as independent variables and typical scale items as dependent variables in our study.

First, using pilot study data, free associations in response to two sub-brands (e.g., American Express Platinum) from nine different services sectors were elicited. The subjects for this pilot study were 58 male and female undergraduate students enrolled in a marketing course at a major university in Australia. The pilot study data collected using the free association method was analyzed through a technique called associative group analysis, advocated by Szalay and his colleagues (see Szalay et al. 1993; Szalay and Bryson 1974; Szalay and Deese 1978; Szalay and Maday 1973) in the field of social psychology and later adopted by researchers in marketing (Friedmann and Zimmer 1988; Marsden 2002; Philips 1996). According to associative group analysis, one way of identifying meaning from free association is to place the responses obtained in categories based on their semantic relationship to the stimulus.

Using the pilot study data, the research team developed the following five domains of brand meaning components that were equally applicable to all of the brands:

1. The SUB-BRAND meaning component captures the notion of genuine brand equity at the sub-brand level as it included anything judged to be mentioned about the sub-brand.
2. The PARENT company meaning component was conceptualized as anything judged to be mentioned about the parent company.
3. Generic associations with the specific service category included reference to the service category and its attributes, characteristics and features in any form.
4. The SEMANTIC meaning component includes associations referring to the general semantics of the sub-brand’s brand name, font, logo, color, visual style and slogan that do not indicate any specific knowledge of the underlying sub-brand.
5. Finally, there was evidence of reference to COMPETITORS in response to the sub-brand stimulus.

In the main study, word associations in response to 14 actual sub-brands were generated from 447 respondents. As opposed to the typical procedure where the frequencies of associations are simply counted, here the frequencies were adjusted based on the order of elicitation, which served as a proxy for strength. Based on Szalay and his colleagues (see Szalay and Bryson 1974; Szalay and Deese 1978; Szalay and Maday 1973; Szalay et al. 1993), the first mentioned association is weighted by six points, the second 4.8 points, the third 4.2 points, the fourth 3.4 points, the fifth 3.2 points, the sixth 3 points, the seventh 2.5 points, the eighth 2 points, the ninth 1.5 points, the tenth 1.1 points, and one point each for any further
elicitations. This research also employed a rating scheme to account for differences in valence. The respondents were asked to rate each of their brand associations from –3 to +3, where -3 was very unfavorable and +3 very favorable. The resultant strength and valence indices were used to develop a brand association index WVI, where the strength score is multiplied by the valence score for each association. A WVI association index was calculated for each meaning component for every subject for every sub-brand. Content, convergent and discriminant validity are rigorously discussed and the reliability of this technique is established using Cronbach’s alpha analysis.

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A CONCEPTUAL FRAMEWORK OF HOW PRODUCT DESIGN IMPACTS CONSUMER PERCEPTIONS AND MARKET-BASED PERFORMANCE

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SUMMARY

Product design is a priority for firms as they compete in an increasingly global marketplace, where cost and even quality are no longer differentiators. While significant resources are often invested to improve product performance based on design, foundations for understanding the controllable factors that influence consumer perceptions of design remain largely conceptual, even though important frameworks have been developed from a number of perspectives. Bloch (1995) considers the interface between firm actions, consumer perceptions and expected behavioral responses, and builds on earlier work from Bloch and Richins (1983) which develops a comprehensive means to understanding the role of product importance. In the design literature, Crilly et al. (2004) integrate existing models based on theories and concepts from a variety of fields including design research, psychology, consumer behavior and sociology. Drawing from psychology, Rindova and Petkova (2007) suggest antecedents and value perceptions of new technologically advanced products based on cognitive an affective responses. Similarly, in a book widely renowned among design professionals, Norman suggests emotions regarding products arise from the visceral, behavioral, and reflective levels of brain processing activities (Norman 2004). Expectations are that design influences consumer perceptions, which in turn engenders improved market performance.

Components of theorized relationships between variables in frameworks have also begun to be reported in the literature. Hertenstein et al. (2005) present a conceptual mapping of the role of industrial design, establishing an association between design effectiveness and firm level financial performance. Further, robust design capabilities are also shown to have a relationship with firm performance and speed to market by Swan et al. (2005). With respect to aesthetic components of product design, Veryzer finds that universal principles of design illicit significant aesthetic responses, and uses this as a foundation for a broader conceptualization of the role of design aesthetics in consumer research (1995a). However, to our knowledge, no single study has yet established the relationship between product design, consumer perceptions and market-based performance.

The lack of an empirically tested longitudinal framework has both practical and academic relevance since defining measurable components of design would give managers an important tool in the development process, and researchers a broader foundation for further study. Understanding consumer’s perceptual response to design provides managers in the strategic and tactical domain of product development with knowledge that can be employed to influence consumer behavior, and shed insight into expected market outcomes. Although the literature has begun to address components of this phenomenon, major gaps in our knowledge related to how design factors influence consumer perceptions still exist.

In order to form a general and coherent perspective on the subject, this study develops a conceptual framework based on the existing literature, and further contributes to knowledge by empirically testing the framework, and deriving new insights. We develop a conceptual framework illustrating how factors such as form, function, and aesthetics impact market performance when mediated by perceptions of design, and propose a longitudinal model based on objective measures of design coupled with consumer perceptions and market performance. The broad purpose of this study is to better understand how form, function, and aesthetic features of a product impact market performance, as mediated by consumer perceptions. The three main contributions of this research are: (1) To develop a conceptual framework that integrates concrete and abstract measures of professional product design to explain the impact of these constructs on consumer perceptions of design and market performance; (2) to set up a means to empirically test the conceptual model on a longitudinal basis; and (3) to use the results to describe, explain, and understand the role design in achieving a competitive advantage in the marketplace, providing guidance to product development, marketing, and executive management in the new product decision making process with respect to future product design.
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PRODUCT PLACEMENT IN THE MOVIES: FROM DAWN TILL DUSK?

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SUMMARY

For better (e.g., the Nokia 7110 in The Matrix 1999) or worse (e.g., over four dozen brands in The Departed 2006), product placement in the movies has become a part of today’s marketing arsenal lending its power to offerings ranging from pregnancy tests to stock exchanges to luxury cars (Grover 2009). Industry sources boast that product placements in the movies can significantly boost sales of individual brands as well as entire product categories (Harlow 2006). For example, wineries and grocery stores saw an explosion of Pinot Noir sales after it was featured in the movie Sideways (2004). Nevertheless, evidence for the tangible benefits of product placement is mostly anecdotal, and studies that empirically demonstrate its economic worth are scant at best.

This article examines the effectiveness of product placements in the movies over a time span of almost forty years (1968–2007). During this time period, this advertising practice has been transformed from a relatively rare covert marketing technique to a part of the mainstream integrated marketing communications portfolio. The study uses event study and multi-level mixed coefficient modeling to link branded product placements to firm value, and examine the applicability of “wear-out” theory in the context of product placement effectiveness. We identify significant cumulative abnormal returns in the (-10, 16) event window (the stocks gain .75% on average). This finding indicates a favorable, yet not immediate, market response to product placements in movies. We also observe an inverted U-shaped relationship between the year of the movie release and the returns associated with product placements. We estimate that the effectiveness of product placement peaked in the early nineties (i.e., 1993) and has been declining since then. The dusk of this advertising medium may already have arrived for generic placements. The market response to placements from 2005–2007 time-frame is slightly negative and significantly different from the response associated with the rest of the sample. These recent declines could be potentially explained by soaring costs of product placement. Therefore, a detailed examination of recent product placement effectiveness is warranted to justify continued adoption of this marketing practice. This finding is consistent with habituation-tedium theory which is traditionally used to explain the inverted U-shaped pattern in response to novel ads. This article suggests that similar habituation-tedium mechanism could be moderating response to an entire advertising form. The results of this study reinforce the notion that marketers find it increasingly difficult to get their message across using traditional display methods. They underscore the need for the advertising industry to reinvent itself when new tactics lose their luster.

Our results also indicate that more overt product placements tend to be associated with negative market response. This is consistent with previous literature that finds that overt placements may lead to decreased consumer response. Counter-intuitively, selective and less expensive placements (e.g., brief fleeting appearance) may be more effective than marquee, repeat-exposure placements that are very costly. Thus, the value of repeat exposure in placements and what represents a marquee placement should be qualified carefully.

The cumulative knowledge from this study and that of Wiles and Danielova (2009) suggest that blockbuster films may be associated with more efficient market responses and higher initial CAR to product placements in films, but also with a strong downward adjustment that takes place upon the movie’s opening. This new finding suggests an interesting area of future research: an analysis of the relative success of product placements across different types of movies (e.g., blockbusters vs. niche films). Placements in blockbuster films may generate more hype but not necessarily a sustainable increase in the firm’s economic value. The lack of long-term value could be tied to several factors, including the high costs associated with these placements. Therefore, the ultimate economic worth of placement in very successful movies may be questionable more so than placement in moderately successful movies (suggesting an inverted-U relationship). Furthermore, faster market response for top grossing movies also implies the need for investors to pay more attention to pre-release box office receipts expectations (e.g., Hollywood Stock Exchange), and pay attention to critical reviews that may mention placement and/or signal quality of placements in big budget movies, which influence amateur ratings, and ultimately movie performance (Moon, Bergey, and Iacobucci 2010).

In summary, we adopt a longitudinal perspective, and examine the evolution of the effectiveness of product placement in movies over time. First, we provide a literature review that focuses on the history and the suggested
efficacy of this advertising approach. Second, we introduce
our conceptual framework, and present our hypotheses.
Third, we discuss the data and our methodologies (event
study and multi-level mixed coefficient model). Fourth,
we present the results and discuss our findings. We
conclude with implications, limitations, and future research
directions. References are available upon request.

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CO-MARKETING CAPABILITY AND ITS IMPACT ON MARKETING ALLIANCE PERFORMANCE

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SUMMARY

Nike is performing well in an area where other corporations, from Coca-Cola to General Motors, have unsuccessfully tried to enter: Building brand loyalty via online social networking. The key to bringing their customers into the Web was the introduction of the Nike+ Sport Kit sensor, developed and marketed together with Apple. The partnership between Nike and Apple is a very successful example of what might be termed a co-marketing alliance (Bucklin and Sengupta 1993).

Unlike buyer-seller or manufacturer-distributor partnerships, co-marketing alliances are lateral relationships between firms at the same level in the value chain. Firms with pronounced competences in co-marketing, referring to superior skills how to create and sustain fruitful cooperative arrangements with partners, have a significant edge over their competitors (Lambe, Spekman, and Hunt 2002). Despite their potential contribution, co-marketing alliances pose significant management challenges. As a consequence, 60 to 70 percent of alliances can be considered as failures (Das, Sen, and Sengupta 2003). Although Sivadas and Dwyer (2000) as well as Lambe et al. (2002) conducted early examinations of alliance competence, it still lacks an integrated understanding of what capabilities allow firms to successfully find, develop, and manage co-marketing alliances. Hence, we identify and empirically examine a specific co-marketing capability (CMC) that enable firms to effectively engage in marketing alliances. Our findings provide new insights regarding the process of forming and conducting successful alliances in marketing.

We conceptualize a CMC as the essential capability of an organization to achieve superior co-marketing alliance performance and a sustained competitive advantage. Drawing on an extensive literature review, in-depth personal interviews with marketing alliance managers, and consulting experience concerning co-marketing alliances at various firms in the consumer good and business to business market, we built a preliminary model of CMC and confronted 15 knowledgeable managers and nine marketing experts with it. Based on the obtained insights and suggestions from practitioners and academics, we extended our model and identified five distinct dimensions of CMC: Partner identification, alliance configuration, interfirm coordination, effective communication, and knowledge management. Furthermore, the literature review as well as our interviews highlight certain characteristics of alliances that may increase or reduce the influence of co-marketing capabilities. In particular, three factors have been shown to be important and are assumed to moderate the relationship between CMC and co-marketing alliance performance: Age of a co-marketing alliance, complexity of tasks within the alliance and power imbalance.

Primary data for testing our hypotheses were collected via a mail survey of firms operating in consumer and business markets. We selected firms with more than 100 employees to avoid an interference of small firms being dependent on alliances. Such firms may cooperate without actively developing and employing CMC due to a lack of own assets. The results of our study suggest four conclusions: First, CMC has a high impact on co-marketing alliance success. Second, CMC is especially important during the early honeymoon stage of co-marketing alliances (Levinthal and Fichman 1988). Third, firms need high CMC to successfully handle alliances with complex tasks, e.g., co-development of new products (Sivadas and Dwyer 2000). Fourth, power imbalance does not moderate the CMC and co-marketing performance relationship. Contrary to what we expected and prior research suggested, CMC is equally important for alliance partners having similar resources and power and those within an imbalanced alliance, e.g., a co-marketing alliance between a multinational and a small or medium-sized company.

High failure rates indicate that managing alliances is extremely challenging. Drawing on our research, a lack of CMC may be a primary reason for unsuccessful co-marketing alliances. Our results demonstrate that sophisticated CMC leads to an effective work environment between the partner firms in which alliance objectives will be achieved. Hence, CMC needs to be anchored within the firm. Firms should therefore aim to establish CMC at all positions touched by the co-marketing alliance. The moderating role of co-marketing alliance age confirms prior findings that alliance experience plays a significant role for alliance success (Lambe et al. 2002). Firms having a long-lasting co-marketing alliance learn about each other and internalize roles and responsibilities. Hence, CMC will become more tacit and embedded within the partnership. As ambitious alliances with complex tasks require
extensive CMC, we empirically prove Day's (1995) suggestion that firm's initial attempts to establish co-marketing alliances should be made with relatively noncomplex and modest objectives. The lack of relationship between power imbalance and CMC was a surprise because prior research has found that co-marketing alliances dominated by a single partner require higher managerial skills to avoid detrimental effects from the partnership (Bucklin and Sengupta 1993; Sivadas and Dwyer 2000). We conclude that the identified CMC serves as a general foundation for achieving alliance objectives and is mandatory for all kinds of co-marketing alliances. References are available upon request.
CONCEPTUALIZING TRUST IN THE RELATIONSHIP BETWEEN SALES AND MARKETING AND THE CUSTOMER

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SUMMARY

There has been considerable research into the effect of trust on the intra-functional relationship between various internal groups (e.g., Das and Teng 1998; Beech and Huxham 2003; Vangen and Huxham 2003) and into the importance of trust in the buyer-seller relationship (e.g., Cannon and Perreault 1999; Jap, Manolis, and Weitz 1999), but to our knowledge no one has considered how the intra-functional relationship between sales and marketing affects the trust in the inter-organizational relationship between the company and customers in a business-to-business (B2B) setting. This research will consider how far conflict/trust in the relationship between these two customer-facing elements of the organization, sales and marketing, affects the trust in the organization’s relationship with its customers. The proposition is that if there is conflict/lack of trust between sales and marketing, collaboration between these two functions will be damaged and this will adversely affect the inter-organizational trust between B2B organizations and their customers. If the sales and marketing relationship is collaborative, trust within the organization-customer relationship will be stronger and business performance will increase.

Trust between organizations is a complex construct as it arises initially between individuals and is influenced by many factors (Zaheer, McEvily, and Perrone 1998). However, according to Sako (2002) three types of trust have been identified in B2B relationships: contractual, competence-based, and goodwill trust, but it is proposed that specifically the interpersonal elements of trust, i.e., goodwill and competence-based trust, may affect collaboration between sales and marketing.

If there is dysfunctional conflict between sales and marketing, the sales department may not support marketing events and promotions. Conversely, marketing departments may not help sales to meet targets or support sales efforts in certain areas. There are examples of mistimed direct mail events and the failure to upgrade product/service offers in line with sales requests (damaging goodwill among the customers). Essentially, the absence of trust and presence of dysfunctional conflict in this relationship is expected to have an adverse effect on collaboration between sales and marketing. If sales and marketing are not collaborating, their efficiency is likely to be impaired. Under these circumstances customers may start to question the organization’s ability to deliver accurately and on time (competence-based trust). Trust is a fragile commodity (Lane 2002) and even trust built up over an extended period may be permanently damaged by such actions. Customers may stop relying on the organization and may even doubt its reputation. Sales may fail as customers replace the organization’s offers with those of its competitors when building new allegiances. Customers may also choose to switch to competitors for promotional support and solutions to new problems. Business performance between the customer and of the organization as a whole would begin to suffer.

Establishing interpersonal trust, consisting of a cognition-based and an affect-based dimension, in the sales and marketing interface is one way of improving the collaboration between sales and marketing. Collaborating to provide the best solutions for customers will reinforce cognition-based trust between sales and marketing, and build ties (affect-based trust) between the two groups (McAllister 1995). It is suggested that trust and dysfunctional conflict cannot coexist within the relationship. As interpersonal trust is developed, dysfunctional conflict will be reduced, thereby improving collaboration between sales and marketing. With greater collaboration the solutions bundles offered and promoted to customers will also improve, and this will positively affect business performance. This work makes a number of contributions to literature. First, the paper adds to the scant literature on the importance of the relationship between sales and marketing and its impact on business performance. Second, the interdependence of trust and dysfunctional conflict is considered in relation to collaboration between sales and marketing. Third, the effect of collaboration between sales and marketing on trust in customer relationships is explored and, finally, the effect of trust between the customer and organization is considered in terms of business performance. References are available from the lead author upon request.
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ASSESSING THE IMPACT OF SALESPEOPLE’S FIELD-BASED COMPETITIVE INTELLIGENCE ON PRODUCT COMPETITIVENESS AND BRAND PREFERENCE

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SUMMARY

Over the years, a number of theoretical and empirical research studies have postulated conceptual models of competitive intelligence (hereafter, CI) and offered various perspectives on CI practices. Despite diversity in terms of approach and method, one common theme is visible among previous studies. The CI literature agrees on the importance of the role that firm personnel play in the CI process. Among a firm’s employees, the sales force is recognized as the single best internal source of information concerning what is occurring in the market with customers and competitors (Porter 1980). This recognition relies on the fact that salespeople are the boundary spanners between the firm and the outside world and have a vital role in bringing information to the firm (Le Bon and Merunka 2006; Rapp et al. 2006).

With this in mind, this research examines CI at the individual-level of analysis. We review the relevant literatures and develop a model of CI that is grounded in information theory as well as social network and environmental scanning theories. Notably, we treat CI as an outcome of the intelligence process and therefore a product or instrument that can be used by salespeople during sales activities. Therefore, the purpose of this research is to: (a) determine the extent to which competitive intelligence gathered through the sales force impacts product competitiveness and brand preference, and (b) determine which aspect of competitive intelligence (i.e., quantity and quality of collected CI) impacts product competitiveness. We also explore other factors that may strengthen or weaken these relationships. Importantly, we include measures as assessed by customers of the sales representatives sampled in this research to ensure an accurate representation of the customer side of the buyer-seller exchange process.

We present a framework that integrates the impact of salespeople’s field intelligence collection on customers’ preferences. This represents a theoretical sequence that has yet to be empirically verified. The proposed model presents product competitiveness as a consequence of the quantity and the quality of CI that customers share with salespeople, and as an antecedent of customer satisfaction and brand preference. We also posit that the relationships between shared CI and product competitiveness may be moderated by salespeople’s social network quality as well as their perceived customer orientation.

The first set of hypotheses investigates the factors related to the quantity (i.e., volume) and the quality (i.e., value) of information shared by the customer with the salesperson. Differentiating between CI quantity and quality is important, because gathering proper marketplace information certainly makes a difference when addressing customers’ needs and expectations (Cleland and King 1975; Montgomery and Weinberg 1979). Our next set of hypotheses relates to the effects of CI quantity and quality on product competitiveness. Business success and sales performance depends on product differentiation and competitiveness (Holbrook 1994; Porter 1980). Product competitiveness, defined as a product’s superior utility and proposed value relative to competitors (Zeithaml 1988), incorporates firms’ ability to fulfill customer needs and purchasing constraints (Phillips, Chang, and Buzzell 1983). Previous research indicates that high-performing salespeople effectively plan and maintain a high level of knowledge concerning their products, customers, and competitors (Sujan et al. 1994). During a sales encounter, an exhaustive and independent assessment of customer perceptions about other sources of supply can enable the salesperson to position the product in a better competitive position. The last set of hypotheses then examines the impact of product competitiveness on customer satisfaction and brand preference, a causal chain of great importance at the firm level.

The research setting for this study was a logistics firm whose primary activities included assisting customers in transportation management and product shipment. The firm was engaged in business-to-business selling and worked with firms across a wide range of industries. Survey data was collected from both salespeople and their customers. All 67 of the firm’s salespeople were surveyed and 1440 customers were contacted as well. Due to the multi-level nature of the data, the most appropriate analytical technique to empirically examine this model is hierarchical linear modeling.

Seven of the nine linear hypotheses were supported and one was significant but opposite the anticipated direction. Interestingly, two of the hypothesized interactions were supported. Namely, a salesperson’s network

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quality interacted with quantity of information shared and
salesperson customer orientation interacted with cus-
tomer quantity of CI shared.

At a broad level, the purpose of considering CI at an
individual level has been to bring attention to this widely
neglected determinant of product competitiveness. Despite
the abundance of frameworks linking different salesper-
son related variables and performance, superior product
performance only arises when salespeople identify new
market opportunities and react to them faster and more
proficiently than their competitors. The proposed theo-
retical framework is intended to encourage academicians
to extend this debate and to focus their interest on the
individual level CI use. This study offers that researchers
should not only concentrate on the link between the
salesperson and customer, but also address the question of
how competitors’ information can weaken or strengthen
this link. Moreover, salesperson’s utilization of CI may
provide the opportunity to bring in the much needed angle
of “competitor” to the salesperson-customer-competitor
triangle. References are available upon request.

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A SALESPERSON’S CROSS-FUNCTIONAL ORIENTATION: ANTECEDENTS AND EFFECTS ON CROSS-SELLING SUCCESS

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SUMMARY

Introduction

Instead of following high capital intensive expansion strategies research has revealed that leveraging current customer relations provides many growth opportunities for manufacturers containing very low initial investments and low levels of risks (Hartline, Maxham, and McKee 2000). One strategy to leverage current customer potential is best known as cross-selling. In a few words, cross-selling can best be described as a sales strategy that leverages sales potential among existing customers by combining offerings from different product areas or business units of an organization.

Research has shown that realizing a cross-selling strategy is considered to be a highly challenging task requiring strong intraorganizational ties between single business units (Akcura and Srinivasan 2005; Gulati 2007; Luo, Slotegraaf, and Pan 2006). Research by Maltz and Kohli (1996) and Gronroos (1994) implies that incumbents need to establish very well functioning internal processes that enable the flow of (sales) information and data between participating business units in order for cross-selling strategy to work. Hence, the state of mind, or the cross-functional orientation (CFO) of the sales force seems to be a necessary ingredient for cross-selling success. Thus, the question this research aims to answers is:

What effect does a cross-functional orientation have on cross-selling success and which prerequisites need to be in place to establish a strong CFO?

Theory and Hypotheses

Since, to the best of our knowledge no study yet has researched the antecedents of a CFO and the effects on cross-selling success we conducted a primary qualitative study to explore the phenomenon of CFO in its real life context and to gain general insights on factors influencing CFO. These are discussed following.

Organizational Commitment. Organizational commitment is considered to be the strength of an individual’s identification with and involvement in a particular organization (Porter et al. 1974). Individuals highly commit-
ted to an organization’s goals and willing to devote a great deal of energy toward those goals are assumed to proactively exert CFO enhancing behavior compared to individuals who are less committed to the organization.

Corporate Brand Identity. As Castro, Armario, and Del Rio (2005) state and verify, there is a significant positive correlation between the level of an employee’s organizational belongingness and his or her cross-functional activities. Following that, drawing on the research of Ashforth and Mael (1989) it can be stated that from the moment on a person’s self-concept is tied to a social category (e.g., a group, a community, or an organization) the person is likely to choose activities that are congruent with his or her salient role-identity (and the values tied to it).

Cross-Selling Motivation. We argue that salespeople having a strong motivation for cross-selling activities engage in many different adjacent sales opportunities (e.g., cross-divisional opportunities, multiple product opportunities, long-term relationship opportunities for their own division, service opportunities and solution opportunities) and thereby get a broader and profound cross-functional involvement and belongingness.

Cross-Selling Readiness. Cross-Selling Readiness is defined as the combination of knowledge about products of different business units and the ability of flexibly making use of this knowledge in a sales presentation with a given customer. To be cross-selling ready means to be able to offer a wide range of different products and services not only from one but from a multitude of business units.

Cross-Selling Success. Cross-selling success measures the performance orientation of successful cross-selling activities in the organization. This is done by considering the amount of additional products sold to a given customer in relation to its future cross-selling potential.

Measures and Results

From the qualitative study a set of hypotheses were derived to be tested via structural equation modeling (Figure 1).
All together the fit of the measurement model is acceptable: \(\{0002\text{CE03-0000-0000-C000-00000000046}\} = 331.3\), degrees of freedom \([df] = 280\), \(p = 0.02\), root mean square error of approximation \([RMSEA] = 0.03\), comparative fit index \([CFI] = 0.97\), tucker-lewis index \([TLI] = 0.97\).

Taken together, results indicate that the impact on CFO is significantly influenced by four different individual traits (brand identity, cross-selling motivation, cross-selling readiness, and organizational commitment). Only two of those individual traits show a direct effect on cross-selling success (commitment and cross-selling motivation). Surprisingly, there was no significant effect tested for the relationship of brand identity, cross-selling readiness, and cross-selling success. Moreover, we found a negative relationship for the effect of organizational commitment on cross-selling success and for the effect of cross-selling motivation on CFO. A very strong correlation can be found between the level of CFO and cross-selling success. Finally, the individual traits in the proposed order did all show a positive significant effect on each other. References are available upon request.

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COMBINING VISUAL AND TEXTUAL RHETORICAL FIGURES IN ADVERTISING

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SUMMARY

Advertisers today rely so frequently on indirect claims such as rhetorical figures in headlines, text, and pictorial content that it is now normal to see the abnormal: readers can see lemonade turn into butterflies (Crystal Light). These indirect claims tend to be more persuasive because the intent to persuade is subtle (Walster and Festinger 1962). Rhetorical figures divert subjects from convention and force them to make sense of the ad. They let viewers self-generate multiple positive inferences making ads more believable.

Metaphors are the most powerful of rhetorical figures because they include both nonrational and symbolic components. Their complexity and deviation from the literal make them effective (McQuarrie and Mick 1996). For example, in the metaphor “business is war,” the reader transfers onto business the qualities of war: chaos, danger, death, triumph, and loss. Metaphors effectively develop top of mind recall in low involvement readers (Toncar and Munch 2001).

The effective use of metaphor is usually assessed by measuring the resulting changes in attitude toward the ad (Aad) and ad recall. While ads with visual indirect claims are more effective than those with textual indirect claims (McQuarrie and Phillips 2005), all plausible combinations of visual and textual metaphors have not been examined. The combination that yields the greater Aad and ad recall is unknown. Based on this line of reasoning the following propositions are offered:

P1a Ads with both visual metaphors and textual metaphors will have a greater effect than ads with only visual metaphors. (VM + TM > VM).

P1b Ads with only visual metaphors and no text will have a greater effect than ads with visual metaphors and literal text. (VM > VM + LT).

P1c Ads with visual metaphors and literal text will have a greater effect than ads with literal visual and textual metaphors. (VM + LT > LV + MT).

P1d Ads with literal visual and textual metaphors will have a greater effect than ads with literal visual and literal text (VM + TM > LV + LT).

The existence of constructs that may moderate the impact of metaphor on Aad and ad recall has also received little attention. Theoretical considerations suggest that subjects’ inclination to decode may be affected by tolerance of ambiguity (TA) and need for cognition (NFC).

TA affects subjects’ emotions and perceptions of ambiguous situations and information (Frenkel-Brunswik 1949). Subjects with low levels of TA tend to reduce ambiguous thoughts into certainties and rigidly dichotomized situations. Though McQuarrie and Mick have used TA as a measure of ad liking, TA has not been used as a moderating variable (1992). Thus, the following proposition is offered:

P2a Subjects with high levels of TA will exhibit higher levels of Aad and ad recall.

P2b Subjects with low levels of TA will exhibit lower levels of Aad and ad recall.

NFC measures the need to make sense of experience and structure it meaningfully in an integrated manner (Cohen et al. 1955). Ambiguous information creates a tension in people with high NFC that increases their effort to understand. Subjects who exhibit high NFC also have a higher correlation between the message evaluation and post-message attitudes than subjects with lower NFC (Caccioppo and Petty 1982, 1983, 1984). Though NFC has been used to screen subjects, it has not been examined as a potential moderator. Based on this line of reasoning the following propositions are offered:

P3a Subject with high levels of NFC will exhibit higher levels of Aad and ad recall.

P3b Subject with low levels of NFC will exhibit lower levels of Aad and ad recall.

The proposed experimental design is adapted from McQuarrie and Mick (1992, 1999) for use on the Internet. Alternative metaphorical combinations will be manipulated via a series of test ads based on actual magazine ads containing the desired visual and/or textual metaphors.
The dependent variables in this study are Aad and ad recall. Aad will be measured with Coulter’s semantic differential scale (1998). The ten point scale achieved a Cronbach’s alpha of .90. Ad recall, defined as the approximate reproduction of the graphic, the headline, and the product, will be patterned after McQuarrie and Mick (1992). Working independently, two judges who do not know the purpose of the experiment will code recall. The differences will be resolved through conversation.

Data will be collected from subjects using web survey software. Subjects will be told they are participating in a study on magazine reading habits. They will answer questions about print magazine readership, editorial influence, desired topics, etc. They will subsequently be instructed to examine the “virtual” magazine for as long as they wish before answering questions on the editorial style and value, as well as items assessing Aad. Lastly, they will answer ad recall questions. References are available upon request.

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DESIGNING ADVERTISEMENTS FOR CONSUMERS OLDER THAN 50 YEARS

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SUMMARY

The average life expectancy of inhabitants in industrialized nations has been rising continuously. In consequence, marketers are more and more interested in the segment of individuals older than 50 years as potential customers for their products and services. Marketing research, however, so far does not provide sufficient findings on how to address these consumers effectively. This article aims at filling this void.

The basic assumption of the paper is that advertisement campaigns should provide platforms for self-verification. Therefore, marketers have to take into account the heterogeneity of life styles and values in the older stratum of the population. To date, several typologies show that the concepts activity and modesty are of special concern for German consumers older than 50 years. Thus, the present article focuses on these concepts. Moreover, values and lifestyles of consumers older than 50 years might vary due to cohort effects and value changes. Therefore, the paper surveys consumers who are between 50 and 59 years (age group 50+ in the following) and consumers who are 60 years or older (age group 60+ in the following). Modesty as a traditional virtue in Germany is becoming less relevant for younger consumers, while it is still very important for older cohorts. On the contrary, the concept activity is becoming more and more relevant for the generation 50+. Hence, the paper aims at answering the following questions: Which advertisement effects will be achieved by advertisement models personifying concepts of activity or modesty within the segments of consumers in the age groups 50+ and 60+? To what extent does the interplay of the self-view of the observer and his perception of the advertisement model explain the effectiveness of an advertisement?

A 2x2 factorial experiment (active vs. modest advertisement model; age group 50+ vs. 60+ as respondents) is conducted. Two fictive ads are developed as experimental treatment showing a modest or an active ad model, respectively. Respondents exposed to the active model state that they are more similar to the advertisement model than the ones exposed to the modest model. The active ad model is perceived as more attractive than the modest one. The attitude toward the ad is significantly higher after being exposed to the active ad model than after having seen the modest one. As suggested, the age groups interact significantly with the concept of the advertisement model. While for the age group 60+ the active model does not have a significantly better effect than the modest one on the perceived similarity, credibility and attitude toward the ad, the age group 50+ reacts significantly better to the active model when it comes to perceived similarity, attractiveness, credibility and attitude to the ad. Thus, the value change seems to have influenced the age group 50+ stronger than the age group 60+.

Furthermore, the paper confirms a model stating that the perceived similarity between the respondent and the advertisement model plays a key role to explain differences between the effect of the active and the modest advertisement model. Perceived similarity depends on the difference between the self-concept and the perception of the advertisement model on the dimensions modesty and activity. Perceived similarity, in turn, exerts a positive effect on perceived attractiveness and perceived credibility, which foster the attitude toward the ad.

The analysis was conducted for the dimensions activity and modesty. Further research should examine the model for other dimensions that might be important for generation 50+. Moreover, cross-cultural studies should analyze if the importance of the analyzed concepts depends on the cultural profile of a country.

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EXAMINING THE EFFECTIVENESS OF LANGUAGE CHOICE FOR DIFFERENT AD APPEALS IN ADVERTISING TO BILINGUAL CONSUMERS

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SUMMARY

Prior research favors the use of bilingual people’s native language (L1 henceforth) over the second language (L2) to attain better ad effectiveness, which we call “the superiority effect of native language” (e.g., Puntoni, De Langhe, and Van Osselaer 2009; Noriega and Blair 2008; Luna and Peracchio 2001). Recent theory emphasizes the superiority effect especially for ads with emotional content (e.g., Puntoni et al. 2009). Puntoni and colleagues (2009, p. 1022) recommend that “it is generally preferable to communicate with consumers using their own native language, as doing so should result in more emotional messages.” However, would the superiority of L1 hold under different emotional appeals? This is an open gap in the literature that we attempt to fill in this article. This gap is relevant because distinct emotions have been found to influence consumer responses to advertising (Bagozzi, Gopinath, and Nyer 1999; Holbrook and Batra 1987).

Emotions are individually distinctive and are usually grouped in valence terms as positive or negative (Roseman 1991). We investigate the effect of language choice on ad evaluations for ads eliciting hope (positive valence emotion), a functional ad (no emotional content), and ads eliciting disgust (negative valence emotion). Hope and functional appeals (no emotional text, only product features) are common intentional appeals (McInnis and de Mello 2005). Disgust is a common but unintended emotion in different product categories, e.g., acne, athlete’s foot, etc. that has been related to negative ad and product evaluations (Shimp and Stuart 2004; Argo, Dahl, and Morales 2006; Morales and Fitzsimons 2007).

Previous theories of language emotionality (Puntoni et al. 2009; Pavlenko 2008) suggest that communications in the native language should lead to better message evaluations because they are perceived as more emotional. In our study, we hypothesized that ads eliciting hope and disgust would be evaluated as higher in emotional intensity in L1 rather than in L2. In turn, emotions elicited by the ads can also influence ad evaluations via affect transfer (Pham 2004, p. 361). Thus, we expected that increased emotionality of the hope appeal should lead to better attitudes toward the ad in L1 vs. L2. Also, we expected more positive evaluations for the disgust ad in L2 rather than L1 since L1 would make the negative emotion more salient. Finally, we expected no difference in ad evaluations of a functional ad when presented in L1 or L2.

Finally, consistent with prior research on emotions (Holbrook and Batra 1987; Shimp and Stuart 2004), we expected that the emotion felt would mediate the effects of language on ad evaluations for both the hope and the disgust ad.

In order to test our hypotheses, we conducted a 2 (Language: native vs. second) × 3 (Type of Ad Appeal: Functional, Hope, Disgust) mixed design lab experiment with language as a between-subjects factor and type of ad as a within-subjects factor. Forty-nine pre-screened English-Spanish bilinguals were included in the analysis. Ads were pretested and translated to Spanish using back translation procedures (Marin and Marin 1991). Participants were randomly assigned to ads in L1 or L2, and each viewed the three ads on a computer screen with a distracting task between ads in order to avoid carryover effects (Gross and Levenson 1995).

Our findings show that for a functional ad, language choice (L1 vs. L2) made no difference on attitudes toward the ad. Consistent with previous studies, for an ad that elicits hope (positive emotion), the results show that participants reported more positive evaluations toward the ad when it is presented in L1 than in L2. In contrast, for an ad that elicits disgust (negative emotion), the results show that L2 led to more positive ad evaluations than L1. Furthermore, we found that only the disgust emotion elicited by the ad partially mediated the effect of language choice on ad evaluation.

Next, we investigated the effect of disgust on ad evaluation by empirically testing the “distancing effect” of L2 (Bond and Tat-Ming 1986) via viewing time of the ad. The analyses reveal that respondents spent more time viewing the disgust ad in L2 than in L1. The results hold across gender, and there was no difference on comprehension level between ads in L1 and L2.
In sum, our research supports the superiority effect of native language for ads eliciting hope, with higher attitudes toward the ad in L1 vs. L2. However, language made no difference on attitudes toward functional ads. For ads eliciting disgust, attitudes toward the ad were higher in L2 rather than in L1. Finally, we provide empirical support for the notion that increased liking of the negative-emotion ad in L2 is due to its distancing effect. This effect was shown as individuals spent more time viewing a disgust ad in L2 compared to L1. References are available upon request.

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PREDICTING THE EFFECTIVENESS OF CELEBRITY ENDORSEMENTS USING BALANCE THEORY

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SUMMARY

The practice of celebrity endorsements for advertising and promoting products dates back to more than a hundred years and continues today. Research findings suggest that the percentage of celebrity advertisements out of the total number of ads aired is as high as 25 percent − 30 percent in Western countries and around 60 percent in India. In such a scenario both academia and industry look for the issues in selection, use and effectiveness of celebrities as product endorsers.

Literature Review

Research in celebrity endorsements in the last thirty years have tried to address various issues in celebrity endorsements such as the effects of credibility of endorser on the consumers (Lafferty and Goldsmith 1999, 2004; Ohanian 1990; Silvera and Austad 2004) issues in celebrity product “match-up” (Friedman and Friedman 1979; Kamins 1990; Misra and Beatty 1990; Mittelstaedt et al. 2000), meaning transfer in celebrity endorsements (McCracken 1989) and a host of other issues, such as effect of negative celebrity information, cross-country comparison of celebrity advertising, gender and celebrity endorsement perceptions, and so on. However, the celebrity endorsement literature has quite a few contradictory findings and still the researchers are working on to find the ideal model that can explain the effects of celebrity endorsements. Mowen (1980) proposed the use of Balance Theory to explain the phenomenon of celebrity endorsements. The model proposed by Mowen (1980) has not been comprehensively tested and thus allowed an opportunity to test the model in the present scenario. The present research study developed and validated a theoretical model on similar thoughts given by Mowen (1980).

Objectives

The study tested the effects of a celebrity and a product brand endorsed by the celebrity on consumer attitudes. The hypothesized model also incorporated the effects of the source credibility dimensions as covariates. The hypothesized model also incorporated the effects of the source credibility dimensions as covariates. In this regard, the Source Credibility Scale developed by Ohanian was included in the study. Three main hypothesis and four supporting hypotheses were developed to test various aspects of the conceptual model. For example, Hypothesis 1 was stated as “Given the relationship between the consumer and the endorser (C − E) and the endorser and the product (E − P), the relationship between the consumer and the product (C − P) (determined by the purchase intent) will be such that the C−E−P triad will have a balanced state.”

Methodology

In the beginning, a series of pretests were conducted to identify (1) one liked and one disliked celebrity, (2) a matching and a mismatching product with each celebrity, and (3) a matching and a mismatching message with each celebrity product combinations. The final study was conducted using a 2 (Liked/Disliked Celebrity) X 2 (Matching/Mismatching Product) X 2 (Matching/Mismatching Message) full factorial design. The dependent variables were Attitude toward the Advertisement (AAD), Attitude toward the Brand (AB) and Purchase Intention (PI). The methodological tool used was Multivariate Analysis of Variance (MANOVA) and MANOVA with Covariates. The main experiment was conducted on 448 postgraduate students in MBA programs spread across five Business Schools in India.

Results and Implications

The results indicated that a celebrity has a significant impact on the consumer attitude which may be favorable or unfavorable depending on whether the celebrity is liked or disliked. The study also found that the match of the celebrity with the product and advertisement message would have a favorable impact on the consumer attitudes. The study also provided validation of the Source Credibility Scale developed by Ohanian (1990) in the Indian context. The source credibility dimensions, namely Attractiveness, Trustworthiness and Expertise were found to have differential effects on the dependent variables, i.e., consumer attitudes in the model. Thus, the study integrated the two main streams of celebrity endorsement research, namely the Source Credibility concept and the Celebrity-Product Match up concept. The study answered some of the gaps found in celebrity endorsement literature and opened up some new areas for future research. References are available on request.
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DESCRIPTIONS OF A RADICAL INNOVATION CAN IMPACT CONSUMERS’ RISK AND VALUE PERCEPTIONS

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SUMMARY

A radical innovation presents potential consumers with both uncertainty and opportunity. On the one hand, there is risk for the consumer if the innovation has the potential for loss. At the same time, there is the potential for gain if the innovation can benefit the consumer. Thus, it behooves consumer researchers to try to understand how perceptions of risk and value can simultaneously influence consumers' willingness to try (WTT) a radical innovation. I suggest a model in which hedonic descriptions can, initially, increase perceived value and decrease perceived risk in a radically new product. However, subsequently, more utilitarian descriptions may be more powerful in generating greater perceived value leading to greater willingness to try the innovation. I attribute the initial impact to the effects of arousal and pleasure that are generated by hedonic descriptions of the innovation. Overall, the model depicts that arousal is indirectly related to WTT via the mediation of perceived value and perceived risk and that the type of description will moderate the pathways from arousal to perceived value and perceived risk and, in turn, to WTT.

I chose the hydrogen fuel cell (HFC) car as the innovation to use in the study. I used various sources (websites, advertisements, news reports) to develop separate hedonic and utilitarian versions of the descriptions. I changed the headline and the blurb in the description to reflect the hedonic and utilitarian definitions of each construct. Similarly, I changed the beginning and the end of each description.

Undergraduates from a small university in northeastern U.S. participated in the study for extra credit. Half the subjects saw the utilitarian description and half saw the hedonic description. In both conditions, subjects were given a self-administered questionnaire. The questionnaire contained instructions, the innovation description manipulation, and the measures for the latent constructs. After reading through the instructions on the first page, participants were asked to indicate their current arousal levels. Next, depending on the experimental condition, participants read an excerpt from a news article that offered either a hedonic or utilitarian description of the innovation. Immediately after participants read this description, they were asked to once again indicate their level of arousal, followed by a series of measures for the other latent constructs.

I found significant differences between hedonic and utilitarian types of description in all four paths in the model. The findings show that (a) the path from arousal to perceived value is positive and significant ($p < .01$) for the hedonic group but not significant for the utilitarian group. (b) The path from arousal to perceived risk is negative and significant ($p < .10$) for the hedonic group but not significant for the utilitarian group. (c) The path from perceived risk to WTT is positive and significant ($p < .10$) for the hedonic group but not significant for the utilitarian group. (d) The path from perceived value to WTT differs significantly across the utilitarian and hedonic group ($p < .05$).

Future research needs to consider whether the relationship between perceived risk and WTT is sufficiently different for hedonic and utilitarian descriptions to be of managerial significance. Future research could also examine the interaction of verbal and visual elements in the description of an innovation. What happens, for instance, if the risk producing message elements in the verbal description (say, the hydrogen fuel tanks in the HFC car) are accompanied by visual stimuli that heighten the danger (pictorial depiction of the tanks)? Will perceived value still predominate over perceived risk as in the present study? If not, the findings would be important to both journalists and public relations managers in determining the full content of press releases of an innovation. As stated at the outset, radical innovations usually present some element of risk for consumers. To what extent can this risk be depicted without harming the potential success of the innovation?

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HOW DO CONSUMERS FORM PERCEPTIONS OF ECONOMIC VALUE: AN EXPLORATORY STUDY

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SUMMARY

The concept of value is central to marketing as most marketing activity involves the exchange of value (e.g., Hunt 1976; Kotler and Keller 2005). Yet, the notion of value itself has been the subject of considerable debate both in terms of what it represents and how it is formed. While value (economic) is often conceptualized as a trade off between benefits and sacrifices (e.g., Monroe 2002; Zeithaml 1988), with quality representing the benefit side and price representing the sacrifice, the exact process (or trade-off) by which value is formed is the subject of some controversy and remains unclear.

Different researchers have proposed different means by which consumers arrive at value perceptions. Authors such as Monroe (2002) and Gale (1994) argue that value is the ratio of quality to price (ratio rule), whereas authors such as Dodds et al. (1991) and Rust and Oliver (1994) argue that value is the utility of quality minus the disutility of price (linear difference rule). This issue of how consumers arrive at perceptions of economic value is of importance to managers when it comes to “value-pricing”; a concern addressed by practitioners and academicians alike (Nagle and Hogan 2006; Kotler and Keller 2005; Marn, Roegner, and Zwada 2004; Monroe 2002).

Consider the following example: Alpha plans to introduce a new “internal feed paint brush” that automatically supplies paint to the brush while painting, saving the trouble of constantly stopping to dip the brush. This new innovation in painting, patterned after automatic paint roller systems, allows painters to paint the exterior of a house in half the time it takes a traditional 3-inch paint brush. Assuming that the average house takes 40 hours to paint, the new brush results in a saving of about 20 hours on average. Painters, such as college students and part-time helpers, usually receive about $15 per hour of painting. The cost for a traditional paint brush is $15. What would be a reasonable price for Alpha to charge for the new paint brush?

In our paper, we examine several different ways in which consumers could combine quality and price information to arrive at different valuations of the new brush. We do this examination in the form of a series of simulations with different levels of quality and price one ordinarily encounters in real life. We propose that consumers use one of four classes of value processing strategies to arrive at a value judgment in a trade up situation. These strategies are: (a) Proportional Value Processing; (b) Proportional Difference Value Processing; (c) Linear Difference Value Processing; and (d) Holistic Value Processing. We present these strategies via simulation to illustrate the different processes, calculations, and likely decision choices. We are especially interested in identifying when these different strategies for arriving at valuation lead to different likely decision choices. References are available upon request.

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SHIFTING CONSUMER PREFERENCE: THE EFFECTS OF COGNITIVE STYLES AND TEMPORAL PERSPECTIVE

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SUMMARY

How are consumers’ cognitive styles altered over the course of time, and how does this alteration shift consumers’ product preferences? The present paper addresses this question by examining the impact of temporal perspective eliciting different types of cognitive modes on consumers’ perceptions of products. The results reveal that when a purchase is temporally proximal, eliciting analytic (vs. holistic) processing modes enhances consumers’ product preferences. When a purchase is temporally distant, however, eliciting holistic (vs. analytic) processing modes better drives consumers’ product preferences.

Keywords: Temporal distance; Mental construal; Cognitive styles; Attitude change; Product preference; Construal level theory.

Marketers often emphasize time pressure in their advertising or promotional messages. For example, when Victoria’s Secret sends out promotional email messages, it frequently sets up a specific time frame through which an exclusive online special offer is valid (e.g., “Free shopping with any purchases! Ends Saturday! Use offer code BRASVS!”). IKEA, an international home products and self-assembled furniture retailer, is often referencing to a limited-time frame for its solid wood furniture sales (e.g., “Seize the days! Grab these spectacular limited-time offers before they’re gone!”). In these ubiquitous messages guiding consumers’ attention to temporal time, consumers may differently react to them, because the perceived proximity of an event in time alters their mental representations of the event (Förster, Friedman, and Liberman 2004). For example, a person buying a car a year from now might think it in terms of more abstract and general goals, such as “getting a safe and convenient transportation for family,” whereas a person thinking about a car buying now might construe it in terms of more subordinate and concrete goals, such as “finding a dealership close to my house.”

We wonder whether this mental representation systematically changed by the temporal distance might encourage people to involve different types of cognitive processing modes, such as analytic thinking modes focusing on “detachment of the object from its context,” or holistic thinking modes taking more attention to “the context or field as a whole” (Nisbett et al. 2001). Identifying the specific thinking mode relative to the temporally proximal versus distant future purchases can be important in influencing consumers’ judgments and decisions about a product, because it may help marketing managers and advertisers to create efficient and persuasive advertising messages eliciting consumer preferences toward their products.

Therefore, in this research, we highlight the role of different types of thinking modes in consumer preferences, when the purchase is proximal- versus distant. We propose and demonstrate that eliciting analytic versus holistic thinking modes influences consumer preferences toward the temporally proximal versus distant future purchases, and thus this relative preference subsequently affects the type of products they prefer. We argue that, due to the heuristic tendency to construe near future events concretely and distant future events abstractly (Förster, Friedman, and Liberman 2004), individuals elicited for analytical thinking modes prefer the products framed by temporally proximal versus distant appeal. When a purchase is temporally distant, however, individuals elicited for holistic thinking modes prefer products framed by temporally distant appeal.

In the vacation trip experiment adopted from Mogilner, Aaker, and Pennington (2008), we examined whether eliciting analytic versus holistic thinking modes would exert differential effects on consumers’ attitudes toward the vacation airline ticket messages with the temporal frame of purchase event. The findings of the experiment suggest that analytic thinkers prefer a product message framed by temporally proximal (vs. distant) appeal (Mproximal = 4.42 vs. Mdistant = 3.48; F(1,21) = 3.94, p < .03). Conversely, holistic thinkers prefer a product message framed by temporally distant (vs. proximal) appeal (Mproximal = 3.55 vs. Mdistant = 5.03; F(1,22) = 15.59, p = .001). The results also showed that analytic thinkers expressed higher purchase intention for a product framed by temporally proximal appeal than for a product framed by temporally distant appeal (Mproximal = 4.17 vs. Mdistant = 2.64; F(1,21) = 6.23, p < .03). Conversely, holistic thinkers expressed higher purchase intention for a product framed by temporally distant appeal than for a product framed by temporally proximal appeal (Mproximal = 2.91 vs. Mdistant = 3.92; F(1,22) = 6.12, p < .03).

These results suggest that different types of cognitive processing modes interact with the temporal perspective
of a purchase. Our findings contribute to prior research examining the relationship between temporal perspective and cognitive processing (Förster, Friedman, and Liberman 2004; Schooler 2002; Schooler, Fiore, and Brandimonte 1997). We believe that this is the first research to identify analytic versus holistic thinking modes as a determinant for the temporal frame of the future purchase event. References are available upon request.

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ON-THE-GO CONSUMPTION: BECAUSE CONSUMERS WANT TO AND NOT BECAUSE THEY HAVE TO

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SUMMARY

An ongoing increase in on-the-go consumption of food and beverages can be observed especially in industrialized countries, thus being perceived to be one of the major trends in consumer behavior (e.g., Figee and Vringer 2007; Morganosky 1986). Regarding the factors influencing consumers’ decision to consume on the go, common understanding as well as most prior research refer to pragmatic or utilitarian reasons like time pressure, price sensitivity or health orientation (Berry 1979; Botonaki, Natos, and Mattas 2009; Buckley et al. 2005; Darian and Cohen 1995; Warde 1999). We certainly agree that these factors – which are determined by consumers’ living conditions such as income, workload or health condition – are of high importance. However, based on prior studies (e.g., Gofton 1995; Harris and Shiptsova 2007) as well as qualitative research we assume that hedonic factors, related to consumers’ enjoyment of on-the-go consumption, are highly relevant as well. Thus, we present and empirically test a model investigating utilitarian as well as hedonic determinants of on-the-go consumption of food and beverages. The contribution of our research results is to advance the understanding of consumer behavior regarding on-the-go consumption of food and beverages – especially with regard to the fact that no known research has investigated, empirically tested, and compared the effects of utilitarian versus hedonic determinants.

Model and hypotheses development were based on an extensive literature review and a preliminary qualitative study. A total of 16 semi-standardized interviews with international experts as well as six focus group interviews with consumers were conducted. All of these qualitative research steps revealed that beyond the utilitarian reasons prior research has focused on, enjoyment of consuming on-the-go offerings is at least equally relevant. These insights were utilized to deduce our hypotheses and specify our research model.

Survey data was collected from 805 German respondents via a nationwide online access panel. Respondents were qualified so that the sample was ensured to be representative to the German population by gender, age, and employments status. The measurement model evaluation using confirmatory factor analysis indicated that all measures used exhibited sufficient degrees of reliability, convergent and discriminant validity. Regarding the structural model all goodness-of-fit indicators satisfied generally accepted criteria. Except for health orientation all structural paths toward on-the-go consumption are significant at the .01 level.

The model estimation supported the hypothesized negative effect of price sensitivity on the inclination to consume on-the-go. This finding is in line with the decision of more and more discounter and other retailers with aggressive pricing strategies to enter the market for on-the-go products. Secondly, the assumption that consumers with a higher health orientation show a lower inclination to consume on-the-go needed to be rejected. One possible explanation is that the assumption of on-the-go products being generally perceived as unhealthy only partly reflects reality. Providers of on-the-go food and drinks might have reacted to the ongoing trend of an increasing health orientation by offering products with better nutrition values. Third, our model estimation shows that time pressure and enjoyment positively influence consumers’ inclination towards on-the-go consumption. This suggests that on-the-go offers are indeed perceived as time saving and that for a large part consumers do enjoy consuming on the go. However, the most remarkable finding in this regard is that the influence of enjoyment exceeds that of time pressure as a determinant for on-the-go consumption by far. This implies that consumers consume on-the-go not because they have to but rather because they want to. Subsequently, our findings challenge the common view of time pressure as the main determinant of consumers’ inclination to consume on the go. Instead of the utilitarian reasons – time pressure, health orientation, and price sensitivity – it is rather a hedonic shopping motive that has the highest influence the demand for food and beverage that can be consumed on the go.

The implication for service providers and retailers offering on-the-go food and drinks is to focus more on the hedonic motive of on-the-go consumption. The importance of enjoyment should not only be considered regarding the offerings, but also regarding service, store design, and personnel. Although we still think that time pressure in general plays an important role for many consumers it does not seem to lead to a competitive edge anymore.
Some limitations have to be taken into account when interpreting our research findings. First, our study focused on only one European country. Our model is therefore not able to account for cultural influences regarding on-the-go consumption. Further research should therefore try to validate and compare the model across several countries.

Second, previous research has shown that other aspects like demographic variables influence on-the-go consumption (Binkley 2006). These variables should be utilized in further research to compare for group differences.

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THE ROLE OF SELF REGULATORY FOCUS ON COMPLIANCE BEHAVIOR

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SUMMARY

The purpose of this study is to better understand the factors that influence compliance in compliance dependent services (CDS); services that are long-term in nature. Compliance involves behaviors the customer must perform when away from the service provider in order to achieve the desired outcome (Dellande and Gilly 1998). We empirically examine the impact of self regulatory focus (SRF) on long term customer compliance with prescribed behaviors in a weight loss center in south India.

Theoretical Construct and Hypotheses

Self-Regulatory Focus (SRF). Research on SRF theory (Higgins 1997, 2002) has indicated that promotion focused individuals have a greater persistence when pursuing goals, are more motivated to continue with effortful goals (Roney, Higgins, and Shah 1995), have a better ability to succeed after experiencing a failure (Crowe and Higgins 1997), and exhibit higher standards of achievement that result in better performance (Higgins 2002) in comparison to prevention focused individuals. This leads to the following hypothesis.

H1: Promotion focused subjects are more likely to engage in compliance behavior compared to prevention focused subjects.

Keller and Lehman (2008) indicate that individual characteristics such as SRF moderate health intentions. Since promotion focused subjects are motivated by gains while prevention focused subjects are motivated by the urge to prevent losses, these two types of subjects should respond differently to persuasive messages which promise gains versus those which promise the prevention of losses.

H2: The compliance behavior of promotion focused subjects will be more influenced by messages promising gains while the behavior of prevention focused subjects will be more influenced by messages promising the prevention of losses, thus resulting in a two-way interaction of the regulatory focus of the subjects and the regulatory focus of the message.

In recent years there have been a large number of research projects exploring SRF and there is some uncertainty involving the validity and reliability of the measures of global regulatory focus (cf., Summerville and Roese 2008; Haaga et al. in press), e.g., the RFQ (Higgins et al. 2001), the six item regulatory focus scale (Higgins et al. 1994), Lockwood, Jordon, and Kunda’s (2002) general regulatory focus measure, etc. It seems reasonable that these generalized measures of regulatory focus would compare poorly with situation specific measures of regulatory focus based on the subjects’ stated reasons for their goals (e.g., weight loss).

H3: Hypotheses H1 and H2 will show more significant results when SRF is measured using situation specific measures of SRF rather than general measures of SRF.

Methodology

The subjects were 243 female clients (aged 20 to 45) of a fitness/weight loss center in south India who signed up for an eight-week long program to lose modest amounts of excess weight (e.g., 10 to 20 pounds). Upon joining, respondents completed a questionnaire that included several scales of regulatory focus, and a question eliciting reasons for wanting to lose weight. Subjects were weighed upon enrollment and at the conclusion of the eight-week program. Subjects were randomly assigned to one of three conditions: gain-focused message, loss focused message, or gain and loss-focused message.

Measures

Four different measures of SRF were used: the RFQ (Higgins et al. 1994), a modified version of the General Regulatory Focus Measure (GRFM; Lockwood, Jordon, and Kunda 2002), a single item measure (GLOM) adapted from Galinsky, Leonardelli, Okhuysen, and Mussweiler (2005), and subjects’ list of reasons (Reasons) why they wanted to lose weight.

In testing H3, we treat RFQ and GRFM as the general measures of regulatory focus (only 4 of the 18 items in the modified GRFM inventory are specific to weight loss),
and GLOM and Reasons as the situation specific measures of regulatory focus. The dependent variable (WLA) was the percentage of the weight loss goal that was achieved by the end of the eight-week period.

Findings

We found support for H1 and H2. Further, when subjects are grouped as promotion or prevention focused on the basis of situation specific measures of regulatory focus a significant effect of regulatory focus on WLA is found, with promotion focused individuals achieving greater weight loss compared to prevention focused individuals. However, a significant effect for SRF was not found when using generalized measures of SRF.

Discussion and Implications

This research examines consumer compliance behavior in the context of weight loss activities and has implications for other services requiring consumers to engage in prescribed behaviors over the long term. For example, success of debt counseling services and retirement savings programs require clients to engage in certain behaviors over the long run. Noncompliance could result in consumers not achieving the desired outcome, customer dissatisfaction, drop in customer retention, and negative word-of-mouth. Marketers of CDS programs will be able to use the findings of this research project to find new ways to increase long term customer compliance.

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ANTECEDENTS OF NEW PRODUCT DEVELOPMENT: A COMPARISON BETWEEN GERMANY AND CHINA

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SUMMARY

There is agreement in the literature that new product success is a major driver of organizational performance (Henard and Szymanski 2001). Therefore, it is not surprising that the literature provides extant insights on how to positively impact new product development (NPD) activities. These insights have almost exclusively been derived from Western cultural environments, most notably Western Europe and North America (Garrett et al. 2006). Only a few fragmented studies on Asian particularities in NPD processes exist (e.g., Im et al. 2003). The reality, however, shows that NPD processes are no longer limited to one single national or cultural setting (Nakata and Sivakumar 1996; Lee et al. 2008).

Building upon literature on the nation- and culture-dependency of management practices, it is at least disputable whether insights for best practice for NPD processes gained in the Western context are transferable to other cultural contexts. Literature on NPD to date, however, has not treated the interface between NPD and national culture (Im et al. 2003). In a review on major studies on NPD, Guo, 2008 claims that “in a broader environmental context, different national cultures and economic and social systems largely affect firm’s new product development,” while he derives from his literature review that “NPD has not been studied extensively across a range of national boundaries” (p. 257).

The present research addresses this dearth and investigates major organization-level strategic and organizational antecedents of NPD stages with survey data from Germany and China as two culturally highly distinct settings (Hofstede 1980). Building upon a literature review, five major antecedents are selected and examined regarding their effect on NPD initiation and implementation.

Our Chinese sample consists of 164 companies of small and medium size. Consistent with Gao et al. 2007, we used face-to-face and telephone interviews to increase the response rate. This method is better than traditional mail surveys in emerging economies because it can generate more valid information. Furthermore, cooperation with local researchers offers a key means to obtain reliable information. Therefore, we hired a major market research company headquartered in Shanghai. The data was collected during a two-month period from August to September 2008. For the German sample, we contacted about 2,500 SMEs by mail between June and July 2008, drawing on the German Chamber for Industry and Commerce database. In total, 208 companies participated in the survey.

Managers learn that a customer orientation is a stronger driver of NPD activities in the individualistic and low uncertainty avoidance German culture. This finding runs counter to our expectations. The higher importance of customer orientation in Germany may be justified by the following: Collectivist cultures define themselves by their adherence to groups. However, they make clear distinctions between in-groups and out-groups (Triandis 1994). One may argue that this is not necessarily the case. It follows that even in individualistic cultures as in Germany, relationships with customers – who are not members of their own organization – are valued more highly than in collectivist cultures. In individualistic cultures, the differentiation between in-groups and out-groups does not exist. In line with our expectations, competitor orientation is more important in high uncertainty avoidance China. In terms of organizational antecedents, the differences are largely confirmed. Whereas partially these antecedents have positive effects across national cultures, the strength of these effects is clearly subject to cultural circumstances. In low power distance Germany, the effect of participation is stronger. Consideration, however, linked to the cultural dimensions of power distance and femininity, turns out to be stronger in China. Top management emphasis positively impacts initiation and implementation in both settings. Due to obedience being one major facet of higher power distance, the effect of management emphasis is stronger in China where power distance is high.
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DISTRIBUTION CHANNELS FOR CONSUMER PRODUCTS IN INDIA: PAST, PRESENT, AND FUTURE DIRECTIONS

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SUMMARY

With a population in excess of one billion and current annual GDP growth of 9 percent (Vietor and Thompson 2007), India is a major player in the world economy. Not surprisingly, by 2050 the country is projected to become the third largest economy after China and the United States (Hawksworth 2006). India’s economic prowess is being driven by the purchasing power of a burgeoning middle class as wealth steadily trickles down to the bottom of the economic pyramid. Given this brisk growth, domestic industries are in a race against time to ramp up capacity, increase production, and achieve market access via channels of distribution. One sector that is expected to bear the brunt of this demand is the consumer goods industry with retail sales expected to top $40 billion by 2015 (India Brand Equity Foundation 2008).

Despite its potential, the consumer goods industry faces several significant marketing constraints. First, manufacturers and retailers have to grapple with fragmented markets and a plethora of channel forms in a constant state of flux. In particular, numerous street-side vendors, hawker, and roughly 12 million unregulated neighborhood mom-and-pop or kirana stores create strong institutional forces that cannot be ignored. Second, frequent regulatory changes affect channel structure and exacerbate adaptation challenges. For example, in 2006 the government allowed direct foreign entry by single brand retailers (Lakshman 2007). Consequently, firms scrambled for upscale retail space in a hypercompetitive real estate market while domestic manufacturers faced a multitude of challenges in the areas of new product introduction, line stretching, and branding.

Given the importance of distribution channels to the emerging Indian economy, one would expect a considerable body of relevant academic research to be readily available. However, a careful appraisal of extant research belies this expectation. While India has garnered much attention, the focus has primarily been on general topics pertaining to the socio-economic, political, and business environments (Basu 2008; Vietor and Thompson 2007). In recent years, the emphasis has shifted to include research on other topics like entry modes (Johnson and Tellis 2008), and outsourcing. However, there remains a paucity of systematic work on the impact of distribution on the Indian economy in general and the FMCG industry in particular.

This study attempts to bridge the gap in our understanding of distribution channels for consumer goods in India. More specifically, the objectives of this research are: (a) to appraise distribution channel structure and management challenges for consumer products, (b) to delineate variations in channel forms across markets, and (c) to outline the strategic role of distribution channels in gaining market access and achieving competitive advantage.

We develop several channel archetypes by considering a 2X2 classificatory scheme with market access (easy, difficult) and per capita demand (high, low) as the relevant dimensions. In each resulting cell, the implications for channel structure and management are discussed. The main challenges and opportunities for firms lies in their ability to carefully appraise channel practices in each cell. For example, when market access is easy and per-capita demand is high, big-box retailers are in a better position to overcome significant entry barriers relative to other cells. The main challenge for modern retailers is to position their offering as a superior alternative to the neighborhood kirana store that has historically offered a familiar and convenient shopping option to customers. Customers in India are often skeptical of large retail stores and feel that they have to pay a high price at modern stores. To overcome such negative perceptions, modern stores such as Big Bazaar have developed creative ways of signaling value to customers (Raman and Winig 2006). For example, to create a familiar shopping environment, Big Bazaar’s store layout mimicked the chaos of a traditional bazaar. The store also prominently advertised trade-ins whereby customers could bring their old merchandise and exchange them for store coupons. Finally, the company successfully organized “Big Day” sales around the time of local religious festivals when customers typically go on a shopping spree. All these efforts have paid off handsomely and today Big Bazaar is one of the fastest growing retail chains in India.

In conclusion, we offer several guidelines to practicing managers for considering distribution channel decisions as a strategic tool for market entry and growth.
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PRODUCT AND ENVIRONMENTAL INFLUENCES ON MARKETING-MIX STANDARDIZATION: A CENTRAL EASTERN EUROPEAN PERSPECTIVE

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SUMMARY

In spite of the high attractiveness of Central Eastern European (CEE) countries from a theoretical and managerial perspective, empirical studies of international marketing standardization analyzing this region as a host-region are to a large extent lacking. Therefore, this work intends to contribute to international marketing theory by testing the standardization-adaptation framework within a less explored, yet highly attractive region. The present paper takes an approach of theory development and refinement. Concerning theory development, product characteristics, often mentioned as one of the most important determinants of marketing-mix standardization, are aggregated into an index describing a “product’s standardization potential,” whose influence on the adopted strategy is empirically tested. By introducing and testing the “product’s standardization potential” construct as a formative measure, this study makes a theoretical contribution to the contingency perspective of international marketing standardization. From a theory refinement point of view, the use of formative measurement models within the standardization-adaptation framework, though theoretically sensible, is still in the starting blocks. Thus, this study reports first empirical experiences concerning the application and validation of formative measurement models using the PLS path modeling approach. Moreover, the influence of the external environment and product’s characteristics upon a firm’s marketing-mix strategy is empirically tested within the CEE context.

Conceptual Framework

Drawing from industrial organization theory, this study investigates the influence of the external environment and product’s characteristics upon a firm’s marketing-mix strategy. Also known as the structure-conduct-performance paradigm, this theory sees the source of a firm’s competitive advantage in the developing of a corporate strategy (conduct) aligned with market and industry conditions (structure) (Porter 1980). Implementing an appropriate marketing strategy is considered the mechanism by which companies respond successfully to the external environment, thus achieving competitive advantage and superior performance (Katsikeas, Samiee, and Theodosiou 2006; Zou and Cavusgil 2002; Zou and Stan 1998).

As Figure 1 illustrates, the model we propose in this paper investigates the influence of five contingency variables, similarity of macro-environment, similarity of consumer characteristics, similarity of marketing infrastructure, competition intensity, and product’s standardization potential, on the degree of standardization of the four marketing-mix elements. The impact of marketing-mix standardization on performance is tested.

Measures, Sample, and Data Collection

Following a review of the relevant literature, scales used in previous international marketing research were identified. Most scales use the pair-wise comparison method developed by Sorenson and Wiechmann (1975), asking the respondent to draw a comparison between the home- and host-market when evaluating the items. The product characteristics were merged into an index representing the “product’s standardization potential,” containing a set of seven semantic differential 5-point scales labeled: low-tech/high-tech, simple/complex, unique/standard, innovative/traditional, rational/emotional, culture-free/culture-bound, symbolic/functional. Based on theoretical and empirical considerations, four constructs, i.e., product’s standardization potential, competition intensity, similarity of marketing infrastructure, and performance were modeled in a formative way.

The population of this study consisted of international marketing managers within German consumer goods manufacturers with marketing responsibilities for a product or product group in at least one of the ten CEE countries, members of the European Union, i.e., Poland, Slovenia, Hungary, Slovakia, Czech Republic, Latvia, Lithuania, Estonia, Romania, and Bulgaria. The respondent was asked at the beginning of the questionnaire to select among the 10 CEE markets listed, one market, where his/her company markets consumer products AND with which he/she is personally most familiar with. Data was collected between March and April 2009, using one follow-up mailing. A number of 132 questionnaires were returned.
Results

The hypotheses were tested using PLS path modeling. Similarity of consumer characteristics has a significant positive effect on all marketing-mix elements (product $\beta$: 0.16, t: 1.69*; promotion $\beta$: 0.24, t: 2.46**; pricing $\beta$: 0.33, t: 2.99**) except for distribution standardization. H2 is thus supported. The hypothesized positive influence of similarity of marketing infrastructure (H3) could be supported for the promotion ($\beta$: 0.31, t: 3.27***) and distribution standardization ($\beta$: 0.53, t: 5.13***). The product’s standardization potential has been shown to have a significant positive impact on pricing ($\beta$: 0.25, t: 1.96*) and product standardization ($\beta$: 0.37, t: 2.67**), in support of hypothesis H5. No significant influence on any of the marketing-mix elements has been detected in case of the variables similarity of the macro-environment and competition intensity. Consequently Hypotheses H1 and H4 must be rejected. Though all path coefficients connecting the marketing-mix variables to performance are positive, only distribution standardization has also a significant impact ($\beta$: 0.38, t: 3.33**), providing partial support for H6.

The variance explained, $R^2$, amounts to 20 percent for product standardization, 24 percent for promotion standardization, 23 percent for pricing standardization, and 32 percent for place standardization. The model explains 24 percent of the variance in the performance construct. This indicates that, especially in the case of product standardization, there are other factors that play a major role in the decision to standardize or adapt. These may be related to firm specific contingencies such as management’s international orientation, global marketing structure, global marketing processes, market entry mode.

Though four out of six hypotheses could find partial support in this study, the results indicate that, in practice, product characteristics and the external environment have a relatively minor influence on the configuration of the marketing-mix strategy in CEE. The high degree of marketing-mix standardization, especially product standardization (4.32) exhibited by the companies in our sample suggests that CEE markets may still be considered test markets, where investments are still kept to a minimum.

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THE EFFECTS OF SPONSORSHIP ON BRAND IMAGE: A CROSS-NATIONAL ANALYSIS

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SUMMARY

Even though global growth rate dropped from 13.7 percent in 2008 to 3.1 percent for 2009, sponsorship spending is still increasing compared to investments in advertising or sales promotions. Especially for global players, such as Lenovo, Credit Suisse, BMW, or Panasonic there are not many alternative sponsorship opportunities that aim at a global audience. For instance, Formula One offered 18 races with cumulated 1.8 million race day attendances in 2006 (F1 Black Book 2007). According to a Financial Times special report, about 597 million people are estimated to have watched the 17 races of Formula One in 2007 (Sylt and Reid 2008).

Global sponsorship is believed to depend on specific factors on a country-level, meaning that sponsorship might work differently from country to country (Ruth and Simonin 2003). Such variations in sponsorship effects would be unintentional from a sponsor’s perspective. From a management perspective, it is highly relevant to (1) assess if country-differences in sponsorship effects can be observed, and (2) if such differences can be explained by potentially manageable variables on a country-level. Prior research has predominantly focused on variation in sponsorship outcomes that result from individual factors such as someone’s personal history with an event (Gwinner 1997). On a country-level, it can be expected that in countries with a long history of motorsport events and many personal experiences with motorsports, people will have a different event image than TV viewers in countries without the ability to visit motorsport races personally. Moreover, broadcast times differ from country to country. Hence, consumers have more or less time to learn sponsor names and to attribute the image of Formula One to the sponsor. Existing sponsorship research that considers country-variables such as nationality of the sponsor is conducted in a single country (e.g., Ruth and Simonin 2003) and does not consider variation on a country-level.

Against this background, the present article’s contribution to the literature is to conceptualize and empirically identify individual and country specific group-level factors that explain differences in brand image, an important sponsorship outcome for marketing management. Using market research data obtained in a multinational field survey by a major automotive company in 2007, a theory-based model is tested using field data from 14 countries and objective data from secondary sources.

One of the key objectives of sponsorship is to evoke positive feelings and attitudes toward the sponsor. This study attempts to replicate findings on the individual-level. More precisely, the influence of event image (e.g., Grohs et al. 2004), consumption of Formula One (e.g., Lacey et al. 2007), sponsor recognition (Smith 2004), and fandom (Gwinner and Swanson 2003) on brand image will be assessed. Because this article is a cross-national analysis and not comparing different brands, sponsorship fit is not considered as a potential influencing variable.

Prior research has predominantly focused on variation in sponsorship outcomes that result from individual factors and largely ignored variation from group-level factors on a national basis. But as these variations in sponsorship effects are unintentional from a sponsor’s perspective it is highly relevant to sponsors to know (1) what kind of effects these are and (2) how to manage these effects. Effects that vary from country to country, which are believed to be influential are (1) whether there is a Formula One race in the country and (2) whether a team’s driver comes from that country.

Data was collected in 14 different countries simultaneously in August of 2007. The countries were selected according to their economic relevance to the manufacturer and capture the most relevant automobile markets in the world (Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Malaysia, Russia, Spain, U.K., and the USA). Due to target market restrictions only respondents aged between 18 and 60 years old, holding a driving license and living in a household that owns at least one car were interviewed. The sample size for each country was in the range of 622 to 677, with a total of 9,520 respondents.

Results indicate that at the individual consumer level, brand image is influenced by event image, fandom, and possession. Contrary to our expectations, consumption of Formula One races and recognition of the sponsor brand do not influence brand image. At level-two, results show that the intercept of the regression is significantly lower if there is a race in the country of the respondent and the
driver of the team comes from that country. These counterintuitive findings can be attributed to the facts that (1) brand image is worse in the countries were Formula One races take place and that (2) the team has drivers from two countries in which the market position of the brand is relatively weak. As proposed, the effect of fandom on brand image is increased, if there is a race in the country of the respondent and the driver of the team is from that country.

The analysis presented here extends current research by controlling for heterogeneity between countries using HLM and offers results from which managerial implications can be derived. On the individual-level, we show that event image as well as fandom influences the attitude toward a sponsor positively. These results confirm previously reported effects of fan identification (e.g., Madrigal 2001) and image transfer in sport sponsorship contexts (e.g., Grohs et al. 2004). The results are stable across countries, although the influence of fan identification is found to differ significantly. The positive effect of fandom is increased, if races take place in the country of the respondent and drivers are from the fan’s country. This implies that sponsors should influence the decision-making process of having Formula One races in new and for the sponsor’s strategically important countries. Additionally, in order to boost a new entry of the sponsor in a certain country or to improve the brand’s image in a country, sponsors should consider employing a national driver. Consequently, marketing management should not only decide driver selection according to sportive achievements and capabilities but also according to relevant markets. Generally, fandom is found to have a strong influence on brand image. Therefore, sponsorship managers as well as sport series representatives should invest in building a strong fan base. References are available upon request.

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PROMOTING BUYER-SELLER COLLABORATIONS: THE ROLE OF COOPERATIVE CAPACITY

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SUMMARY

Besides the critical resources invested, does a certain capability is needed to achieve superior inter-firm collaborative outcomes? To address this question, our study extends the existing resource-based view to investigate what capabilities embedded in the specific relationships – in particular, the dyad’s cooperative capacity – facilitate the successful cooperation between buyers and sellers. The relation-specific “cooperative capacity” depicts the critical capabilities gained in a certain inter-firm collaboration, through the integration of the partners’ valuable resources and knowledge. Drawing from the features of cooperation, we conceptulize three major dimensions of cooperative capacity: learning, changing, and creating capabilities. These three dimensions of cooperative capacity reflect the major benefits that can be acquired through the buyer-seller collaboration rather than pure market transactions or hierarchies. These three dimensions are highly related with each other and together constitute the concept of cooperative capacity.

We also delineate the beneficial roles of some economic, social, and contractual factors between the dyad on the dyad’s cooperative capacity. At the economic level, resource complementarity is examined as an antecedent of cooperative capacity. We study social fitness as another source of the dyad’s cooperative capacity, and examine institutional proximity as an indicator of the social fitness of partners. In addition, we test role clarity as a contractual factor to the dyad’s cooperative capacity. We then investigate the influence of cooperative capacity on the joint strategic outcomes of the dyad and the contingency factor of the role of cooperative capacity.

The results of a dyadic survey reveal the importance of cooperative capacity together with relation-specific investments. The effects of cooperative capacity and relation-specific investments on joint strategic outcomes are oppositely moderated by the expectation of relationship continuity. Expectation of an enduring relationship can activate the utilization of cooperative capacity and accordingly help the dyad to achieve much greater competitive advantages. On the contrary, the longer the partners expect the relationship to last, the less useful will be the relation-specific investments to joint performance. The empirical test also shows that resource complementarity and institutional proximity both enhance the cooperative capacity. Role clarity has a positive but marginal significant effect on cooperative capacity. Collectively, inter-organizational fitness (economic, social, and contractual) can be an important source of the dyad’s cooperative capacity.

The findings provide several implications for researchers and managers regarding how to strengthen the collaborations with channel members. First, the concept of cooperative capacity enriches resource-based view in inter-organization studies by suggesting the importance of the dynamic capabilities which are embedded in the specific relationship. The three components of cooperative capacity provide holistic insights into the complexity of inter-firm collaborative processes, as reflected in the multiple purposes of cooperation. The joint learning, changing, and creating capabilities are needed to achieve these objectives in their cooperation. This finding can help managers develop a set of co-working systems or routines for the complex inter-firm collaboration. Second, our study reveals that economic, social, and contractual fitness between the dyad determines the cooperative capacity of the dyad. Third, the extent to which the cooperative capacity and idiosyncratic investments can be served to achieve strategic outcomes depends on each partner’s expectation of relation continuity.

Keywords: buyer-seller relationship, cooperative capacity, relation-specific investments, resource complementarity, institutional distance, role ambiguity.

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SEEKING ENHANCED UNDERSTANDING OF MULTINATIONAL SUPPLIERS’ CHOICE OF GLOBAL ACCOUNTS: AN INTEGRATIVE FRAMEWORK AND EMPIRICAL STUDY

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SUMMARY

Despite the growing popularity of global account management (GAM) practices among multinational companies and the recognition that GAM represents the “new frontier of relationship management” (Yip and Madsen 1996, p. 24), empirical GAM research is still limited and the existing literature is also lacking in several important ways. In this study, we intend to rectify a key weakness in the GAM literature by combining four previously isolated perspectives of account selection into one integrative framework. Specifically, we study how a host of factors related to intra-organizational support, inter-organizational fit, inter-organizational power dependency, and customer characteristics jointly affect multinational suppliers’ choice of global accounts. We also seek to rectify another limitation in the GAM literature by distinguishing between two forms of coordination (inter-organizational and inter-country coordination) in the global account management context. We further advance new-to-the-literature hypotheses on the curvilinear nature of eight antecedent-to-coordination relationships. The conceptual model is tested using data collected from a cross-national sample of global account managers.

Inter-country coordination (ICC) is defined as the extent to which a global supplier coordinates its marketing-mix and supply chain management activities across nations within its organizational boundary in order to best serve a global account customer (Birkinshaw et al. 2001; Homburg et al. 2002). Inter-organizational coordination (IOC) refers to the extent to which a global supplier purposively organizes joint activities at each level (i.e., senior executive, global account manager, and operational-level employee) with a global account customer (Shi et al. 2009).

Our findings show that ICC and IOC decisions have different sets of key antecedents and should therefore be treated separately in practice. While intra-organizational support (i.e., strategic priority and vertical involvement), goal congruency, complementarity, and customer demand lead to more inter-organizational coordination, it is the combination of inter-organizational fit (i.e., goal congruency and resource complementarity), customer dependency, customer demand, and revenue share that give rise to more inter-country coordination within the boundary of the supplier firm. These findings highlight the divergent needs of IOC and ICC for internal resources needs. The fact that revenue share does not significantly influence IOC indicates existence of motivations other than account size for investing in hierarchical GAM coordination. Our findings also show that the relationship between goal congruency and IOC and the influence of conflict on ICC are inverted U-shaped, cautioning about the duality of impacts of goal congruency and conflict on GAM account selection decisions.

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THE CONTRASTING IMPACT OF RELATIONAL AND BRANDING CAPABILITIES ON MARKETING CONTROL RIGHTS DECISIONS WITHIN TECHNOLOGY ALLIANCES

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SUMMARY

Technology alliances represent an inter-firm strategy in which firms collaborate in developing new product technology (Rindfleisch and Moorman 2001). Of greatest interest to marketers are the marketing control rights that involve the management of marketing activities related to co-developed product technology. Alliance partners often manage marketing control rights through a collaborative agreement in which one partner (hereafter referred to as the licensor) licenses a share of marketing control rights to the other partner (hereafter referred to as the licensee). A key decision in licensing marketing control rights involves deciding how restrictive or lenient the licensor should be in distributing these rights to the licensee partner. Research to-date has investigated the distribution of marketing control rights from a bargaining power and resource-based view (RBV). We argue that prior research has taken too limited a view of the impact capabilities can have on distribution decisions. Instead of focusing on how capabilities determine what a partner can do, this paper focuses on how capabilities determine what a partner will do in regard to investing in an alliance. Analysis of technology alliance agreements in the pharmaceutical industry supports the hypothesized opposing effects of relational and branding capabilities on the allocation of marketing control rights between technology alliance partners.

Technology Alliances and Marketing Control Rights

Through each partner’s contribution of resources and performance of alliance-related activities, each partner accrues control rights granting them with the right to market co-developed technology which results in marketing decision-making authority in a technology alliance being shared between the partners (e.g., Hart and Moore 1988). The empirical evidence to-date suggests the bargaining power of each partner determines the allocation of control rights between technology alliance partners while support for the role of firm capabilities in determining control right distribution has failed to be supported.

This paper also explores the role of firm capabilities but offers an alternative perspective regarding the role of capabilities in determining the distribution of marketing control rights between technology alliance partners. Focusing on the partner’s relational and branding capabilities, the discussion focuses on how these two capabilities can have opposing effects on a partner’s likelihood of investing in carrying out the marketing activities associated with a technology alliance. In line with prior research (e.g., Khanna, Gulati, and Nohria 1998), high relational capabilities are argued to promote greater likelihood of alliance investment while branding capabilities are argued to have the opposite effect.

Methodology

A sample frame including 85 technology alliances was examined in testing the role of relational and branding capabilities on the distribution of marketing control rights between technology alliance partners. Results from a logit model supported the hypothesized effects. Specifically, the possession of high relational capability led to a partner being allocated a greater level of marketing control rights while the possession of high branding capability led to a lower level of marketing control rights being allocated to a partner.

Theoretical Implications

This research draws attention to the view that marketing capabilities influence the distribution of marketing control rights within technology alliances because of their influence on expected investment behavior. Thus, this paper finds evidence supporting an alternative conception of capabilities and how they affect the distribution of control rights than that found in the extant literature which has focused on how capabilities affect what a partner “can do” versus this paper’s focus on how capabilities influence what a partner “will do.” Importantly, this research shows that marketing capabilities influence contract structure but in notably distinct ways. Thus, academic researchers must continue to conceptualize and study the variety of marketing capabilities in addition to their interdependencies.

Managerial Implications

As technology firms come to recognize the value of marketing as a means of differentiating their products, it is becoming more important for firms within technology
alliances to understand the implications of expanding or restricting marketing control. This effort suggests that managers inventory and evaluate their firm’s marketing capabilities prior to establishing a technology alliance or determining the distribution of control rights.

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REAL OPTIONS: A GOLD MINE, OR FOOL’S GOLD?

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SUMMARY

Real options are now an important part of marketing strategy, and are used in cases related to new product introductions, setting up marketing alliances etc. For example, a focal firm may decide to buy an option to buy a new drug, developed by another firm, in the future. In the future, if it looks like FDA approvals will be forthcoming, the focal firm may exercise the option and buy the drug. If it looks like FDA approvals will not be forthcoming, the focal firm may let the option lapse. Research on real options has hitherto focused on how best to set up real options, and how then to value real options. However, there is little research on how to manage real options after the firm has bought a real option. Specifically, in this paper, we focus on the influence of two factors on firms’ propensity to make a suitable option-exercise decision.

Real Options and Option-Structure

The first factor we considered was option-structure. Based on differences in option-structure, there are two types of options. Options may be structured as call options, whereby the firm does not own the asset (underlying the option), but has the option to buy such asset in the future. Options may also be structured as put options, whereby the firm owns the asset, but the firm has the option to sell such asset in the future. The literature on the endowment effect suggests that individuals have relatively greater valuation for owned objects (vis. other objects), and by extension managers should be more likely to overvalue the asset in the case of put options (vis. call options), leading to managers being more likely to make a suboptimal option-exercise decision (specifically, if the asset value is low, managers may overvalue the asset, and may make the suboptimal decision of not exercising the option to sell the asset). Further, building off the literature on the endowment effect, differences in the propensity to make a suboptimal option-exercise decision (between call options and put options) should be mediated by differences in psychological ownership toward the asset.

We ran a series of controlled experiments, wherein (1) in a business outsourcing context, we considered the case of a firm using real options to acquire an outsourcing unit, and (2) we used post-graduate business students as experiment participants. First, we contrasted the case of a call option with that of a put option, and care was taken to ensure that the cash flows in both cases were mathematically equivalent. As predicted, we found that participants were more likely to make a suboptimal exercise decision in the case of a put option than in the case of a call option. Further, differences in the propensity to make a suboptimal option-exercise decision were fully mediated by differences in levels of psychological ownership. In a follow-on experiment, which fully supported our earlier findings, we showed that by specifically reducing psychological ownership, we reduced the propensity to make a suboptimal option-exercise decision.

Our results imply that at the time of structuring real options, firms must trade-off the benefits of using put options with the potential drawback that (down the road) the firm is more likely to make suboptimal option-exercise decisions. If firms still choose to use put options, our results imply that the follow-on tendency to make suboptimal option-exercise decisions is due to the endowment effect. Consequently, firms can devise and use suitable debiasing mechanisms.

Apart from contributing to the literature on real options, this research also contributed to the work on the endowment effect. First, it illustrated how psychological ownership mediates/explains the endowment effect. Specifically, it showed a measure that fully mediates the endowment effect, an important advance for the field. Second, it extended endowment effect. This research showed that endowment effect (and the psychological ownership construct) relates not just to objects owned by the focal person, but also to objects owned by the organization with which the focal person is affiliated. In theory, this suggests fertile research opportunities to investigate how endowment effect plays out in settings like in-group vs. out-group, collectivist vs. individualist cultures etc.

Real Options and Involvement with the Option-Purchase Decision

The second factor we considered was involvement in the option-purchase decision. The real options process is a two-stage process. In the first stage, the firm makes the decision about whether to purchase the real option. In the second stage, the firm makes the decision about whether to exercise the real option. The literature on escalation of commitment indicates that managers are more likely to persist with a failing project (i.e., more likely to make a
suboptimal decision) if such managers were also involved with initiating such project. By extension, this would suggest that if managers were involved with the first stage option-purchase decision, then such managers should also be more likely to make a suboptimal option-exercise decision. Across a series of experiments, we found the exact opposite result. That is, we found that if managers were involved with the first stage option-purchase decision, then such managers were less likely (and not more likely) to make a suboptimal option purchase decision. Further, we found that this was such managers were less likely to bias second stage negative information.

This research has implications for how firms should manage real options after the firm has bought the option. Specifically, the literature on escalation of commitment suggests that the best way to decide whether to persist with a prior-launched new product is to bring in a new manager to relook at the project. This research suggests otherwise, and suggests that there are benefits to ensuring that the same manager makes both the first stage option-purchase decision and the second stage option-exercise decision.

**Conclusion**

Real options are an integral part of marketing strategy. As such, real options could well be a gold mine. However, if real options are to deliver on their promise, research is needed on reducing the propensity to make suboptimal option-exercise decisions. This yet unresolved, under-researched problem may well result in real options turning out to be fool’s gold. For real options to occupy its rightful role in marketing strategy, firms need to better understand how to manage a real option after having bought the option. This work is an early effort toward that end. References are available upon request.
STRATEGIC DISAGREEMENT PARADOX IN MARKETING STRATEGY MAKING

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SUMMARY

The value of strategic disagreement (also known as cognitive, task conflict) is implicitly enshrined in the discourse in marketing strategy making, but also in marketing’s interactions with other functions (e.g., Griffin and Hauser 1996; Kohli and Jaworski 1990; Ruekert and Walker 1987). For example, in the new product development process the benefits of strategic disagreement has led to increased emphasis on the use of cross-functional teams, involving marketing, R&D, manufacturing and other functions (Atuahene-Gima and Evangelista 2000; Griffin and Hauser 1996; Madhavan and Grover 1998; Xie, Song, and Stringfellow 1998). The key insight from this literature is that strategic disagreement unearths the inherent value of the diversity of a strategy group to allow effective discussions and quality decisions and that without it the diversity of decision-making group will remain an untapped resource.

In contrast to this positive view, a less sanguine view of strategic disagreement that has received little attention in the marketing literature is that it may also lead to interpersonal conflict which is injurious to effective marketing strategy making. Interpersonal conflict refers to the personality clashes, tension, anger, and hostility toward other group members in strategy making (Jehn 1997; Xie, Song, and Stringfellow 1998). The open debate over task ideas, goals, and processes that occur during the strategy development could be misconstrued as personal criticism and attack that leaves people with hurt feelings.

There-in lies the paradox of strategic disagreement; the very properties of strategic disagreement that make it useful in marketing strategy making may also lead to interpersonal conflict that hinders the effectiveness of marketing strategy making. If indeed strategic disagreement is linked with interpersonal conflict, then the ability of marketing managers to perform effectively in the marketing strategy making process is endangered. For this reason, several scholars have emphasized that the quality of the marketing strategy process should be expected only to the extent that the disagreements among group members are successfully managed (Maltz and Kohli 2000; Menon, Bharadwaj, and Howell 1996). This begs some important questions: under what conditions is strategic disagreement likely to spiral into interpersonal conflict; and what managerial intervention strategies are open to marketing managers to prevent such an occurrence.

We address these questions in this study to make three new contributions to the marketing literature. First, we draw attention to the paradox of strategic disagreement that it has a positive link with marketing strategy comprehensiveness as well as interpersonal conflict. Further, we posit that the positive relationship between strategic disagreement and marketing strategy comprehensiveness is buffered by interpersonal conflict. We provide the novel insight that a discourse of strategic disagreement devoid of a concurrent examination of the attendant interpersonal conflict implications may be an oversimplification of the dynamics of marketing strategy making and could lead to an overly optimistic, and perhaps even erroneous practical implications.

As a second contribution, we suggest that strategic disagreement is more likely to lead to interpersonal conflict (which is detrimental to marketing strategy comprehensiveness) when the market and technological environments are uncertain. This means that previous studies which have extolled the importance of comprehensive marketing strategies under uncertain environmental conditions may have overlooked the onerous internal management dynamics that made them possible. As our third contribution, we suggest that marketing managers use trust-building and collaborative conflict resolution as intervention strategies to simultaneously achieve the benefits of strategic disagreement and at the same time overcome its potential interpersonal conflict downside. References are available upon request.
THE IMPLICATIONS OF KNOWLEDGE GRAFTING FOR MARKETING STRATEGY

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SUMMARY

The concept of grafting has been around for centuries and has benefitted the fields of horticulture, medicine, and engineering. In fact, grafting has been credited with enormous successes in these three fields. Eventually, the concept of grafting, under the rubric of knowledge grafting, made its way to the organizational learning literature. However, the potential of knowledge grafting for business and marketing strategy remains unexplored. In fact, since the introduction of the grafting concept into the strategy literature in the 1990s, there is no systematic research into knowledge grafting. Before we go any further into the specifics of knowledge grafting, it is important to clarify what one means by knowledge grafting. Huber’s (1991) conceptualization of grafting involves organizations increasing their store of knowledge by formally acquiring employees, firms, and/or by developing long-term alliances with other organizations that possess information not previously available within the organization. Furthermore, Huber (1991) predicts that grafting will become a more frequently used approach for organizations to acquire quickly knowledge that is new to them. This acquisition of knowledge is often faster than learning by experience and more complete than learning through imitation (Huber 1991; Osland and Yaprak 1995).

Although Huber’s (1991) concept of grafting is quite significant, it is somewhat limiting in terms of its conceptualization. Huber’s (1991) concept of grafting concerns the acquisition of knowledge not previously possessed by firms. However, the concept of grafting in horticulture concerns a process that, in addition to acquisition, focuses on union, synergistic growth, and superior outcomes. That is, grafting in horticulture is often done in the quest for superior outcomes and acquisition is only the beginning. Traditionally, in horticulture, grafting involves preparing and placing together plant parts so they may grow together (Garner 1988). Lee and Sears (1994) suggest that grafting is a technique that makes it possible to add one variety of a tree to another. Spurgeon (1994) discusses grafting as a craft that helps in propagating superior trees. The graft must be carefully prepared, joined, and nurtured to be effective. Hence, the acquisition of the entities necessary for the graft, the union of the grafted entities, and the subsequent synergistic growth that, in turn, results in superior outcomes fall under the rubric of grafting. Paralleling this grafting process, knowledge acquisition, knowledge integration, and synergistic knowledge growth that, in turn, results in superior knowledge outcomes fall under the rubric of knowledge grafting.

Drawing from the concept of grafting from horticulture, we define knowledge grafting as “bringing one or more individuals, groups, and/or organizations together for the purpose of integrating the new and existing knowledge, in order to produce superior values or outcomes through synergistic knowledge growth.” We conceptualize knowledge grafting beyond mere acquisition of externally developed knowledge. We propose that grafting also involves what one does before, during, and after the acquisition of externally developed knowledge, to ensure that the organization becomes more effective or efficient, and perhaps, gains competitive advantages. We further contend that the organization’s overall emphasis on, and regular/continuing efforts toward, knowledge grafting could potentially provide the basis for sustaining competitive advantages. Consequently, knowledge grafting can be useful for achieving strategic changes in firms (Nag, Corley, and Gioia 2007).

In this paper, we specifically explore the implications of knowledge grafting for marketing strategy. First, we provide a brief overview of knowledge grafting. In this section, we introduce the different types of knowledge grafting. Second, we discuss the specific types of knowledge grafting in how they relate to marketing strategy. Here, we also discuss the importance of marketing function for the firm and its role in relevant strategic changes that the firms can bring about. Finally, we conclude with a discussion of our paper’s contributions to theory and practice. References are available upon request.
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WHAT’S IN A NAME? AN ANALYSIS OF THE STRATEGIC BEHAVIOR OF FAMILY FIRMS

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SUMMARY

Family firms play a significant role in the U.S. economy making up about one-third of the firms listed on the S&P 500 and Fortune 500 indices (Anderson and Reeb 2003) and employing about 60 percent of the U.S. workforce (Astrachan and Shanker 2003). Surprisingly, in spite of the importance of family firms to the U.S. economy, marketing literature on family firms is almost non-existent. The scant literature that does exist, primarily in the fields of management and finance assumes family firms to be a homogenous group displaying similar behavior; it does not explore differences in strategic behavior between different types of family firms. Do all family firms behave similarly or are there different types of family firms that behave differently? The authors try to address this question by focusing on the link between family firms’ names and firm behavior. Some family firms such as Dell, Ford, Walgreen, and Marriott use their founding family’s name as part of their firm name; others like Nike, FedEx, Progressive, and Gap do not. The authors refer to the former group as family-named family firms (FN family firms) and the latter as non-family-named family firms (NFN family firms). This research explores differences in strategic behavior between these two types of family firms. It also investigates if FN family firms perform better than NFN family firms, and if their superior performance is mediated by differences in their strategic behavior.

Family-named family firms are expected to behave differently than non-family-named family firms because of the greater visibility of the family-firm linkage in the eyes of the family-named firms’ consumers. A firm name like Dell Inc. that includes the family name explicitly communicates that the firm is a family firm and puts the founding family in the spotlight. FN family firms may therefore find it harder separating the firm’s reputation from the family’s reputation. One would expect FN family firms, then, to be relatively more concerned about protecting their firm’s reputation. This greater emphasis by FN family firms on protecting their reputation may lead them to behave differently from NFN family firms across a number of strategic factors such as the level of customers’ voice in the boardroom (i.e., the choice of including or not including a chief marketing officer in the top management team), net differentiation emphasis (i.e., relative emphasis on differentiation versus innovation), and corporate citizenship (i.e., level of corporate social responsibility).

Family-named family firms, given the greater visibility of their family-firm link, are expected to place a greater emphasis on ensuring that their customers have a favorable image of the firm and a positive perception of the corporate brand. This makes it especially important for FN family firms to have a customer advocate in the form of a chief marketing officer (CMO) present in their top management team. FN family firms are also likely to have a greater net differentiation emphasis than NFN family firms because innovation is inherently risky and FN family firms given the greater visibility of the family-firm link may be more averse to taking the risk of innovation. A greater visibility of the family-firm linkage for FN family firms also suggests that these firms may be more likely to safeguard their firm’s reputation. Hence FN family firms are likely to have more social strengths (i.e., launch more positive social initiatives) and to have fewer social weaknesses (i.e., get involved in fewer negative social activities). Finally, to the extent that prior research has shown firms’ greater corporate citizenship levels to improve their performance (e.g., Luo and Bhattacharya 2006) and that the stock market reacts favorably when a firm increases its net differentiation emphasis (Mizik and Jacobson 2003), the authors hypothesize that FN family firms perform better than NFN family firms and that FN family firms’ better performance is mediated by (a) their relatively more social strengths (b) their relatively fewer social weaknesses, and (c) their relatively higher net differentiation emphasis.

Findings based on a multi-industry sample of 130 publicly listed U.S. family firms over a five-year period (2002–2006) broadly support the authors’ hypotheses. These results show that compared to NFN family firms, FN family firms have significantly higher levels of corporate citizenship and representation of customers’ voice (i.e., presence of a chief marketing officer) in the top management team. FN family firms also have a higher net differentiation emphasis (i.e., relative emphasis on value appropriation versus value creation) compared to NFN family firms. Furthermore, FN family firms perform better than NFN family firms and their superior performance is partially mediated by their higher corporate citizenship levels and higher net differentiation emphasis.
This research has a number of theoretical and practical implications. With regards theoretical contributions, this research challenges the extent assumption that family firms are a homogenous group displaying similar kinds of behavior. This research also adds to the stream of reputation and identity by providing an understanding of how different degrees of concern for owners’ reputation and identity can motivate firms to behave differently in strategic terms. With regards practical contributions, a key message the authors give to family firm practitioners is that regardless of the way the firm is named, it pays to avoid social transgressions and to have an increased emphasis on differentiation versus innovation. References are available upon request.

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THE EFFECTS OF NEGATIVE EMOTIONS ON AVOIDANCE BEHAVIOR IN SERVICESCAPE

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SUMMARY

Recent research has shown that emotions experienced in the store environment significantly affect customers’ shopping behavior from the environmental psychology perspective (Baker et al. 1992; Kaltcheva and Weitz 2006; Sherman et al. 1997; Sweeney and Wyber 2002). Although many studies have shown that physical environments’ influence on shopping behavior mediates customers’ emotions in-store, there is very little empirical study to examine the relationship between negative emotions and avoidance behavior. In addition, although the management of negative emotions, which cause avoidance behavior, is a very important part, most of previous research has evaluated negative emotions generally instead of presenting concrete factors of negative emotions in service environments.

Therefore, the purposes of this study are as follows: First, the authors classify the dimensions of department stores’ servicescape, which is extended on the basis of Baker’s (1986) model. The authors adopt environmental psychology literature to introduce a three-dimensional framework that effectively discusses the “physical environment” on the basis of ambient, design, and social factors. In addition, the category of “social factor” is divided by two separate factors: employee factor and other customer factors. Second, the authors investigate which dimensions of negative emotions customers feel in a servicescape and evaluate them through an exploratory study. Third, based on an exploratory study, the authors establish a research model regarding the influential relationship among a department store’s servicescape, negative emotions, and customer’s avoidance behavior.

The exploratory study also derives dimensions of negative emotions in servicescapes and reveals three dimensions of negative emotions, including tightness, discomfort, and aversion. The data, collected from a sample 344 shoppers in Korea, indicate that negative factors of a servicescape have a pronounced effect on negative emotions and that negative emotions serve as critical mediators in the servicescape – avoidance behavior relationship.

SPSS 12.0 and AMOS 4.0 statistic packages were adopted for hypotheses testing. The results of this study are as follows. First, two dimensions of servicescapes had relatively different influences on the three dimensions of negative emotions. More specifically, of the three dimensions in the physical environment, design had no significant impact on any other negative emotions, while ambient and facility factors positively influenced the tightness and discomfort emotions. Furthermore, of the two dimensions in the social environment, employee and other customer factors had an influence on tightness, discomfort, and aversion emotions. Thus, the findings show that negative emotions were induced by negative environmental factors in the servicescape. Second, there were differences in negative emotional responses, which influenced the type of environmental stimulus. There were also differences in behavioral responses, which were influenced by the type of negative emotions. It is supposed that when customers felt tight, they did exploration avoidance behavior. If customers felt discomfort in a servicescape, they did both exploration and communication avoidance behaviors. Finally, when customers felt averse in a servicescape, they did communication avoidance behavior. In addition, there was empirical support for positive relationships between tightness and exploration avoidance, discomfort and search avoidance, and aversion and communication avoidance.

In conclusion, this study provides the crucial insight into the understanding of customers’ avoidance behavior with empirical results and emphasizes that firms should care about environmental elements, which stimulate negative emotions in servicescapes.

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FROM HOLLYWOOD TO BROADWAY: A FIELD STUDY OF THE EFFECTIVENESS OF PRODUCT PLACEMENTS

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SUMMARY

Much of the research pertaining to product placements has been laboratory based and has relied on the use of partial movie or television clips (Balasubramanian, Karrh, and Patwardhan 2006). Furthermore, most studies on product placements have focused on the film and television media at the expense of alternative entertainment media. A notable exception is video games (e.g., Nelson 2002). We conduct two field studies to assess the cognitive responses (in the present research, recall) to product placements. In the first study, we assess the memory of product placements within four movies covering a variety of genres (comedy, drama, historical action, and biography) using moviegoers in a movie theater. The second study assesses the memory of product placements in a Broadway musical using theatergoers in a New York Broadway theater.

Hypotheses

Based on an extensive literature review, we present and test the following hypotheses.

H1: Brand recall will be highest for combined audio and visual placements, next highest for audio only placements, and lowest for visual only placements.

H2: Brand recall will be higher for placements that appear in the first-half of entertainment media and lower for brands that appear in the second-half of entertainment media.

H3: Brand recall will be equal for positively-, negatively-, and neutrally-portrayed placements.

H4: Brand recall will be higher for extended on screen placements as compared to fleeting placements.

H5: Brand recall will be higher for prominent placements as compared to subtle placements.

H6: Brand recall will be higher for placements in which an actor interacts with the brand as compared to those in which an actor does not interact with the brand.

H7: Brand recall will be higher for placements with two or more verbal mentions, next highest for placements with one verbal mention, and the lowest for placements with no verbal mentions.

Methods

For Study One, data were collected in a Midwest theater over the course of 17 days. A total of 1,176 surveys were handed out equally divided between aided and unaided recall. An overall 52 percent response rate was realized. For Study Two, data were collected after one show of a popular comedic Broadway show in New York City. A total of 114 surveys were completed.

Results

Data were tested using t-tests and one-way analyses of variance. The results for Study One for product placements within four movies are as follows: Combined audio placements generated higher rates of aided and unaided recall than either visual only or audio only placements. No differences were found between audio and visual only placements. Extended placements, prominent placements, and placements in which the actor interacted with the brand each generated higher rates of aided and unaided recall than did fleeting placements, subtle placements, and placements in which the actor did not interact with the brand. In addition, product placements with two or more verbal mentions in a movie had significantly greater aided and unaided recall than those with one or no verbal mentions. The nature of the portrayal or whether the placement appeared in the first or second half of the movie had no effect on either form of recall.

For Study Two, product placements within a Broadway show, the results are as follows: Combined audio placements generated higher rates of aided and unaided recall than either visual only or audio only placements. No differences were found between audio and visual only placements. Prominent displays and placements in which the actor interacted with the brand each generated higher rates of aided and unaided recall than did subtle placements and placements in which the actor did not interact with the brand. In addition, product placements with two or more verbal mentions during the show had higher aided recall than those with one or no verbal mentions (unaided recall was not significant). The nature of the portrayal, length of the portrayal, and whether the placement appeared in the first or second half of the Broadway show had no effect on either form of recall.
Conclusion

Through our two studies we have attempted to answer other researchers’ calls for more non-laboratory-oriented research in an effort to better understand the real-world effects of product placements (Balasubramanian, Karrh, and Patwardhan 2006). In doing so, we have also addressed another gap in the literature by assessing the effectiveness of product placements in another entertainment media format – live musical theater or Broadway. Our field research has confirmed most of the propositions put forward and tested by other researchers in a laboratory setting. However, several discrepancies remain unanswered between laboratory and field research, while other discrepancies have been discovered between different entertainment media. It is with these results in mind that we encourage other researchers to undertake additional field studies and to conduct them across other types of entertainment media. References are available upon request.

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DOES CONSUMPTION KNOW NO LIMITS? THE MODERATING ROLE OF SATIATION IN DETERMINING CUSTOMER REPURCHASE

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Kathleen Seiders, Boston College

SUMMARY

Despite widespread recognition that customer behavior is subject to myriad contingencies, there is limited conceptual or empirical research that addresses moderating influences on repurchase behavior. In this study, the authors theoretically explicate two types of moderating effects, and they develop theoretical arguments for predicting systematic differences in moderating effects across different purchase categories. When satiation effects are weak, moderating variables can complement satisfaction effects to increase repurchase. When satiation effects are strong, habituation can lead to substitution between moderating effects and satisfaction. An empirical test combining survey and longitudinal purchase data from two distinct purchase categories—fashion apparel and automobile service—provides a remarkable degree of support for the hypotheses. In the fashion apparel purchase category, six customer, relational, and marketplace characteristics exert complementary effects on repurchase. In the automobile service purchase category, involvement, income, relationship-building programs, and convenience exert substitution effects on the satisfaction-repurchase relationship. The results offer new theoretical insights and provide substantive guidance for managers in effectively allocating resources to initiatives that complement or substitute for customer satisfaction to increase repurchase.

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