2011 AMA Winter Educators’ Conference

Marketing Theory
and Applications

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The theme of the 2011 Winter Educators’ Conference is “Looking Back, Looking Forward: Shaping the Future of Research in Marketing.” Over the past several decades, a large body of work in marketing has generated valuable insights into marketing theory and business practice. Yet the world in which firms operate is changing continuously. These changes include, for example, increasing globalization, information-intensive decision contexts, environmental concerns, and concerns related to the effects of consumption on human health. These changes create new challenges for managers, which necessitates new approaches for research in marketing and pedagogical methods. This conference will serve as a venue to both review insights generated in the field of marketing over the past several decades and shape the future of research and teaching in marketing.

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

We thank many senior colleagues, who on our request, willingly agreed to put together a variety of special sessions on a wide-ranging set of topics, which we hope will be interesting to the attendees. The SIG members and leaders provided a terrific collection of SIG special sessions.

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

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More than 400 reviewers gave of their time and effort to evaluate the hundreds of papers and session proposals submitted to the conference. Thanks to all who were willing and able to help.

We also thank the members of our “Blue Ribbon” Award Selection Committee – James G. Maxham III (University of Virginia), Peter C. Verhoef (University of Groningen), and Stefan Wuyts (Koç University) – who had the daunting task of selecting the recipient of the “Best of Conference” award from among a set of terrific papers.

We gratefully thank Jessica Thurmond and Lynn Reyes at the American Marketing Association for their enormously patient assistance in preparing the program and Andy Seagram and Marie Steinhoff for their assistance with the proceedings.

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HUMAN BRAND EQUITY: NOT JUST FOR CELEBRITIES

Ravi K. Jillapalli, Texas State University – San Marcos

SUMMARY

Over the years, marketers have successfully applied branding strategies to brand their products. Beyond the success in product branding, marketers can now successfully brand “a service (e.g., Singapore Airlines, Bank of America, or BlueCross/BlueShield), a person (e.g., Tom Clancy or Andre Agassi), a place (e.g., the city of Sydney, state of Texas, or country of Spain), an organization (e.g., UNICEF, American Automobile Association, or the Rolling Stones), or an idea (e.g., abortion rights, free trade, or freedom of speech)” (Kotler and Keller 2006, p. 276). In recent years, branding of people has not only gained scientific interest but also legitimacy. Human brands refer “to any well-known persona who is the subject of marketing communications efforts” (Thomson 2006, p. 104; Rindova, Pollock, and Hayward 2006). However, human brands research has been limited only to the context of celebrities such as sports, music and film personalities and politicians. But human branding need not be limited just to celebrities. Just as celebrities can be branded so too can certain non-celebrities such as dentists, physicians, scientists, realtors, and managers be branded and managed as brands. That is, certain non-celebrities do exhibit customer-based brand equity. However, to date there have been no studies on how the transference of branding process and strategies can be applied to branding of certain non-celebrities. Furthermore, the framework of non-celebrity brand equity examines the brand facilitators, attachment strength, and the relationship factors between consumers and non-celebrities as antecedents of non-celebrity brand equity.

Theoretical Framework

The theoretical underpinnings of this research are briefly discussed. This research draws upon the Customer-based brand equity to enhance our understanding of non-celebrity brand equity.

Customer-Based Brand Equity Model

Non-celebrity human branding is grounded in the Keller’s Brand resonance model (Keller 1993; Keller 2001) to explain the transference of the branding process to non-celebrity brands. Accordingly, to create strong brands, Keller (2001) recommends a set of six “brand building blocks” that make up the brand pyramid. The six “brand-building blocks” are salience, performance, imaging, judgments, feelings, and resonance. Salience relates to non-celebrity brand awareness and how easily a consumer can recall and recognize the non-celebrity brand.

Performance refers to the way the non-celebrity brand meets the functional needs of the consumers and satisfies the utilitarian, aesthetic, and economic needs of the consumer. Brand imagery deals with the extrinsic properties of the non-celebrity brand. Brand judgments are the personal opinions of the consumer and are based on the non-celebrity brand performance and imagery associations. Consumer feelings are the emotional reactions of the consumer engendered by the marketing of the non-celebrity brand. Brand resonance focuses on the nature and depth of the relationships consumers have with the non-celebrity brand. For non-celebrities to be considered as human brands, the non-celebrity brands must demonstrate customer-based brand equity in the minds of consumers. That is, consumers’ judgments and feelings of the brand must evoke positive reactions and the nature of the relationship between the consumer and the non-celebrity brand must be intense, active and loyal.

A Conceptual Model of Non-Celebrity Brand Equity

Ryan and Deci (2000) identify the basis for a person’s self motivation and personality integration to be the person’s innate psychological needs. These innate psychological needs are the needs for competence (White 1963), relatedness (Baumeister and Leary 1995) and autonomy (deCharms 1968; Deci 1975). These needs are psychological and specify innate psychological nutrients that are essential for ongoing psychological growth, integrity and well being (Deci and Ryan 2000, p. 229). Thus, in the context of a non-celebrity brand-consumer relationship, a non-celebrity brand that enhances autonomy, encourages and shows concern, and evokes the feelings of curiosity and challenge enhances a consumer’s attachments to the non-celebrity brand. Further, attachment strength is positively correlated with satisfaction, trust and commitment. Empirically, respondents report greater satisfaction, commitment, and trust when attachments with human brands were stronger. Extending Keller (2001, 1993) to non-celebrity brands, brand resonance refers to the nature of the relationships that consumers have with the brand. That is, when consumers have trusting, committed, and satisfying relationships with the non-celebrity brand, consumers manifest this depth of relationships through brand loyalty, commitment, identification and advocacy. Hence, the outcome of consumers’ strong attachments and deeper relationships lead to non-celebrity brand equity, the locus of this research.

The implications derived from this research are meaningful to both academia and brand practitioners. This
research contributes to the body of brand literature by providing a theoretical framework for non-celebrity brand equity. The current brand literature has focused primarily on celebrity brand equity and no research to date has provided an understanding of the non-celebrity brand equity. Furthermore, this study provides an understanding how the transference of the branding strategies can be applied to non-celebrity brands. Further, this research indicates that consumers advocate certain non-celebrities who are strong brands because of the strong positive associations of the non-celebrity brands in their own minds. References are available upon request.

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SEX MATTERS: HOW EMPLOYEES’ ON-BRAND BEHAVIOR FOLLOWS BRAND GENDER

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SUMMARY

Literature on behavioral branding has informed researchers about branding and brand personality, but neglected the most salient human characteristic: a person’s sex. As brands are composed of personality traits, it should be self-evident that they also possess a brand gender.

However, previous research by Aaker (1997) only treats gender in the Five Factor Model as a sub-category. Furthermore, the Gender Dimension of Brand Personality by Grohmann (2009) identifies a congruence effect of brand personality and consumer’s self-concept and suggests that brand gender is primarily generated by the user’s gender.

To exceed previous research this study first verifies brand gender as an inherent personality trait, which is stable over time and among different consumers, by using an exploratory approach to analyze interrater and inter-temporal reliability. In a second step, implications of the existence and importance of the construct “brand gender” are examined. In particular, building on the rich literature on behavioral branding, it is proposed that both consumers as well as prospect employees expect the gender of a brand’s employees to be congruent with the brand’s gender. That is, consumers expect to be advised by employees with a congruent gender and job applicants search for job offers from brands with a gender that is congruent to their own.

These propositions build on the assumption that brand perceptions are closely connected to employees who represent the brand. Objects, such as brands, are associated with personality traits. This so-called “animism” gives value to the brand by being the source of the promise given to the customer. The brand behavior communicates this promise over a variety of clues and influences the customers’ perception by being reflected in the customers’ mind in form of a brand image. Clues like humanics give an emotional experience to customers when they get in touch with employees. These humanics must fit with the brand image to assure customer on-brand perception. Following this argument, gender is used to examine the coherence between brands and employees.

The present study shows in accordance with this theoretical assumptions that the higher the congruence between brand gender and employee gender, the higher the consumer’s perception as on-brand. It is shown that brand gender evokes an expectation regarding the gender of an on-brand perceived employee. Traditional approaches that explain on-brand behavior using only personality traits can significantly be improved by adding brand gender as a further predictor. The on-brand behavior is mostly determined by gender similarity. Other personality traits add little or no explanation to the phenomenon of adequate brand behavior.

The gender dimension seems to be so inherent to both brands and humans that it explains most consumers’ decisions, even those of choosing preferred brands to work for. When people search for a job, they strive for congruence between their gender and the offered job’s brand gender.

Obstacles concerning the implementation of the findings due to labor law, jurisdiction and political correctness may reduce the benefit from the current study and ban companies from selecting employees by gender or sex. But the results should encourage managers to follow the on-brand principle by matching employees and brands by gender. Discrimination may not be an issue in large corporations where there are no restrictions as to whether someone can be hired or not. With hundreds or even thousands of sales employees, the allocation of the most suitable on-brand persons should be neither a legal nor a practical issue.

Further research should aim to determine whether and under which circumstances “Markers of human personality applied to brand personality [are] traceable to the same factor solution found in humans” (Caprara, Barbarabelli, and Guido 2001, p. 381). In this regard, another phenomenon could be identified: service brands are mostly rated neither female nor male. It could be interpreted as neutral. But there is strong concern that respondents want to demonstrate that those brands do not have gender at all. Since the animism concept allows “tangible objects” to be described as humans, this approach may be questionable for service brands which are assumed to be rather intangible. Future research should throw some more light on this issue.
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THE IMPACT OF SPONSORSHIP ON BRAND LOYALTY

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SUMMARY

The main communication objectives of sponsorship activities are to increase brand awareness, improve brand image and favor brand loyalty. If mechanisms and measurements of the influence of sponsorship on brand awareness and brand image are well established, little is known about the mechanisms by which sponsorship influences brand loyalty and about the magnitude of this influence.

To explain the impact of sponsorship on brand loyalty, we develop a conceptual model based on constructs and relationships found in the sponsorship literature (Figure 1).

We study the effects of exposure to sponsorship on brand loyalty through a repeated measures experiment conducted with real sponsorships. The event chosen for the study is the Summer Olympics 2008 because it is a well-known and widely visible event with a good image among a heterogeneous audience. We selected two Olympic sponsors (Adidas and Samsung) with similar levels of brand attitude but with different level of fit with the event. The experiment was built around three sequential steps. The first step dealt with the measurements of the concepts before exposure to sponsorship. The second step enabled respondents to be exposed to ads of a number of brands including the two experimental sponsoring brands. The experimental groups were provided three internet links, one at a time, every three or four days. Each link gave access to a different slideshow composed of photographs from the 2008 Beijing Olympic Games, ads from 2008 Beijing Olympics official sponsors and unrelated print ads. A control group was exposed to the same slideshows but without the ads from Adidas and Samsung. The third step allowed measurement of the dependent variables after exposure (brand affect, brand trust and brand loyalty). The final sample sizes were 300 for the experimental conditions and 149 for the control group.

We demonstrate that exposure to sponsorship has a positive impact on brand affect, brand trust, and brand loyalty. The hypothesized fully mediated model exhibits strong fit with the data. It explains 23 percent of the variance of brand loyalty at an aggregate level, which empirically demonstrates the importance of sponsorship.
activities for the brand and for brand management. Another important finding is that the impact on brand loyalty was decomposed into two main routes: (1) self-congruity with the event influences positively brand loyalty through event affect and brand affect, and (2) perceived fit between the event and the brand positively influences the attitude toward the sponsorship of the event by the brand which itself impacts both brand affect and brand trust to finally determine brand loyalty.

While the empirical work reflects one national context, one specific sport event and convenience samples, the findings are the first to validate empirically an elaborate model of sponsorship with brand loyalty as the dependent variable. From a managerial standpoint, the model confirms the important roles of self-congruity and of the fit between the event and the brand to select the event to sponsor.

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THE EFFECT OF FIT ON HEDONIC ADAPTATION

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SUMMARY

The classic adaptation theory denotes the habituation process by which individuals return to baseline levels of happiness following a change in life circumstances (Lucas 2007). In consumer research, adaptation occurs when consumers return to the original level of arousal sometime after a consumption encounter. Hedonic adaptation, therefore, poses a new dilemma for marketers. It is rather insidious in that whenever consumers find something that gives them pleasure, they eventually will get used to it, and their satisfaction level decreases. Attempting to examine this interesting consumer phenomenon and to guide marketers in coping with the challenges associated with hedonic adaptation, we conducted two longitudinal studies to (1) evidence the phenomenon of hedonic adaptation following a brand purchase and its detrimental impact on consumers’ attitude toward the brand; and to (2) discover a powerful moderator that helps combat hedonic adaptation, i.e., brand-self fit.

Hedonic adaptation refers to the diminishing of an individual’s hedonic response to changing circumstances over time (Frederick and Loewenstein 1999). Previous research has shown that consumers adapt quickly to a variety of consumption experiences, ranging from the enthusiasm about a brand purchase (Wang, Novemsky, and Dhar 2009), to the enjoyment of watching a television program (Nelson, Meyvis, and Galak 2009), to the pleasure of sitting in a massage chair (Nelson and Meyvis 2008). Following the same psychological principle, it is reasonable to argue that when a consumer just purchases a new product after a thorough price and quality comparison of all leading brands. The initial thrill of the new purchase may easily translate into a heightened level of enthusiasm about a brand purchase (Wang, Novemsky, and Dhar 2009), to the enjoyment of watching a television program (Nelson, Meyvis, and Galak 2009), to the pleasure of sitting in a massage chair (Nelson and Meyvis 2008). Following the same psychological principle, it is reasonable to argue that when a consumer just purchases a new product after a thorough price and quality comparison of all leading brands. The initial thrill of the new purchase may easily translate into a heightened level of enthusiasm about the brand. However, due to the process of hedonic adaptation, the pleasure from a new purchase decays over time, and then fades off eventually. The brand attitude will subsequently plunge.

Given the threats to marketing efforts associated with hedonic adaptation, we propose a coping strategy to counteract the hedonic adaptation effects on brand attitude, that is, “brand-self fit.” Prior research on hedonic adaptation has implied that brand-self fit may counteract the hedonic adaptation effects (Lyubomirsky and Sheldon 2005). A brand-self fit occurs when a brand communicates certain images that are congruent with an individual’s self-beliefs (Sirgy 1982; Escalas and Bettman 2003), thereby forming a self-brand connection (Chaplin and John 2005). As a result, the enjoyment associated with the brand purchase will most likely to be sustained, rather than adapted. In this research, we operationalize brand-self fit in two different ways: In study 1, we examine a fit between an individual’s temporal orientation and brand excitement, and to (2) discover a powerful moderator that helps combat hedonic adaptation, i.e., brand-self fit.

In study 1, a longitudinal survey was conducted to test the predictions. The results showed that the time 2 brand attitude ratings were significantly lower than those at time 1 ($M_{\text{time1}} = 6.22$ and $M_{\text{time2}} = 5.89$; $t(41) = 1.85, p < .04$). Further regression analysis revealed a significant positive interaction effect involving brand excitement and temporal orientation on hedonic adaptation ($\beta = 2.52, p < .03$). The subsequent simple slope analysis showed that brand excitement was negatively associated with hedonic adaptation for short-term oriented individuals ($\beta = -.66, p < .01$), and the effect was non-significant for long-term oriented individuals ($p > .25$). Further mediation analysis showed that brand-self connection mediated the interaction effects involving brand excitement and temporal orientation on hedonic adaptation.

In study 2, a longitudinal experiment involving a 2 brand-related identity projects (affiliative versus autonomous) x 2 temporal orientation (short-term versus long-term) x 3 time after purchase (time one, time 2, versus time 3) mixed factorial design was conducted. The results revealed that brand attitudes became more favorable after participating in brand-related identity projects ($M_{\text{time1}} = 6.48$ and $M_{\text{time2}} = 6.65$; $t(52) = 2.19, p < .02$). Further analysis showed that for short-term oriented individuals, the effects of hedonic adaptation were significantly reduced when they engaged in autonomous (versus affiliative) identity projects ($M_{\text{affiliative}} = .14$ and $M_{\text{autonomous}} = -.18$; $t(25) = 1.66, p < .05$). For long-term oriented individuals, affiliative (versus autonomous) identity projects seemed to be more effective in reversing hedonic adaptation effect ($M_{\text{affiliative}} = -.50$ and $M_{\text{autonomous}} = -.19$). However, this effect was only marginally significant ($p < .10$). Band-self connection again mediated the interaction effects involving brand-related identity projects and temporal orientation on hedonic adaptation.

This research contributes and extends hedonic adaptation theories by providing direct empirical evidence supporting the actual process of adaptation phenomenon.
and proposing “brand-self fit” as a new coping strategy to counteract hedonic adaptation. In sum, the psychological principle of hedonic adaptation is an important, yet under-studied, phenomenon in the field of consumer research and has implications for researchers and marketers attempting to understand consumer behavior.

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SUMMARY

Understanding strategy implementation (SI) has been a long-standing goal of marketing researchers and managers alike. Marketing scholars widely agree on the importance of SI in enhancing firm performance (e.g., Bonoma 1984; Keller and Lehmann 2006). Extant literature even suggests that “ineffective implementation can cripple the firm” (Pryor et al. 2007, p. 4) and “strategy execution will emerge as one of the critical sources of competitive advantage in the twenty-first century” (Bigler 2001, p. 3). And Noble and Mokwa (1999, p. 72) point out, “If we are to improve our understanding of the inner workings of the marketing function, it appears essential to understand strategy implementation and implementation-related processes.” Consequently, research has begun to investigate effective SI efforts empirically (Ailawadi et al. 2001; Noble 1999). However, this research is still limited and SI effectiveness still is not understood well (Chimhanzi and Morgan 2005; Hickson et al. 2003; Hutzschenreuter and Kleindienst 2006; Menon et al. 1999; Noble and Mokwa 1999; Piercy 1998a). As a result, although organizations invest significant amounts of resources in SI efforts, many implementation initiatives fall far behind expectations (Bigler 2001; Hickson et al. 2003; Ind 2007; Wong and Merrilees 2007).

Two important factors have particularly contributed to the limited understanding of effective SI. First, research has largely failed to focus on SI as a key organizational capability. It has already been theorized that a firm’s SI capabilities may play an important role in understanding effective SI and superior firm performance. For example, more than 15 years ago, Egelhoff (1993, p. 49) observed, “More firms need to shift from relying on superior strategy to developing superior strategy implementation capabilities.” And Pryor et al. (2007, p. 3) recently called for research with a focus on “a more inclusive framework so that strategic implementation (...) might emerge as a core competency.” A likely reason for the dearth of research on implementation-related firm capabilities is the absence of a sound conceptualization and the lack of a valid measure of a firm’s strategy implementation capability (SIC). The present research fills this important void. Second, previous research on SI often failed to account sufficiently for issues related to organizational learning, and “it is when we neglect the learning aspects of the social system that we begin to fail at the implementation of strategic plans” (Schwandt 1997, p. 355).

The objective of this paper is to address these important issues related to prior research and to stimulate implementation-related research by identifying the construct of a firm’s strategy implementation capability as the key to understanding SI effectiveness. Specifically, we (1) suggest a conceptualization of a firm’s SIC based on organizational learning theory, (2) in line with theory, develop and validate a third-order measure for the construct based on data from 268 senior marketing managers, and (3) provide evidence for the construct’s pivotal role in understanding SI effectiveness using data from 72 strategy developer-strategy implementer dyads.

In terms of theory, this paper advances our understanding of organizational capabilities and SI effectiveness by integrating the literatures of organizational capability and SI, introducing the new construct of SIC into the literature, developing a scale for the construct’s measurement, and providing evidence for SIC’s important role in understanding strategy implementation. In doing so, the present research also develops and validates several new measures for variables relevant to understanding strategy implementation (i.e., SIC’s dimensional facets). Managerially, this research suggests that SIC is an important driver of effective SI, offers insights into the nature of a firm’s SIC, and informs managers about how they may effectively build and manage this important resource for competitive advantage. References are available upon request.

ENDNOTE

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MEDIATING EFFECTS OF RADICAL AND INCREMENTAL INNOVATION ON THE MARKET ORIENTATION – FIRM PERFORMANCE RELATIONSHIP: A META-ANALYSIS

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SUMMARY

Innovation plays a pivotal role in the relationship between market orientation and firm performance (Baker and Sinkula 2007; Han, Kim, and Srivastava 1998; Kirca, Jayachandran, and Bearden 2005). However, conflict exists in the literature over the mediating effects of the different types of innovation between market orientation and firm performance. This study examines differential mediating effects of radical and incremental innovation, where radical innovation is defined as significant discontinuous changes in technology and customer benefits and incremental innovation refers to small linear adaptations within a particular technical or service paradigm. Some researchers suggest that, since customers cannot express their latent needs, market orientation only drives incremental innovation, rather than leading to radical innovation (Christansen and Bower 1996; Lukas and Ferrell 2000). Another school of thought suggests that market-oriented firms have the ability to observe latent customer needs, which leads to more successful radical innovation (Calantone, Schmidt, and Song 1996; Cooper 1994; Song and Parry 1997). To reconcile these inconsistencies and inform managers who develop innovation strategies, this study examines the differential mediating effects of radical and incremental innovation in the market orientation-firm performance relationship.

Market orientation refers to a corporate mindset that emphasizes identifying and meeting customers’ needs (Desphande, Farley, and Webster 1993; Narver and Slater 1990). The essence of market orientation is to proactively meet customer needs which are continuously evolving, and to continuously think creatively about better ways to satisfy customer needs. Thus, market orientation may be a better driver of radical innovation than incremental innovation. The financial performance benefits from innovation depend on the customer’s assessment of the added value of the innovation and the degree to which the innovation can be imitated by competitors. The value that radical innovation offers is likely to be greater and more apparent to customers than incremental innovation (Sorescu, Chandy, and Prabhu 2003). In addition, incremental innovations are easier to imitate (Sorescu, Chandy, and Prabhu 2003). Radical innovations can create lead-time advantages because they require competitors to learn to catch up (Henricks 1998). Consequently, we expect radical innovation to have a stronger mediating effect than incremental innovation on the market orientation-firm performance relationship.

Meta-analytic findings permit a broad-based test of the differential mediating effects. We searched multiple electronic databases including ABI/Inform, Business Source Premier, JSTOR, ProQuest Digital Dissertations, Google Scholar, and Google Scholar citations. The literature review yielded 66 effects from 39 samples including a total of 7618 respondents. These effects include 33 estimates of the correlation between market orientation and radical innovation, 7 between market orientation and incremental innovation, 20 between radical innovation and firm performance, and 6 between incremental innovation and firm performance.

We take a random-effects, rather than a fixed-effects, perspective when calculating mean correlations and testing group differences (Hedges and Olkin 1985; Hunter and Schmidt 2000). We analyze the weighted mean correlations with LISREL to test a structural model of the mediating roles of radical and incremental innovation between market orientation and firm performance.

The mean correlations indicate that market orientation is positively related to both radical ($r=.38, p < .01$) and incremental innovation ($r=.23, p < .01$). Both radical and incremental innovation have positive correlations with firm performance ($r=.28, p < .01$ and $r=.11, p < .05$, respectively). The mean correlation between market orientation and radical innovation differs significantly ($p < .05$) from the mean correlation between market orientation and incremental innovation. The correlations of radical innovation and incremental innovation with firm performance also differ significantly ($p < .01$). The structural results are consistent with the correlational results. Market orientation enhances firm performance directly, as well as indirectly through radical innovation. Radical
innovation has a greater mediating impact than incremental innovation on the market orientation-performance relationship.

This study extends several meta-analyses in the area of market orientation by providing a deeper understanding of the mechanism by which market orientation leads to firm performance. Overall, our results underscore the mediating role of radical innovation. Market-oriented firms do more than listen to customers’ voiced concerns. By observing latent needs, firms are better able to develop radical innovation to meet the customer needs and increase firm performance through radical offerings. References are available on request.

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THE SEPARATE WORLDS OF MARKETING SCIENCE AND PRACTICE: DIFFERENCES IN EVALUATING RESEARCH

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SUMMARY

In marketing, as in many areas of applied science, a divide exists between scholars’ research and practitioners’ real world problems, and despite much research on and many recommendations for bridging this gap, no significant improvement is yet observable (e.g., Lee and Greenley 2010; McAlister 2006; Reibstein et al. 2009). Given scholars’ often intensive efforts to highlight the practical relevance of their research and their frequent emphasis that following their managerial recommendations could lead to superior organizational success, this observation is surprising. Yet why do practitioners avoid following scholars’ suggestions when the benefits are apparently so great? Likewise, if the research findings are so relevant, why do practitioners ignore them?

One possible answer is that only a few practitioners are familiar with and read scholarly journals. Another largely neglected possibility is that scholars know little about what practitioners actually do and consequently are poorly placed to provide them with decision-relevant advice. In other words, one reason for the divide between practitioners’ needs and scholars’ research could be deeply rooted in scholars’ insufficient ability to assess the practical relevance of their work for practitioners even though, in discussing the managerial implications of their research, they typically assume their ability to do so. Yet can scholars actually autonomously evaluate the impact of their research?

Research within the framework of Luhmann’s (2005) systems theory has shown that human behavior and understanding are guided by contextually determined interpretive schemes, norms, and power relationships that shape “sense making.” Hence, development of concepts like relevance or research quality depends largely on the communities to which individuals belong. Because practitioners and scholars belong to different communities, they may have different frames of reference (Shrivastava and Mitroff 1984) as well as different goals (Rynes et al. 2001) in evaluating research. Therefore, because evaluation is determined by the underlying reasoning, the broad divide between scholars’ view of relevant topics and practitioners’ true needs may result from differences in understanding.

Thus, we primarily address the following questions: Can marketing scholars evaluate the relevance of their own research for practice? Do marketing scholars and practitioners differ in their evaluations of marketing research? Does the practitioners’ scientific background influence these differences?

To investigate these questions, we use reviews from an international peer-reviewed marketing journal whose primary mission is to publish research that builds management theory and contributes significantly to marketing management practice. Each manuscript submitted is anonymously reviewed by both a marketing scholar and a knowledgeable marketing practitioner, both of whom have an essential background in the article topic. These reviewers evaluate each article on its potential impact and quality, using six criteria adopted from the McKinsey Award for the best articles published in the Harvard Business Review: (1) practical relevance, (2) theoretical relevance, (3) innovation and independent opinion, (4) empirical basis, (5) methodological consistency, and (6) manuscript readability. To control for the fact that practitioner-reviewers may have a scientific background (Bartunek 2007), we categorize them into two groups: scholar-practitioners and pure (nonscientific) practitioners. Of the 188 articles submitted between 2007 and mid-2009, 83 (44%) were reviewed by pure practitioners and 105 by scholar-practitioners.

We examined the relationship between the practical relevance ratings of scholars and practitioners by using Pearson’s correlations coefficient. We found no significant correlation between the evaluation by scholars and that by pure practitioners. In contrast, the relevance evaluations of scholar-practitioners are similar ($r = .230, p < .05$). Both these findings indicate that scholars, and in particular pure practitioners, differ in their relevance evaluations. Furthermore, we find support for the proposition that scholar-practitioners’ membership and communication experience in the scientific community lead them to produce research evaluations that are more similar to those of scholars.

To bolster our first findings, we applied the six evaluation criteria for assessing research quality and ran separate principal component factor analyses on the three subsamples to clarify the relations between the evaluation...
criteria. We did in fact identify a different structure for each group. For the scholar sample, a one-factor solution emerged that explained 60% of the variance, whereas for both practitioner samples, two factors were extracted, each with 63% of the variance explained. The more practical attributes (e.g., readability) join on the first factor, while the more scientific criteria (e.g., methodological consistency) load on a separate common factor. Overall, the results indicate that, in contrast to practitioners, scholars do not distinguish between practical and scientific attributes in evaluating research.

Our research indicates that scholars and especially pure practitioners differ in their research evaluations. We suggest, therefore, that if the divide between marketing science and practice is to be bridged, both communities must first arrive at a more similar evaluation of relevance. One possible means of facilitating such shared evaluations is through boundary spanners who do not identify themselves fully with either community. Additionally, more intensive interaction and collaboration among both communities could prove fruitful for making evaluations of research quality and relevance more similar. Thus, we recommend that scholars work very closely with practitioners in conducting their research. Doing so enables scholars to appreciate what drives the world of practice and helps to a better understanding. Thus, the managerial implications proposed in journal articles could become more than mere phraseology and a justification for publication.

Our research findings also have implications for editors of the numerous scientific marketing journals, many of which position themselves as bridges between science and the practical world. Although most journals that aim to advance marketing practice ask scientific reviewers to evaluate manuscripts on their potential relevance to marketing practitioners and taking our results into account, we question the effectiveness of this review procedure and suggest two important implications for journal editors: first, more practitioners should be integrated into the editorship of scientific journals (e.g., von Krogh et al. 1994) and second, in addition to scholars, practitioners should be included as reviewers for all blind peer-reviewed submissions. References are available upon request.

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VALUE-EXPRESSIVE CONSUMPTION: THE EFFECTS OF SELF-CONCEPT PRIMING AND PERSONALITY-RELATED AD APPEALS

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SUMMARY
Self-Concept Priming and Ad-Appeals

Although people often obtain products for functional (utilitarian) or hedonic (experiential) benefits, they also attempt to construct, express, and enhance self-image through consumption (Levy 1959). Aaker (1999) and Sirgy (1982) identify self-concept as an important factor in understanding consumer behavior. This motive adds a psychological/social dimension to the set of consumption benefits (Foxall and Goldsmith 1994, 167–169).

Consuming personality-related attributes manifested in brands or ads, such as value, image, or symbols, is called value-expressive (image) consumption (Sirgy 1982). Johar and Sirgy (1991) suggest that image ad appeals are especially effective when consumers experience a match between the product user’s image and their self-concepts. It is reasonable to argue that self-concept plays a critical role in consumer attitude formation in value-expressive consumption. Self-concept theory has received a great deal of attention in the marketing literature and has been often applied to understand how self-concepts are associated with consumption (Belk 1988), brands (e.g., Aaker 1997), judgments (e.g., Mandel 2003), and choices (e.g., Briley, Morris, and Simonson 2000).

The impact of self-concept on attitude formation seems to be most prominent in value-expressive consumption because it is often driven by symbolic or self-expressive aspects of products (Mason 1981). Little effort, however, has been devoted to addressing how self-concepts play a role in relation to the consumption of symbols or images. Moreover, few researchers compare the value-expressive aspect of consumption with the utilitarian aspect (Aaker 1999). Thus, our goal was to understand how people respond to different personality-related ad appeals in the context of value-expressive consumption when primed with different self-concepts.

Our study contrasted the prominent personality concepts of conformity and individualism (see Markus and Kitayama 1991). We proposed that how consumers are primed influences how they react to value-expressive advertising. Specifically, when people are primed to think about themselves in relation to others (a collectivistic self), they may feel their self-concepts more congruent with a conformity ad appeal than a uniqueness ad appeal and thus find the conformity ad appeal more attractive. Conversely, individuals primed to think about themselves (an individualistic self) might feel more congruence with a uniqueness ad appeal than a conformity ad appeal and thus prefer the uniqueness ad.

Our experimental study supports the hypotheses that the effect of personality-related ad appeals on attitude formation is moderated by the accessibility of different self-concepts. When a collectivistic self-concept was primed, subjects favored ads with a conformity appeal over those with a uniqueness appeal. In contrast, when the individualistic self-concept was primed, subjects generally favored ads with a uniqueness appeal, although the latter contrast was not statistically significant.

It seems that the observed interaction between ad appeals and self-concept priming was largely driven by the difference between two prime groups in the conformity ad condition. The conformity ad appeal may have been highly favored by those who received a collectivistic prime because the sample was Native Korean. They may have found the collectivistic self-concept more accessible than the individualistic self-concept. Priming with the collectivistic self may have further heightened the accessibility of the collectivistic self-concept and made them feel that the conformity ad was more congruent with their self-concepts. The reason that the attitude toward the uniqueness ad was not significantly lower than the attitude toward the conformity ad for those who received a collectivistic prime may be explained by their need for uniqueness within the social group. Alternatively, it may reflect the cultural shift toward more individualist cultures in Asian countries as a result of the westernization process. It is noteworthy that self-concept is malleable, providing evidence for the dynamic role that the self-concept plays in consumers’ attitude formation and decision-making. References are available upon request.
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ANTECEDENTS OF SELF-PERCEIVED AGE: EXPLORATORY EMPIRICAL INVESTIGATION OF OLDER CONSUMERS IN JAPAN

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SUMMARY

Conceptualization

This paper aims to contribute to the state-of-the-field of research on older consumers in general and the Japanese older (“silver”) consumer in particular. It attempts to achieve a better understanding of the antecedents of the concept of self-perceived age (also called subjective age or cognitive age) (Barak and Schiffman 1981) of Japanese older consumers using independent variables such as health condition, financial status and personal values (Kahle 1983). While self-perceived age – as a form of self-concept – has proven important in gerontology and marketing, empirical studies outside the Western world are relatively scarce, at least in comparison to the large number of research conducted in the U.S. (cf., e.g., Barak 2009; Sudbury and Simcock 2009). Health condition and financial status have been used in segmentation approaches to the silver market (e.g., Moschis 1996; Tempest et al. 2008), but rarely in combination as antecedents of self-perceived age. As for values, Sudbury and Simcock (2009) have so far been the only ones to look into the relationship between personal values and perceived age for mature consumers in the U.K. This empirical study is the first one to explore these variables together as antecedents of self-perceived age on a sample of 316 older Japanese consumers. We thus aim to enhance understanding of the older consumer and fill an important gap in the literature.

Method

Based on a review of the relevant literature, studies this paper examines the multivariate relative importance of several antecedents of self-perceived age to better understand the consumer buying behavior of older consumers in Japan. This multiple regression analysis focuses on level of health, financial status and values. It also explores the relative importance of additional antecedent variables such as: degree of sociability and time spent away from home and on hobbies.

The data sample was collected in February 2009 face to face by a team of Japanese speaking trained research assistants in Tokyo. A total of 316 completed surveys were obtained for a response rate of 45.6 percent. As refusals in terms of gender and estimated age groups were not different from those retained in the final sample, there is no reason to believe that the final collected sample is not representative of the Japanese people aged 50 years and older frequenting the shopping area where the data were collected. As the objective of this research was to replicate and extend a previous research with the use of a different sample in a different country and to test for relationships between theory-driven concepts, we deemed such a convenience sample appropriate, even though it neither enables us to make an estimate over the total Japanese population nor to generalize the findings to other populations.

Major Findings

In a multiple stepwise regression, four out of seven possible correlates of self-perceived age were retained as significant. This may not be surprising as some bivariate correlations between some of them were found significant. This is the case for “Sense of accomplishment” and health level (.248), time out of home and time for hobbies (.23). Among the retained variables after controlling for multicollinearity, “Fun and excitement” has the largest inverse relationship with self-perceived age. Next come health level, time out of home and sociability. The finding about health level is consistent with previous research on self-perceived age, which tends to reveal negative correlations between health and self-perceived age (e.g., Barrett 2003; Gwinner and Stephens 2001; Markides and Boldt 1983; Mathur and Moschis 2005; Wilkes 1992).

Spending time away from home was found significantly related to a lower self-perceived age. More time spent away from home is consistent with higher sociability in Japan where social meetings tend to be mostly organized outside of the home. Both time spent away from home and sociability were retained in the final model in spite of some degree of bivariate correlation (.154). Finally, Van Auken and Barry (2009) obtained similar results with respect to sociability on a sample from Japan. They found that self-perceived younger consumers tended to engage in activities where they can meet other people including social club membership and dining out.

Our main results indicate that for elderly consumers in Japan, self-perceived age was strongly and inversely influenced by the need for fun and excitement as well as
As such, older people, feeling a strong need for fun and excitement and feeling healthy, will tend to perceive themselves much younger than their chronological age. These consumers will tend to avoid products associated with old-fashioned design or features that might make them appear old or reveal health problems (e.g., hearing aids). Finally, in relation to lower self-perceived age, the need for sociability and time away from home suggest opportunities for products and services offering elderly consumers in Japan a combination of fun, excitement and sociable meetings. References are available upon request.

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INVESTIGATING THE INFLUENCE OF SOCIAL IDENTIFICATION ON INTERPERSONAL HELPING BEHAVIOR AMONG CONSUMERS

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SUMMARY

Over the last 20 years, “citizenship-like behavior,” voluntary interpersonal behavior that benefits the organization, has generated great interest. Most research has related to organizational citizenship behavior (OCB), discretionary initiatives of employees engaged in prosocial work behaviors (see Lepine, Erez, and Johnson 2002). Recently, Customer Voluntary Performance (CVP) (Bettencourt 1997) and Customer Citizenship Behavior (CCB) (Groth 2005), consumer-related constructs consistent with OCB (Rosenbaum and Massiah 2007) have also been investigated. Prior frameworks, however, do not recognize value-added discretionary citizenship behaviors that occur among consumers themselves.

Of the citizenship behaviors examined, helping behavior has received the most attention (see Podsakoff et al. 2000 for a review). Helping behaviors are individual voluntary actions directed at another individual (compared to an organization) and are consistent with Bettencourt’s (1997) cooperation and Groth’s (2005) customer citizenship. Extant consumer research on interpersonal helping implies a dichotomy where consumption community members help other members but not non-members (Muniz and O’Guinn 2001). However, we view helping intentions on a continuum determined by members’ social identification to the community. Social Identity Theory proposes that individuals develop a social self that is connected to the group (Ashforth and Mael 1989). Community identification leads to a sense of obligation toward other members, which leads to greater helping behavior (Sturmber, Snyder, and Omato 2005).

H1: Members’ identification with the community will have a direct positive effect on their behavioral intentions toward helping other community members.

Helping behavior may also be influenced by the internalization of community values that govern behavior (Muniz and O’Guinn 2001). The biker community, the consumption community used in this study, shares a set of core values organized into personal freedom and machismo (Schouten and McAlexander 1995). Personal freedom is a license to behave in socially unacceptable ways and without confinement. As a male-dominated community, bikers value machismo, an edict of aggression used to resolve conflict and emphasize social status. Members’ belief strength in values may vary depending on their level of social identification. Still, members who closely hold values similar to those of the community should be more inclined to engage in helping behavior with other members:

H2: Members’ internalization of community values will have a direct positive effect on their behavioral intentions toward helping other community members.

It is unclear whether internalization of values mediates or moderates the relationship between social identification and helping behavior. Identification can lead to internalization of community values directly through learning or indirectly through socialization (Ashforth and Mael 1989). If values function as a mediating variable, community identification would have a direct positive effect on core values.

H3: Members’ identification with the community will have a direct positive effect on their internalization of community values.

Conversely, the internalization of values may moderate the identification-helping behavior relationship. The internalization of core community values would enhance the effect of social identification on helping behavior intentions. Therefore, we offer the competing hypothesis that:

H4: Members’ internalization of community values will moderate (enhance) the effect of social identification on their intentions to help other community members.

Research Design

Internalization of community values was measured with belief strength items related to values freedom and machismo (Schouten and McAlexander 1995); social identification was measured with an established scale (Mael 1988), and an existing measure of helping behavior intentions was used (Federouch 1990). Two hundred twelve questionnaires with complete data were collected.
from male biker participants at Biketoberfest, a biker rally held in Daytona Beach, Florida.

**Analyses**

To test for the moderating effects of values on relations between social identification and behavioral intentions, a moderated multiple regression model was used. The model consists of five direct paths: from social Identification, Freedom and Confinement values, and from the IdentificationXFreedom and IdentificationX-Confinement product terms to Helping Intentions (see Baron and Kenny 1983). The model was estimated based on the covariance matrix using LISREL 8. The F-statistic for the overall model was significant [F(5, 206) = 31.08, p < .001, R² = .43]. The moderation hypothesis (H4) was not supported. However, the path from social Identification to behavioral intentions was statistically significant (β = .71, t = 4.67) and positive (+) supporting H1.

To test the mediation hypothesis, a separate model was used which indicated that Identification directly affects Confinement and Freedom values which, in turn, have a direct effect on Helping behavior Intentions. Both values are correlated (β = .38, t = 5.40); that is, they are simultaneous dependent and independent variables in the model. Positive paths from Identification to Confinement [(β = .20, p = 2.97) and to Freedom (β = .21, t = 3.13) were significant [F’s(1, 210) = 8.69 and 17.18, p’s < .001, R² = .04 and .045, respectively] supporting H3. Hypothesis 2, specifying direct relations between core values and helping intentions, was partially supported. The path from Confinement values (β = .11, t = 1.82) to Helping Intentions was significant and positive, but the path from Freedom values to Intentions (β = .02, t = .29) was nonsignificant [F(3, 208) = 75.27, p < .001, R² = .42]. Thus, community values acts as a mediating variable, not a moderator. The direct path from Identification (β = .62, t = 11.37) to Intentions, the strongest relationship in the model, was significant (H1).¹

The present study contributes to the literature in several ways. We empirically investigated the interrelations of social identification, the internalization of shared values, and helping behavior intentions among members of a consumption community. To date, no study has examined relations between these variables, least of all in a consumption context. Further, we addressed the possibility that internalized community values either mediates or moderates identification-behavior relations. This study differs from prior marketing research on helping behavior by viewing intentions as falling along a continuum rather than the dichotomy implied by Muniz and O’Guinn (2001). We also broadened the frameworks of Bettencourt (1997) and Groth (2005) to include voluntary helping behavior among consumers that is organizationally beneficial. References are available upon request.

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**ENDNOTE**

¹ Additionally, the models were estimated with conventional path analysis procedures using ordinary least squares (OLS). The overall F-statistics for the regression models were significant (p’s < .05) and the OLS estimates were nearly identical to the reported ML estimates.
EFFECTS OF MARKET ORIENTATION ON STUDENT SATISFACTION:
THE STUDENT’S PERSPECTIVE

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SUMMARY

Introduction

Institutions of higher education in American and around the world are under increasing pressure created by environmental changes. Increased competition and limited government funding during the current economic downturn require universities to pay more attention to their markets and competitive environments. Adopting market or customer oriented approach that centers mainly on students to improve customer service is a logical response by universities. Although market orientation is a topic that has been widely explored in literature, there is still little research on the relationship between market orientation and customer satisfaction in a special service environment like university. The purpose of the paper is to examine the effects of each component of market orientation, that is, intelligence generation, intelligence dissemination, and responsiveness on student satisfaction in an academic institution setting. The paper is developed to answer the following research questions: (1) Does the higher level of market orientation the university embrace an increase in student satisfaction? (2) If market orientation increases student satisfaction, what can the university do to continue this trend? And (3) How appropriate is market orientation construct when it is applied to an academic environment?

Hypotheses

Drawing on extant literature review, the author has developed three hypotheses: (1) intelligence generation in an academic institution has a positive relationship with student satisfaction, (2) intelligence dissemination in an academic institution has a positive relationship with student satisfaction, and (3) responsiveness in an academic institution has a positive relationship with student satisfaction. A structural equation model is used to test these relationships.

Methodology

The sample was collected from two Southern public state universities. There were 233 responses in total. In the total of twenty two-scale items of market orientation construct, six were deleted in the measure purification process. The author was using single factor structure test diagnostics from a structural equation modeling using LISREL to test validity. To assess convergent validity, the author used average variance extracted (AVE) and construct reliability (CR). All low AVE values for three components of market orientation (less than 0.5) suggested that on average, more error remained in the items of three market orientation components than variance explained by the latent factor structure imposed on the measure (Hair, 1998). Only student satisfaction had a good convergent validity shown by AVE of this factor (0.81115). On the other hand, high construct reliability was indicated by high CR values for three latent constructs intelligence generation, responsiveness and student satisfaction (more than 0.7). However, the CR value of intelligent dissemination was a little smaller than level of 0.7.

Discriminant validity was assessed by comparing the average variance extracted (AVE) for any construct with the square of the correlation estimates between this construct and the other. The results showed that all are satisfied except intelligence dissemination since its AVE is less than the squared correlation between intelligence dissemination and intelligence generation (0.462). This implied that one of these two constructs might explain item measures of the other construct rather than its measures. With other constructs, the essential requirements of discriminant validity were met.

The structural model fit this data satisfactorily ($\chi^2 = 380.56, df=183, p<.001; GFI = .88, CFI = .96, RFI = .91; RMSEA = .068$). The findings provided evidence to reject H1, support H2, and H3. In other words, intelligence dissemination and responsiveness significantly influence student satisfaction while intelligence generation does not have a significant relationship with student satisfaction although this relationship is assumed to exist.

Conclusions

The most important finding is that if two components of market orientation including intelligence dissemination and responsiveness are significantly related to student satisfaction, market orientation through intelligence dissemination and responsiveness substantially affects the extent to which students feel about the their educational experience and the value they get for their educational dollars. Second, a question of which component of market orientation construct is more important to student satisfaction has been addressed. Both intelligence dis-
semination and responsiveness strongly influence the degree to which students are satisfied although the former component seems to be a little more influential ($\gamma^2 = 0.38$, $\gamma^3 = 0.35$). From managerial standpoint, to adapt market orientation culture within universities, university leaders and college deans must provide the guidance and support necessary, so information is communicated and disseminated well within universities and colleges and actions are taken in response to the changes which occur instantly in education system. References are available upon request.

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SUMMARY

SWOT Analysis is a simple analytical tool that is used extensively in both academia and practice. While not taking a position regarding the ongoing debate in the literature regarding SWOT’s efficacy, we believe that because SWOT is so extensively used, it is our responsibility as marketing educators to ensure that our students understand SWOT, appreciate its capabilities and limitations, and know how to use the tool in practice. The research presented in this paper shows, however, that the undergraduate textbooks currently available in marketing principles and marketing management do not, in general, present SWOT well (if at all) and that many of these texts contain conceptual inconsistencies that make it difficult for students to grasp this simple concept.

Yet, despite its extensive use in both academics and practice, SWOT has also gathered some critics. Valentin (2005) summarized published discussions of the problems with SWOT Analysis as follows:

- It yields banal or misleading results,
- It has a weak theoretical basis,
- It implies that organizational factors can be “neatly” categorized,
- It encourages “superficial scanning and impromptu categorization,”
- It promotes list building as opposed to thoughtful consideration,
- It does not look at tradeoff among factors,
- It promotes muddles conceptualizations.

However, we do not think that SWOT should be abandoned simply because it has been badly used. Instead, we believe that the real problem is not with the tool itself, but rather with how SWOT analyses are done in practice. As educators in business, that makes it our problem. If we fail to teach SWOT effectively, it is no wonder that it becomes ill used in practice. Therefore, we need to take a hard look at what we as educators are, in fact, teaching our students. The best place to start is taught is to look at what is presented in marketing textbooks.

In order to be rigorous in our analysis, we decided that we had to review ALL of the textbook offerings from the major publishers in the fields of principles of marketing, marketing management, and marketing strategy. Therefore, we approached the four major publishers of business texts: McGraw-Hill, Prentice Hall, Cengage, and Wiley. We asked each of them to provide us with review copies of ALL of their undergraduate texts in the three subject areas. In all, thirty-four (34) textbooks were provided, comprising the complete list for each of the four publishers. We then conducted a content analysis of each of these texts regarding if and how SWOT was presented. The results were:

1. Of the 34 texts, 8 (23.5%) did not mention SWOT at all. Interestingly, only two of the eight marketing strategy texts mentioned SWOT.
2. Of the 26 that did mention SWOT, 15 of them (57.7%) devoted one page or less to it.
3. Of the 26 texts discussion SWOT, only 12 of them (46.2%) provided at least one example of a SWOT Analysis.
4. Only one text provided instructions on how to perform a SWOT Analysis in practice. This text was also the only one providing a discussion of reasonable cautions regarding SWOT’s use and expectations.

These findings are summarized in Figure 1.

There was one very significant finding regarding inconsistencies in the presentation of SWOT. While the definitions of opportunities (and threats) consistently stated that they were factors in the company’s external environment, many of the examples of opportunities were actually strategic or tactical actions that a firm could take. Examples of opportunities cited in some texts included such things as “Add to product line,” “Expansion outside the U.S.,” and “Online sales.” Variations on this problem
actually occurred in ten (10) of the twelve (12) texts where examples of a completed SWOT were provided. Only 2 of the 12 texts providing examples included only external factors in their list of opportunities. Interestingly, none of these twelve texts showed any inconsistencies in the other three cells of the SWOT matrix.

We have found that despite SWOT’s prevalence as an analytical tool, it is not being presented thoroughly or consistently in today’s undergraduate marketing texts. In these circumstances it is not surprising that practitioners often do not use this tool well. For us as Marketing Educators this means not only that we must present SWOT Analysis clearly to our students without the benefit of strong textbook support, but also that we must overcome the inconsistencies that may be present in whatever text we are using. Textbook authors and publishers should take note.

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THE DIFFICULTY AND DISCRIMINATING ABILITY OF A CONSUMER BEHAVIOR MULTIPLE-CHOICE QUESTION BANK

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SUMMARY

This study essentially conducts an item analysis of multiple-choice questions accompanying a widely adopted consumer behavior text, Hawkins, Mothersbaugh, and Best (2007 [HMB]). Despite the ubiquity of such question banks only two previous similar analyses are known to the author. Assessment of the HMB test item bank, of course, should be of interest to adopters of that text. Also, though, the assessment may provide encouragement of and a pro forma for similar assessments of other question banks and a contribution toward establishing norms for such banks. Multiple-choice questions are classified by HMB on the single dimension of question difficulty: easy, moderate, and hard.

“The analysis of multiple-choice items typically begins with the computation of a difficulty and a discrimination index for every item” (Aiken 1991, p. 78). In this study question difficulty is operationalized as the percent of correct responses for a given question. The mean percent correct was 62.69 percent, ranging from 0.0 percent to 100.0 percent. Discrimination was operationalized as the point-biserial correlation between a student’s total exam score (excluding the focal question) and the dichotomy of whether the student answered the question correctly or incorrectly. The mean point-biserial correlation was 0.274, ranging from -0.485 to 0.687.

Two theoretically straightforward hypotheses were tested:

H1: The mean percent of correct answers is inversely related to classified question difficulty.

H2: The mean point-biserial correlation of questions classified as moderate is greater than the mean point-biserial correlation of questions classified as either easy or hard.

Data were drawn from a total of 18 examinations administered across six sections of an undergraduate introductory consumer behavior course taught by the same instructor using a common format and evaluation scheme. For each course section the first midterm exam covered chapters one through seven, the second midterm exam covered chapters eight through fourteen, and the noncumulative final exam covered chapters fifteen through twenty. Typical class sizes were 30 to 40 students, there being an average of 32.7 answers to each of the HMB questions. For each examination ten questions from each chapter were selected at on a systematic random basis, for a total of 958 questions (or 58.9% of the total population of HMB multiple-choice questions).

Regarding H1, mean and median percents correct across the three levels of classified difficulty progress as expected: questions classified as easy (mean = 76.27, median = 78.57), moderate (62.87, 65.38), difficult (48.32, 48.07). Regarding H2, questions classified as hard have substantially lower mean (point-biserial correlation = 0.201) and median (0.229) discriminating ability than do questions classified as easy (0.276, 0.296) or moderate (0.289, 0.305).

Applying a one-way factorial analysis of variance, the taxonomy difficulty levels explained 9.0 percent of the variance in the percent correct criterion (p = .000), with planned comparisons supporting the specific inverse relationship in H1 (all p = .000). An immaterial, though statistically significant, 1.7 percent of the variance in the point-biserial correlation criterion (p = .000) was explained. Planned comparisons only partially supported H2. The mean point-biserial correlation for questions classified as moderate (0.289) was greater than that for questions classified as hard (0.201, p = .000), but only nominally greater than for those classified as easy (0.276) and not statistically significantly so (p = .272).

Beyond mean and median results, the distributions of both criteria within each classified difficulty level are quite dispersed. Empirical percents correct of questions classified as easy, moderate, or hard do not fall mutually exclusively into high, medium, and low ranges, respectively. Likewise, point-biserial correlations for the respective distributions of the three classified difficulty levels do not fall into mutually exclusive ranges. Further, high proportions of the point-biserial correlations are less than 0.50: for questions classified as easy = 81.30 percent, moderate = 81.61, hard = 89.21, and 13.80 percent of the correlations across all questions are less than or equal to zero.

Toward establishing norms, item difficulties and discriminating abilities for question banks from two editions of Solomon, Zaichkowsky, and Polegato (2005, 2002) are presented along with those for HMB.

Finally, an additional type of analysis used benchmarks of greater than 70 percent and less than or equal to 30 percent to define three ranges of empirical percent
correct. Posited, then, was an instructor selecting at random, say, one question from those classified as easy and one question from those classified as of moderate difficulty, with the expectation that the former will be in a higher *empirical* percent correct range than the latter. Across the three classified taxonomy level comparisons—easy versus moderate, easy versus hard, moderate versus hard—and across the question banks of the three texts, the probability of the instructor’s expectations being met is less than 50 percent in eight of the nine cases.

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BRANDING IRON: ORGANIC CERTIFICATION? EXPLORING THE IMPACT OF ORGANIC LABELED BRANDS ON CONSUMER BEHAVIOR

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SUMMARY

In the last decade, the organic food market grew vastly across the globe within a fairly static total food market (e.g., Baker et al. 2004; Michaelidou and Hassan 2008). Many countries show annual growth rates of the organic food “industry” of up to 30 percent (Essoussi and Zahaf 2008; Krystallis and Chryssochoidis 2005). Nowadays, the USA, Europe, and Australia even number this industry among the most promising ones (Baker et al. 2004; Gifford and Bernard 2006). Simultaneously, an increasing magnitude in the number of brands being offered within the retail market can be discerned. It has been observed that firms successfully distinguish brands by means of features that are relevant, meaningful, and valued. Besides, the differentiation must be perceptible by the consumers. Obviously, organic food production has become a distinguishing feature of increasing importance (Essoussi and Zahaf 2008). Despite the rising interest in using organic labeling to distinguish brands, research efforts have not yet focused on this brand differentiation approach. Therefore, this study intends to contribute to fill this research gap by looking at organic labels as a brand differentiation strategy.

In doing so, we conducted (1) a literature review to identify the motives driving organic food choice. The overwhelming majority of studies show that health is the most important buying motive (e.g., Essoussi and Zahaf 2008; Padel and Foster 2005). Several studies have found that the perceived pleasure of organic food consumption is higher than consuming conventional food (e.g., Magnusson et al. 2001; Tagbata and Sirieix 2008). Several studies identified environmental concerns as a reason for purchasing organic foods (e.g., Honkanen, Verplanken, and Olsen 2006; Tsakiridou et al. 2008). Furthermore, the concern over food safety motivates consumers to buy organically produced food (e.g., Essoussi and Zahaf 2008; Soler, Gil, and Sanchez 2002). In addition, we conducted in-depth interviews with consumers. As a result, the main reasons for buying organic food may be identified as: Organic food is considered to be healthier; organic farming is believed to be kinder to the environment; no chemicals are used (consumers are concerned about the issues of residues in their foods); and organic foods are perceived as tasting better compared to conventional foods. Hence, the findings of the in-depth interviews are in line with those of the literature review concerning the main buying motives for organic food.

Based on these results, we test (2) in an experimental study how the use of an organic label affects both the perception of a global and local brand concerning the identified four key motivational drivers of organic food buying behavior. The experiment simulates consumers’ confrontation either with an advertisement of a global or local brand that differentiates itself from others owing to the addition of an organic label. The experiment is a 2x2 (local and global brand/organic and nonorganic) between-subjects design. Findings show that the use of an organic label increases global and local brand perception concerning the main drivers of organic food choice. Thus, companies can add value to their brands by adding an organic labeling.

In a last step, we examine (3) the effect of organic labels on marketing-related variables, namely brand authenticity, purchase intention, and willingness to pay a price premium. The effect is tested in an experimental setting, too. The results offer evidence of predictive validity, showing that the addition of an organic label to the features of a global and local brand has a strong positive effect on brand authenticity as well as purchase intention and leads to a significant increase in the consumer’s willingness to pay a price premium. Thus, our findings underpin the relevance of organic labeling as a source of brand differentiation for marketers. In sum, our findings confirm that organic labels prove to be an effective instrument for global as well as local brand providers in distinguishing their own brand from that of their competitors!
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CONCEPTUALIZATION, MEASUREMENT, AND EFFECTS OF CORPORATE CUSTOMER ASSOCIATIONS

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SUMMARY

A variety of knowledge about companies may exist in consumers’ mindset. All the information that a person holds about a company is called corporate associations (Brown and Dacin 1997). Previous studies focus on two categories of corporate associations (i.e., corporate ability associations and corporate social responsibility associations) and investigate the effects of corporate associations on corporate market performance and consumer responses (e.g., Luo and Bhattacharyya 2006). What is missing in the literature is exploration of additional corporate associations and refinement in conceptualization. To address these gaps, this research proposes a new category of corporate associations, namely corporate customer associations (CCA), which is defined as a customer’s perceptions, evaluations, and inferences in various aspects (e.g., demographic, behavioral, and psychological) toward a company’s customer groups. And a CCA scale was developed to measure this construct. Customer-related corporate associations (e.g., customer imagery), have not been incorporated into recent corporate associations framework. However, marketing tactics that may stimulate the development of customer-related knowledge are extensively employed nowadays (Keller 2003). In addition, associations relating to corporate customer groups facilitate people acquire psychological and social benefits from their consumption and ownership (e.g., self-categorization and self-articulation) (McCracken 1988). Analogous with overall brand knowledge and corporate associations, CCA embody hierarchical constellations of characteristics or traits that are central to the corporate associations, distinguishing from other firms, and relatively lasting over time (Keller 2003). Based on the findings from theoretical evidence and qualitative findings, a hierarchical conceptualization of CCA is proposed here. Four abstract dimensions, namely attractiveness, similarity, distinctiveness and clarity, are identified on the first layer, while the second layer contains specific constituents pertaining to consumers, such as demographic features, social status, value system, life style et al.

Study 1 provided qualitative evidence supporting the ubiquity of corporate customer associations through individual depth interviews. In following studies, a 22-item CCA scale was generated and validated based on an advanced six-step Churchill paradigm. Specifically, the initial item pool consisted of 95 items were generated based on qualitative findings from interview studies (N = 24) and literature review. After two-stage examination on content validity (Bearden et al. 1989), 83 qualified items remained. Then, the scale was initially administrated among 298 university students, which purified the scale into 44 items. After that, we tried to optimize the length of the tentative scale with an independent sample of 302 university students, through the approach given by Voss et al. (2003). After this step, 22-item scale was finalized with good construct validity according to both confirmatory factor analysis and Multi-Trait-Multi-Method examination. Moreover, the discriminant validity of CCA from corporate ability associations, corporate social responsibility and corporate attitude was supported. Then, the scale was generalized among another 285 MBA and EDP students. Results support a four-factor CCA structure, satisfactory convergent validity and discriminant validity among four dimensions. In addition, empirical evidence suggests CCA as a distinct construct from brand personality (Aaker 1997). The correlations between four CCA dimensions and corporate attitude/favorable behavioral intentions were further calculated. Results support the predictive validity, and it is very possible that CCA has higher capability in predicting behaviors than attitude. Finally, a nomological model linking CCA with its antecedents and consequences was examined to establish its legitimacy. We focused on several corporate-level factors contributing to CCA, that are corporate promotion, advertising, pricing initiatives as well as corporate ability associations (CAA) and corporate social responsibility associations (CSRA) as the main antecedents of CCA, while corporate-customer relationship quality is considered as its key consequence. The model was examined through a survey on 287 real consumers who were travelers in railway stations and intercepted by four trained research assistants within a week. Results suggest good reliability, convergent validity and discriminant validity of focal constructs. Moreover, corporate initiatives on promotion and advertising as well as CAA/CSRA all had significant positive effects on CCA, while pricing had insignificant effect. More importantly, CCA, after taking the effects of CAA and CSRA into account, could enhance relationship quality.

This research also has several limitations that may provide directions for future studies, such as generalizing the scale in other contexts (e.g., across-culture), and further examining the effects of CCA on customer responses.
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RETAILER BRAND EQUITY AND CUSTOMERS’ PURCHASE BEHAVIOR: A STRUCTURAL EQUATION MODEL

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SUMMARY

Confronted with an increasing competition both within and between retail formats, the survival in today’s retail environment requires more than just low prices and innovative products (Grewal, Levy, and Kumar 2009). An important trend in retail indicates businesses’ efforts in tackling this challenging problem: retailers to an increasing degree focus on building and establishing a strong retailer brand. A retailer brand characterizes the name of a retail business that develops as a brand in consumers’ mindsets (Morschett, Swoboda, and Foscht 2005). Taking into account that building and establishing a retailer brand requires firms to spend tremendous amounts of money, the question of when do these investments pay off gains relevance not only from an academic but also a managerial perspective.

Against this background, the objective of this research is twofold. First, this study aims to investigate the influence of retailer brand equity on customers’ purchase behavior. More specifically, this research explores the influence of retailer brand equity on three important factors, namely customers’ likelihood of repurchase, share of purchase, and purchase frequency. Second, the present study aims to examine under which conditions retailer brand equity affects customers’ purchase behavior by including customers’ commitment toward the retailer (retailer commitment) as a moderator variable into the research framework.

According to Arnett, Laverie, and Meiers (2003) retailer brand equity can be defined as a set of brand assets and liabilities linked to a retailer brand, its name, and symbol that add to or subtract from the perceived value of the retailer brand by its customers. Previous studies reveal that retailer brand equity is a multidimensional construct (e.g., Arnett, Laverie, and Meiers 2003; Pappu and Quester 2006a). Following Aaker (1991, 1996), Yoo, Donthu, and Lee (2000), and Arnett Laverie, and Meiers (2003), we specify the domain of content for retailer equity in this study as consisting of four dimensions: retailer awareness, retailer associations, retailer perceived quality, and retailer loyalty. Furthermore, we propose that retailer brand equity presumably affects customers’ purchase behavior (i.e., likelihood of repurchase, share of purchase, and purchase frequency). This reasoning follows prior research that highlights the critical role of brand equity to generate value to the firm (e.g., Keller and Lehmann 2009). This reasoning is also in line with previous studies that explore the impact of brand equity on customers’ brand purchase (e.g., Netemeyer et al. 2004). The hypothesized relationships find additional support in previous studies that emphasize revenue premium as an outcome measure of brand equity (e.g., Ailawadi, Lehmann, and Neslin 2003). Besides the aforementioned main effects, the present study investigates the moderating effects of customers’ commitment toward a retailer (retailer commitment). More specifically, we anticipate that retailer commitment has a positive effect on the relationships between retailer brand equity and customers’ purchase behavior.

To test the proposed relationships between the framework variables, we conducted a quantitative study. The sampling frame consisted of customers of five clothing retailers. We used face-to-face interviews to collect the data. Customers were contacted outside the retailer stores after finishing their shopping trips. In sum, we received 326 answered questionnaires appropriate for further analysis. Of the respondents, approximately 65 percent were female. Further, approximately 61 percent of the respondents were younger than 30 years, 26 percent were between 30 and 50 years, and approximately 12 percent were older than 50 years. We tested our hypotheses by applying structural equation modeling and using the maximum likelihood (ML) procedure.

The results provide strong empirical support for all hypothesized relationships. Retailer brand equity has a significant positive impact on customers’ likelihood of repurchase, share of purchase, and purchase frequency. Thus, this research provides contributions to the literature by linking retailer brand equity and factors strongly related to retailers’ profitability. Further, this research investigates the moderating effects of customers’ commitment toward the retailer. As the data analysis shows, retailer commitment is an important moderator of the relationships between retailer brand equity and customers’ purchase behavior. Thus, this research contributes to retail branding research by emphasizing the critical role of customers’
predisposition toward the retailer as a predictor of the effects of retailer brand equity on customers’ response.

Our findings are of particular interest for managers in retail as they show that investments in strong retailer brands enable businesses to increase profitability and, in turn, differentiate from competitors. Consequently, managers should develop appropriate strategies and tools to build and establish retailer brand equity. To this end and as the conceptualization of retailer brand equity suggests, managers should focus on (1) building retailer awareness, (2) generating positive retailer associations, (3) establishing a high level of perceived quality, and (4) building retailer loyalty. As our findings further suggest, the positive impact of retailer brand equity on customers’ purchase behavior is intensified by customers’ commitment toward the retailer. Thus, in addition to investing in retailer brand equity, managers are challenged to establish and nurture customers’ commitment toward the retailer. References are available upon request.

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THE EFFECT OF MULTIPLE CO-BRANDING: AN EXPLORATION THROUGH ASSOCIATIVE LEARNING THEORY

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SUMMARY

This research investigates how co-branding intensity (CI) affects constituent brands in different positions in a co-branding relationship. Previous research has found that brands involved in several co-branding relationships continue to benefit from the co-branding strategy, and that secondary brands are not subject to any negative effects of co-branding. This paper aims to explore the mechanism behind these findings.

It is argued that consumers have different levels of motivation when learning the associations between primary and secondary brands and a product benefit or outcome. Consumers will thus exhibit different processing mechanisms (exemplar or adaptive learning) when they evaluate primary and secondary brands. The results of the two studies reported here validate this argument. Study 1 tested the effect of CI and the position of a brand in a co-branding relationship (CP) on the evaluation of each constituent brand. The hypothesized moderating effect of CP on the relation between CI and brand evaluation was not supported. This was attributed to the bias brought about by using real brand names, because it is hard to rule out the effect of marketing factors other than CI and the position of the constituent brands.

To rule out the noise caused by the use of real brand names, in Study 2 hypothetical brands were used. The main purpose of Study 2 was to validate the applicability of associative learning theory to the CI effect. According to associative learning, cue interaction will be observed when the adaptive learning process is used, but not when the exemplar-based process is used. Cue interaction effects were found in both the primary brand focused condition and secondary brand focused condition. However, the effect for the primary brand was much stronger than that for the secondary brands. For the primary brands, the adaptive learning process dominated, whereas for the secondary brands, the exemplar-based learning process dominated.

The data from Study 2 generally supported the hypotheses. The pattern of the results was consistent with the prediction that consumers exhibit different processing mechanisms (adaptive or exemplar-based learning) when they evaluate primary and secondary brands. The secondary brand was evaluated more positively when considered both individually and as a part of a new co-branding product than the primary brand. The secondary brand was also considered a better predictor of product outcome than the primary brand after repeated co-branding in similar sets. However, the cue interaction effect was stronger for the primary brand. Second, when the number of alliances in which a brand was involved increased, the participants’ impression of the focal brand was more positive in both situations, but the magnitude of the change was greater for the secondary brand than for the primary brand. This finding supports the hypothesized moderating effect that intensity and position interact in such a way that the effect of CI on brand evaluation is weaker for the primary brand than for the secondary brand. Further, the primary brand was considered to be more important than the secondary brand, and thus the motivation to evaluate the primary brand was greater than the motivation to evaluate the secondary brand.

To conclude, the process of learning and evaluating the secondary brand was more likely to be consistent with the exemplar-based process as suggested, but a cue interaction effect occurred in both processes, although it was stronger in one than in the other. These findings suggest that different processes dominate consumer learning of the associations between brand and benefit or outcome of the primary brand and the secondary brand in co-branding relationships.

This research draws on associative learning theory to extend our understanding of the effect of repeated co-branding in similar sets on brands in unequal positions. In addition to its theoretical contributions, this research also has several implications for practitioners. First, it should help brand managers who are considering building brand equity though co-branding to decide whether their brand would benefit more from being the primary brand or the secondary brand. According to the current findings, a high intensity co-branding strategy has a stronger positive effect on secondary brands than on primary brands. The position that a brand occupies in a co-branding relationship moderates the effect of CI on consumer brand evaluations. Second, brand equity is not built by the effect by of an individual strategy but by many strategies combined. Hence, the effect of one co-branding relationship will influence consumer perceptions of the co-branding strategies that follow. Understanding what processes consum-
ers go through in evaluating a product should help brand managers to appreciate the bigger picture in building a more positive association for a brand.

Due to the specific focus of this research, only ingredient co-branding with similar sets was investigated within the framework of associative learning theory. This may limit the generalizability of the findings. Future research is needed to address whether the model is applicable to different forms of co-branding alliance, and with different level of partnership congruency. References are available upon request.

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GEOGRAPHICAL INDICATIONS AND GLOBAL MARKETING: A REVIEW, ASSESSMENT, AND RESEARCH AGENDA

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SUMMARY

The paper discusses and analyzes the area of Geographical Indications (GIs) and their interdisciplinary and multifaceted literature. The work specifically assesses this debate and lays the foundation for future research in international marketing that at present is in a dire need of GI-related studies. Geographical Indications and origin issues are major topics yet in these areas literature is unavailable in global marketing. Geographical Indications have become household words and a major classification tool in the European Union (EU) and other global markets because of the popularity of wines and spirits, specialty foods, and regional/local and other consumer products. The area of GIs is particularly important in global marketing since no investigations are available that explored this debate. By the end of 2009, there were over 10,000 GIs in global business that had a combined value of over $50 billion. According to one estimate, 90 percent of GIs originated from the OECD countries in 2009. Selected examples of products classified under GIs include Bordeaux wines, Champagne, Antigua coffee, Parmigiano-Reggiano cheese, Irish whiskey, Idaho potatoes, Darjeeling tea, etc.

The system of GIs distinctly provides information about products, geographical origin, regional issues, and location. No wonder, GIs have started to become a popular phenomenon in wines, cheese, meat, and other indigenous industries. At the same time, there is virtually no literature available in global marketing that could explain the intricacies and regulatory issues of GIs. Outside of global marketing, there are studies available in social sciences that have added value to the literature. At the same time, investigations on country of origin (COO) and country of assembly (COA) are rich and have made a good value added to the field of global marketing.

Major findings of this study reveal that GIs will become an important part of global marketing because of niche/indigenous/cultural products and regional and branding issues. Unlike COO and COA concepts, conceptual, historical and practical issues of GIs are diverse and multifaceted in their orientations and applications. The paper also provides a research agenda, managerial implications, and limitations of this debate.

History reveals that the GI concept originated from France in the 19th century in wines. The first committee on appellations regarding the issue of origin was established for wines and spirits. Regulatory mechanism of GIs took place at the Paris Convention although protection was meager and insufficient. Under the Madrid Agreement (1891), some of the GI-related weaknesses were addressed. The Lisbon Agreement (1958) introduced the area of international registry although membership of the Agreement remained limited. It was only the WTO’s Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement that formally recognized GIs and their worldwide standards and protection in Articles 22, 23, and 24. In the last six years, the TRIPS agreement has brought good protection and lively debate to GIs where we witness a proper recognition and acceptance on the part of WTO members. At the same time, the U.S. and the EU remain entangled in their philosophical differences about the validity and application of GIs. The U.S. is somewhat against the expansion and broadening of GIs and pursues an approach based on trademarks whereas the EU’s approach follows an “Old World” school. In addition to the agreed framework under the auspices of the TRIPS Agreement, countries often are at odds regarding seeking a harmonious agenda for GIs.

In conclusion, GI-related literature is interdisciplinary and multifaceted in nature and mostly originated from various areas of social sciences. During their growth and development, GIs have been conspicuously impacted by country- and region-specific issues, producers, and multilateral organizations. Since the EU is a clear winner in receiving GIs in wines and food products (over 6,000), it will be interesting to compare and contrast category-specific GIs that remain strong in global marketing. Geographical Indications are major issues in global marketing that can help manufacturers as well as producers to differentiate their products and brands on the basis of region, origin, value chains, and unique processing methods. From consumers’ perspective, GIs definitely help reduce “search cost” because of products’ quality, reliability, and origin. Geographical Indications and their product- and region-specific categories are important when establishing the criteria. The role of the TRIPS is critical beyond Articles 22, 23, and 24. The role of the EU and the U.S. is also important regarding bilateral discussions and protecting their indigenous, cultural and regional industries. In the coming years, GIs will continue to be a part of local/region-specific industries and companies. Regions, industries and companies with high value and visible brands are definitely the main winners of GIs. At the global level and beyond WTO’s TRIPS, a powerful watchdog group is needed to deal with GI-related disputes.
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IMPACT OF CULTURE ON BRAND EQUITY

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SUMMARY

It is widely accepted that firms may derive significant benefits deploying Intellectual Property (IP) assets in the global marketplace. Intellectual property (IP) refers to “creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce” (WIPO 2010). Such elements often help firms to communicate with customers by providing information on the product features, quality, and origin or source. Nevertheless, complicating the efforts the firms made in using their IP resources in the global marketplace is the fact that there is significant variation across countries in the extent to which those resources may be deployed due to cultural, institutional, and economic characteristics of the host markets (IPRI 2010). Brands represent a significant portion of firm’s intellectual property that is transferred between markets as firms pursue internalization (Cervino and Cubillo 2004). Firms spend considerable efforts in building and promoting their brands in the global marketplace. Those efforts may be captured and protected by trademarks, or registrations that help to retain rights for the use of brand and its elements and prevent from copying them by other parties (Cohen 1986). By focusing on trademark registrations in Russian market we study how firms are creating brand equity in the host country. A second goal of our study is to study such practices in the context of emerging economy, characterized by weak institutions and legal system (IPRI 2010).

A long line of research in marketing has demonstrated strong relationship between brand equity and effectiveness of firm’s performance in the host markets, as measured by market share and annual revenues. Apart from financial impact, firms with strong brand equity may utilize it for subsequent brand extensions, product modifications, and future promotions that may be executed more efficiently and effectively (Ambler 2003). Consequently, we argue that stock of firm-owned trademarks in time period t is positively associated with sales in host market in time period (t + 1).

A brand is considered in research as the most standardized aspect of the international marketing mix that firms introduce to the host market. However, after entering the foreign market, the businesses have to deal with the differences in perception of the brand in the different cultural setting (De Mooij and Hofstede 2010; Foscht et al. 2008; Lam 2007). As such, we consider two of these dimensions, individualism and masculinity (Hofstede 1980), as likely factors influencing firm’s trademark activity in the host market. We argue that if host and home countries differ on individualism and masculinity dimensions, than a brand may be perceived differently by consumers in those countries, as well. Therefore, firm’s branding strategies and brand equity in the host country may be affected as a result of such difference. We propose that the impact of trademark stock at time period t on annual sales in (t + 1) will be higher for firms from countries that are closer to host country on these collectivism and masculinity dimensions.

We compiled dataset for testing our hypotheses from several sources. We extracted 6,404 trademarks registrations for 43 foreign firms operating in Russian Federation from RosPatent database. The information on annual revenues came from EuroMonitor. For testing our predictions we employed growth model, a special case of hierarchical linear models (Raudenbush and Bryk 2001; Singer 1998). Our model explained 6 percent between-group variance and 22.5 percent within-group variability in annual sales. Consistent with our conceptual framework, we observe that stock of trademarks increases annual sales in Russian market. Also, we found that firms from countries closer on individualism and masculinity dimensions experience stronger impact of trademark registrations on annual sales.

Our research also offers several important managerial implications. First, we demonstrate financial value of trademarks even in the context with weak protection of intellectual protection rights. Our findings clearly demonstrate that every additional trademark registered by a firm is associated with $13.31 million revenues in Russia. Given the financial value of trademarks and their close relationship with brands, we hope that our research will motivate international marketers to explore opportunities to trademark different elements of brands (e.g., slogans, shapes, color scheme, etc.) that may provide value for the firm in the future.
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PRODUCT ETHNICITY REVISITED: HOW FIRMS CAN COMPENSATE FOR PRODUCT-COUNTRY MISMATCHES

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SUMMARY

Globalization is one of the defining characteristics of the twenty-first century, and the role of brands in the globalization process is a critical strategic marketing issue that has not been thoroughly explored in the marketing literature (Reibstein, Day, and Wind 2009). Once brands step beyond national boundaries, they are evaluated partly based on the country from which they originate from. Despite recent criticisms on the relevance of COO effects (Samiee 2009; Samiee, Shimp, and Sharma 2005; Usunier 2006), scholars agree that a company can primarily benefit from the COO effect if consumers believe that its brands are from a country which is strongly associated with the products the company is offering. More concretely, it is stressed that the more a country is prototypical for certain product categories (e.g., Switzerland for watches, France for food, Germany for engineering), the more its companies can benefit from the COO effect. This concept is also referred to as product ethnicity, or the extent of product-country matches (Roth and Romeo 1992; Usunier and Cestre 2007).

In an international environment, however, many companies face the situation that they are from a country having high production standards but mutually being less famous for producing products in the respective category. When considering the car industry, for example, only German, Japanese, and U.S. cars score high on product ethnicity (Usunier and Cestre 2007). This implies that car manufacturers such as Volvo, Saab, or Renault that do not originate from these countries face a competitive disadvantage. Thus, the question arises in how far product ethnicity actually influences consumer decision making, and, if so, what can companies do to compensate for low ethnicity scores. In other words, which consumer segments should these companies target?

This study addresses this question by investigating moderating and mediating variables impacting the relationship between product ethnicity and consumer behavior. Based on categorization theory, we suggest that performance risk is an important mediator between product ethnicity and purchase intentions, and that product category involvement moderates that relationship. Second, we propose consumer values as important moderators between product ethnicity and behavioral intentions. While consumers ranking high on conservation might want to purchase products from well-known countries because they value tradition, security as well as conformity, people scoring high on self-enhancement might search for the prestige associated with ethnic products.

We collected data in 10 countries: Brazil, China, France, Germany, Great Britain, Japan, Russia, South Korea, Switzerland, and USA. Data were generated online, using the panel of a global market research agency. In order to receive a highly representative sample, we applied a quota system reflecting the socio-demographics of the participating countries. The mean response rate was 35.42 percent. The realized sample size varied between 48 (Germany) and 119 (China). In total, we obtained n = 859 completed questionnaires. Each respondent was randomly assigned to one out of 41 product-country combinations (i.e., 7 product categories times 6 possible origins minus Switzerland and cars, as Switzerland does not produce cars). In order to account for home country biases (Sharma, Shimp, and Shin 1995), the home country was excluded from the options available for each survey country.

In a series of regression models we could confirm that across countries and product categories product ethnicity has a positive influence on purchase behavior and that this effect is partially mediated by performance risk. As product ethnicity serves as an indicator of quality, consumers are less doubtful about the functionality of products with a perfect product-country match. This in turn increases purchase intentions significantly. Hence, companies such as Volvo, Saab, or Renault face indeed a competitive disadvantage as they do not originate from countries being strongly associated with cars.

In search for factors that could compensate for such a competitive disadvantage, we examined the moderating role of product and consumer specific variables on this relationship. Results show that high involvement products are less affected by a product-country mismatch. People that buy high-involvement products are expected to engage in intensive information search. Since product ethnicity is only one out of many cues to infer quality, the effect of product ethnicity on performance risk dilutes if product involvement is high. By extending our regression
models by the personality variables Conservation and Self-Enhancement (Lindeman and Verkasalo 2005; Schwartz 1992), we could further identify a positive interaction effect between each of these two variables and product ethnicity on purchase intention.

An integration of these results provides several interesting implications for firms facing the challenge of a low product-country match. Most importantly, by applying a segmentation concept based on psychographic criteria and thus focusing on modern respectively avant-garde customers who at the same time do not highly value prestige, firms might compensate for a low product ethnicity. Furthermore, since consumers do not exclusively rely on product ethnicity when involvement is high, especially firms selling high-involvement products can outweigh a low product ethnicity. With this regard, providing detailed product information that reduces performance risk might be critical to success. References are available upon request.

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IMPACT OF SOCIO-POLITICAL VARIABLES ON ATTITUDE TOWARD CROSS ETHNIC PRODUCTS: THE MEDIATING ROLE OF INTERGROUP ANXIETY AND TOLERANCE

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SUMMARY

The exponential growth in the ethnic diversity of nation states across the globe indicates that the nature of consumer marketing will be driven by a multi-ethnic marketing agenda. For example, in the United States, the multi-ethnic marketing agenda has gained attention partly due to the increase in both the population and the buying power of the dominant ethnic minority group (Latino population). It is estimated that Latino buying power will reach about $1.3 billion by 2013, according to a recent report by Packaged Fact Research, a market research firm in the foods, beverage and consumer packaged goods industry.

Although the potential financial benefits of successful marketing to the Latino consumer are appealing, researchers have argued (e.g., Andruss 2004) that the ultimate financial benefits of catering to an ethnic market cannot be fully realized unless the products/services targeted to ethnic consumers gain significant acceptance among consumers outside the referent ethnic group. According to Grier, Brumbaugh, and Thornton (2006), ethnic crossover takes place “when a product that reflects the cultural experience of an ethnic minority group gains significant penetration among consumers outside the referent ethnic group” (p. 36). For example, ethnic crossover will occur if a product or service that reflects the cultural experience of the Latino group gains significant acceptance among members of the ethnic majority group (Non-Latino White Americans).

With this background, the purpose of this study is to investigate the factors that influence ethnic majority consumers’ attitude toward the consumption of ethnic products/services that reflect the cultural experience of the dominant ethnic minority group (DEMG). This research also seeks to provide marketers with insights about marketing cross ethnic products/services in a multicultural marketplace. The model proposed in this study underscores the importance of consumer intergroup anxiety and consumer intergroup tolerance as key mediators between socio-political disposition constructs and attitude toward the consumption of cross ethnic products.

The data used in this study was collected by administering survey questions to consumers. Specifically, the respondents in this study are members of the ethnic majority group in the U.S. that is white Americans – specifically non-Latino Caucasians who reside in the Mid-Western part of the U.S. The respondents were asked to respond to questions pertaining to their feelings and attitudes toward the consumption of ethnic products/services that reflect the cultural experience of the dominant ethnic minority group in the U.S. (Latino group). The predictor variables included in the study include social dominance orientation, positive and negative intergroup experience and measures evaluating consumer intergroup anxiety and tolerance toward the members of the dominant ethnic minority group.

The dependent variable, consumer attitude toward cross ethnic products/services that reflect the cultural experience of the members of the dominant ethnic minority group was assessed by adapting Nijssen and Douglas’ (2008) 3-item attitude scale. Respondents were instructed to evaluate four different crossover consumption contexts before providing responses to three attitude statements. Example of a context narrative reads as follows: “Imagine noticing a billboard message in your neighborhood about the opening of a grocery store that will sell only ethnic products from Latin countries” (e.g., Mexico). Following each context, respondents’ were asked to indicate their agreement and disagreement with each of three attitude statements presented in the questionnaire. The coefficient alpha for the 3-item attitude measure was .92 for the contexts concerning the introduction of a new separate section of ethnic products in a local grocery store (INSEP) and the introduction of a new ethnic grocery store (INES), and .91 and .94 respectively for the introduction of a new ethnic restaurant serving only ethnic cuisine (INRC) and introduction of a new ethnic restaurant that uses primarily native Spanish speaking waiters/waitresses (INRW).

The results of the study showed that consumer intergroup anxiety and consumer intergroup tolerance are the key mediators between socio-political disposition constructs and attitude toward cross ethnic products. Consumer intergroup tolerance was powerful in predicting attitude toward ethnic products. The impact of consumer intergroup tolerance on attitude toward the consumption of ethnic products originating from an outgroup was positive. In terms of implications, marketers of ethnic products originating from the dominant ethnic minority
group can better achieve ethnic cross-over by connecting their brand messages with stories that dispels stereotypical themes concerning the members of the dominant ethnic minority group because most stereotypical ideas about the members of an outgroup often form the basis of intolerance. References are available upon request.

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MEASURING CONSUMER COMPETITIVE AROUSAL: SCALE DEVELOPMENT, VALIDATION, AND EARLY EVIDENCE OF THE INFLUENCE ON PURCHASE BEHAVIOR

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SUMMARY

Competition is a ubiquitous part of life. It is a behavior or state of mind related to the act of seeking or endeavoring to gain what another is endeavoring to gain at the same time (Mead 1937). While competing and competition has been examined and scrutinized in many disciplines, marketing literature has yet to fully examine how actual and predicted retail environments (based on marketing messages and other signaling cues) can create competitive arousals in consumers, and outcomes these competitive arousals may incur. This is surprising given the rise in popularity of Internet auctions and retail examples like Black Friday, bridal gown sales, and new product releases like Apple’s iPhone and iPad, which each represent situations when shoppers have competed. Indeed, competition, competitiveness, and competitive arousals are present in consumer behavior (Mowen 2000), and shopping behavior specifically (Ariely and Simonson 2003; Ku et al. 2004; Nichols and Flint 2010).

Taking a belief-attitude approach (Fishbein and Ajzen 1975), this paper describes the development of a scale that measures consumer competitive arousal (CCAr), or the perception/belief that, in a purchase situation, one would have to strive against others to gain what another is endeavoring to gain at the same time. Because beliefs are the building blocks of attitudes and are shown to be a strong route to behavior, addressing this concept is important.

Scale items were constructed from collecting and examining qualitative data regarding competitive purchase situations, and by modifying published, popular, and theoretical conceptualizations of competitiveness, competitive anxiety, and competitive situations (Houston et al. 2002; Mead 1937; Martens 1977). Additional items were developed to reflect situational expectations that would reflect competitive nuances and anticipated behaviors. From a starting pool of 22 items, results from a series of validation tests left eleven items to measure CCAr. These eleven items produce a highly correlated two-factor solution, suggesting multi-dimensionality of the construct and the appropriateness of the scale to be used as a composite index. The measure proves to be internally reliable across multiple contexts and samples ($\alpha > .80$). Contexts included product and experiential scenarios, as well implicit interpretations based solely on advertising materials. Participant samples were comprised of convenience and consumer panels. Items loading to factor one represent a “win-lose” competition framework in a shopping situation. For example, one item loading to this factor is “I will probably feel like a winner or that I have won if I am able to buy this product.” Items loading to factor two represent the “in the moment” aspect situation that reflects behavioral or cognitive response. For example, one item loading to this factor is “I will probably be competing with others to buy the product.” Factor one accounts for 46 percent of the variance, factor two an additional 23 percent.

The measure was scrutinized by convergent and discriminant analysis tests. The measure correlates in the expected direction with trait competitiveness, but not with those to which it should have no relationship (i.e. need for cognition). The measure’s AVE exceeds those of its shared variance with other constructs, further demonstrating discriminant validity. Exploratory tests suggest that CCAr has predictability power related to purchase interests, such that as one’s CCAr rises, so does their purchase interest for the focal good or experience. This scale has wide applicability to examining responses to a variety of consumer contexts involving scarcity, crowding, and advertising appeals. Outcomes related to CCAr are in need of further exploration.

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THE EFFECTS OF PERCEIVED ATTAINABILITY AND BENIGN ENVY ON CONSUMERS’ PURCHASE INTENTION

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SUMMARY

The consequences of upward social comparison involve two facets. Comparison to superior others appears to be self-deflating, but it also appears to be self-enhancing in that it motivates the comparer to work harder to achieve what others already have (Lockwood and Kunda 1997). In the realm of marketing, research on upward social comparison in advertising has focused on the negative consequences of upward social comparison (Smeester et al. 2009; Tiggemann and McGill 2004; Richins 1991). For example, past research has shown that the use of highly attractive female models prompts female consumers to compare, often unconsciously, their physical attractiveness with that of models, which contributes to negative consequences, such dissatisfaction with body and appearance (Smeester et al. 2009; Richins 1991; Tiggemann and McGill 2004), lowered self-esteem and self-perception (Martin and Gentry 1997), increased depression (Heinberg and Thompson 1995) and even eating disorders (Stice et al. 1994). An area of particular interest is the mechanism that operates when consumers make upward social comparisons to advertising models.

However, we depart from the prevailing view by proposing that, unlike what many previous studies have shown, positive consequences of upward social comparison may emerge for those who view comparison targets, such as advertising models, as self-relevant and attainable, motivating the comparer to work harder to achieve and leading to an increase in consumers’ purchase intention in pursuit of that goal. Thus, advertisers may benefit from the upward social comparison mechanism through increased purchase intention without affecting consumers’ psychological well-being.

To start with, we conceptualize the domain of self-relevance by incorporating perspectives from evolutionary psychology. Evolutionary psychologists have proposed that males and females are concerned with financial success and physical attractiveness, respectively, in order to attract and retain mates (Buss 1989; Saad 2007). As a result, we expect that male consumers are more likely to engage in upward social comparison with the male models in advertising if the salience of the financial success dimension is heightened in the advertising. On the other hand, heightening the physical attractiveness dimension of a female model in an advertisement tends to increase the likelihood that female consumers will engage in upward social comparison. We also postulate, that as long as the comparison dimension is perceived to be self-relevant and attainable, consumers’ comparing themselves with advertising models that possess such superior dimensions should evoke benign envy, increasing the desire to achieve the upward social level and motivating the consumer to buy the product in order to achieve that goal.

Benign envy is an uplifting type of envy. Unlike malicious envy, which aims to pull down the superior other, benign envy creates a desire to move up to the level of the superior other (Van de Ven et al. 2009). While people may feel a high level of frustration and inferiority at the same time as they feel benign envy, the other aspects of the experience tend to be positive. Taken together, the evolutionary psychology perspective and upward social comparison theory point to an interesting pattern in how consumers respond to advertising models. We predict that consumers are likely to experience the emotion of benign envy during upward social comparison with advertising models and that the experience of benign envy is more pronounced for females (vs. males) who perceive physical attractiveness (vs. financial success) as attainable (vs. unattainable).

We intend to undertake two studies to test our hypotheses. The objective of the first study is to determine how the presence of advertising models and their comparison dimensions affect gender differences on purchase intentions. The second study is designed to identify the mechanism underlying upward social comparison effects and to test the assumption that benign envy increases purchase intention when consumers perceived the comparison dimension as attainable.

This research attempts to fill in a research gap in the marketing literature by adopting notions from evolutionary psychology to conceptualize the domain of self-relevance. The intended contributions of this paper are twofold. First, while past research has found that upward comparison is self-deflating, this paper proposes that the interactions of the social comparison factors (the perceived attainability of the self-relevant comparison dimension) and the emotional factor (benign envy) can lead to inspiring upward comparisons that can have a positive effect on consumers’ purchase intentions. In so doing, the study facilitates a more refined understanding of the multifaceted influence of social comparison. Second, this paper is important for marketers since it contends that
advertisements that portray unrealistically attractive and financially successful models may not be the most effective choice in advertising; instead, marketers should identify a comparison dimension that can be considered both self-relevant and attainable to consumers. The results of the study can also help advertisers to understand how the presence of advertising models and their comparison dimensions affect gender differences on purchase intentions from the perspective of evolutionary psychology. References are available upon request.

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CONSUMERS’ NEED FOR PRESTIGE: SCALE DEVELOPMENT

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SUMMARY

The need for prestige is deeply anchored in everyday social life. Given the centrality of consumer products in every moment of the day, they present a valuable tool in the social communication system. As individuals may fulfill their need for prestige in a variety of ways, they are likely to vary in the tendency to gain prestige through consumer goods and behavior.

This study is an initial effort to develop and validate a scale that measures individual differences in the need for prestige. It draws on past research on symbolic consumer behavior (e.g., Grubb and Grathwohl 1967; Solomon 1983; Richins 1994) and status consumption (e.g., Eastman, Goldsmith, and Flynn 1999; Clark, Zboja, and Goldsmith 2007) and is in line with consumer research on the important influence of intrapersonal and interpersonal needs (Burns 1993), e.g., need for touch (NFT) (Peck and Childers 2003), and need for uniqueness (NFU) (e.g., Tian, Bearden, and Hunter 2001; Lynn and Harris 1997). Even though the prestige appeal is widely used in marketing, to date no explicitly defined research approach has been developed.

Drawing on the misleading, interchangeably use of the terms “prestige,” “status,” and “luxury” in literature, it has to be emphasized that prestige refers to the degree of esteem accorded to individuals, groups, or entities (Henrich and Gil-White 2001). This involves the product of the internalization of objective reality, i.e., a morally positive, outstanding human achievement, and symbolic reality, i.e., the interpretation of socially shared symbols, in social interactions (Czellar 2002; Dittmar 1992). In contrast, “status” relates to a position in social hierarchy and “luxury” is rather associated with the self-indulging refined lifestyle of the affluent which includes some kind of negative connotation (Dubois and Czellar 2002; Colarelli and Dettmann 2003; Vigneron and Johnson 1999).

Conceptual Definition

We define Consumers’ Need for Prestige (CNFP) as the tendency to engage in conspicuous consumer behavior that confers or symbolizes prestige both to the individual and to the surrounding reference group, in order to gain the extrinsic, social reward prestige. It is assumed that consumers are likely to vary in the tendency to gain prestige through consumer goods, referring to different kind of product categories, brands, services, versions, or styles. As goods are used as symbolic communication devices, it is not the functional utility people desire, but rather the symbolic benefits these goods provide, i.e., the esteem or admiration of others. It is supposed that the CNFP explains stable patterns of individual behavior. The CNFP construct subsumes the following three factors:

The Impression-Oriented Factor. The concern for desired prestigious public appearances leads people to expressive self-presentation. By regulating and controlling information about oneself, individuals are able to create/project a prestigious self-identity toward others. They want to be unique, but unique within the societal norms. This implies them being acutely aware of the level of prestige associated with a given product or brand within their social nexus. As many prestigious goods are also consumed in private, prestige-seeking behavior is assumed to be an enduring, cross-situationally consistent personality trait. This is contrary to the self-monitoring theory which highlights the variability of self-presentation tactics depending on situational cues (Gangestad and Synder 2000).

The Social Approval Factor. An individual will only engage in expressive self-presentation tactics, if his/her conduct will lead to the desired end-state prestige. This implies the belief of others using person schemata which are organized around possessions and possession-related traits, e.g., style, expertise (Hunt, Kernan, and Mitchell 1996; Richins and Dawson 1992). Therefore, the prestige-driven behavior has to be significant (i.e., visible, variable, and personalizable) and to involve a socially shared meaning of prestige (Holman 1981; Dittmar 1992). Individuals with a common history of enculturation should be able to predict the behavior of others in that culture (Solomon 1983).

The Impressible Factor. Prestige-seekers tend to judge a person’s worth, i.e., form impressions and make judgments, on the basis of external, material appearances to the extent that inner, nonmaterial qualities are likely to be trivialized (Hunt, Kernan, and Mitchell 1996).
Scale Development, Assessment of the Scale Reliability and Validity

Based on the results of a continued word association method to the stimulus “prestige” and in line with the conceptual definition of the CNFP, a pool of 29 items was generated. After assessing content validity, the remained 21-item scale was queried on a seven-point Likert-scale via an online survey (N = 493).

The procedure of assessing scale reliability and validity is conducted in accordance with previous applications for scale development (cp. NFU and NFT). Varimax-rotated exploratory factor analysis resulted in 12 items loading on the Impression-Oriented Factor, six items on the Social Approval Factor, and three items on the Impressible Factor. The scale was evaluated through a number of reliability and validity criteria of first and second generation (e.g., Cronbach’s α, ITTC, explained variance, factor reliability, indicator reliability, RMSEA, NFI, GFI). Evidence of convergent validity and discriminant validity between the three factors as well as with conceptually distinct scales (NFU scale [Tian, Bearden, and Hunter 2001], Materialism Scale [Richins and Dawson 1992]) are provided. The assessment of nomological validity included the framework of psychological needs and the model of the formation of prestige judgments and revealed satisfactory results (Burns 1993; Czellar 2002).

Conclusion

The primary goal of this research was to develop and validate a measurement scale of individual differences in the aspiration of prestige through consumption. The results indicate that CNFP is composed of three dimensions: the Impression-Oriented Factor, the Social Approval Factor, and the Impressible Factor. Consumers with a high need for prestige appeared to have a strong concern for their appearance and image in line with a strong emphasis on person schemata based on commercial goods. The emerged 21-item CNFP-scale was found to be reliable and to meet the criterion of content, convergent, discriminant, and nomological validity. This paper constitutes an exploratory investigation of the latent construct Consumers’ Need for Prestige. The CNFP-scale should be used as an intervening variable in different prestige-related consumer research contexts. Replications and further refinements would additionally support our initial findings. References are available upon request.

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A TYPOLOGY, ASPIRATION, AND LIFE SATISFACTION OF OLDER KOREAN CONSUMERS

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SUMMARY

Korea is the fastest aging country in the world. According to the UN, a country is classified as an “aging society” when more than 7% of its population is older than 65 years old. When the percentage reaches over 14 percent, it is classified as an “aged society.” When more than 20 percent of population is older than 65, the country is called as a “super aged society.” Korea became an aging country in 2000 by having 7.2 percent of its population with older than 65 years old. It is expected to become an aged society by 2019 and a super aged country by 2026 (Korea National Statistics Office 2006). No other country in the world has aged this fast. It took France 115 years and the U.S. 71 years to reach from an “ageing society” to “aged society.” Korea is expected to make this shift in less than 20 years. Therefore, unlike these developed countries which had a lot more time to deal with the aged population, Korea has to deal with aging population problem without much preparation time.

In dealing with this growing mature market, the work to differentiate this substantial number of people to other customer groups has yet to be done enough. At best, the aged population is treated as one segment that is contrasted against younger groups of population. Or, if it is segmented, it is mostly segmented based on just age. Demographic variables including age have been widely used in segmenting the market. However, as consumers’ needs have become more diverse, people can be more meaningfully segmented by their psychological characteristics. Since older people usually experience various social, psychological, and physical changes as they get older, it is necessary to examine them according to their differences in psychological aspect.

In this study, lifestyle patterns of older Koreans are examined by conducting a nation-wide survey. Seven hundred fifty Koreans who are older than 65 years are surveyed from four major cities in Korea. The data are analyzed using a three-step approach. First, the underlying dimensions of senior consumers’ value system are identified using factor analysis. Based on 31 life-style and value items, six factors are obtained. The analysis suggests that the value-system of senior consumers can be described using the following six factors: (1) Socially active, (2) Optimistic & innovative, (3) Health conscious, (4) Independent, (5) Financially concerned and (6) Nostalgic tendency. Second, these six factors are then utilized to identify clusters of senior consumers with similar value profiles. The cluster analysis identifies four major groups of senior consumers: (1) Healthy solitaries, (2) Care frees, (3) Optimistic socials, and (4) Weak dependents. Finally, to examine whether the identified value-based clusters can also be differentiated in terms of key demographic variables, a discriminant analysis is conducted. The results show that the four clusters have distinctive patterns along demographic variables. The examination of the aspirations and life satisfaction of the clusters shows that significant differences exist among themselves. These differences in aspirations and life satisfaction are consistent with the traits and attitudes of the respective clusters and provide ample support for the grouping of older Koreans.

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THE SURPRISING EFFECT OF A “SURPRISE REFUND”:
INCORPORATING SURPRISE INTO
LOW-PRICE GUARANTEES

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SUMMARY

Introduction and Literature Review

Surprising consumers with unexpected benefits leads to greater pleasure, than simply providing similar levels of (expected) benefits (Mellers et al. 1999). Also, unexpected gains provide greater pleasure than unexpected losses (Mellers and McGraw 2001), indicating that greater the amount of unexpected benefits, the greater the pleasure. In this research, we argue that these results might not always hold. Although, in a consumption context, provision of unexpected benefits should lead to more positive perceptions of the seller, we posit that the above result is moderated by differences in the amount of benefit provided, with larger amounts of unexpected benefits not necessarily leading to more positive perceptions of the seller.

Specifically, we consider cases wherein (1) consumers purchase some item from the seller, (2) there is a post-purchase violation of the purchase contract, whereon (3) consumers are entitled to compensation from the seller. For example, luggagepros.com promises the lowest prices, and offers a low-price guarantee (LPG) to back this promise. If consumers find a lower price within 30 days of purchase, then luggagepros.com promises LPG compensation of 115 percent of the price difference.

The question we examine is whether adding unexpected benefits to such compensation has positive effects on consumers’ subsequent perceptions about the seller. Consistent with past literature, adding small amounts of unexpected benefits to the compensation should have a positive impact on beliefs about the seller. However, Brehm and Cole (1966) indicated that receiving favors leads to two competing feelings in the receiver – the desire to reciprocate, and the (competing) desire to not reciprocate and preserve freedom of action. Hence we argue that adding large amounts of unexpected benefits prompts consumers to (also) think about what exactly is the seller’s rationale for providing the unexpected benefits (e.g., are these unexpected benefits merely a mechanism to prompt future purchase?). In turn, such thoughts dampen the positive effects of providing unexpected benefits, potentially reduce trust in the seller, and thus the overall impact of providing unexpected benefits on beliefs about the seller might not be positive.

Methods and Results

Participants (N = 269 undergraduates) were told that they had purchased a computer from a retailer. This retailer offered an LPG, i.e., a promise that if consumers subsequently found lower market prices for the purchased product, they would get LPG compensation. Depending on the condition they were in, participants were a priori promised different levels of LPG compensation. There were five conditions: (i) promised compensation was 100 percent of the price difference, (ii) promised compensation was 110 percent of the price difference, (iii) promised compensation was 150 percent of the price difference, (iv) and (v) promised compensation was 100 percent of the price difference.

Participants were then told that, after the purchase, they learnt that a friend had purchased the same computer for a lower price. Participants were told that they immediately received a refund. Depending on the condition they were in, participants received different levels of refunds. In cells (i), (ii), and (iii), participants post-facto received same overall LPG compensation. But in cell (iv), participants were a priori promised less than con-
sumers in cell (ii), but subsequently got not only what was promised, but also got small surprise benefits.

- In cells (iii) and (v), participants post-facto received same overall LPG compensation. But in cell (v), consumers were a priori promised less than consumers in cell (iii), but subsequently got not only what was promised, but also got large surprise benefits.

The two independent variables were (1) overall amount of LPG compensation, and (2) whether part of the LPG compensation was unexpected. We measured two dependent variables (DVs) (1) future purchase intentions (FUTURE PURCHASE), and (2) trust in the retailer (TRUST).

**Analysis 1:** We compared cells (ii) – (v). The interaction between the two independent variables was significant ($F(1,213) = 5.35, p < 0.05$). Specifically, FUTURE PURCHASE was higher in cell (iv) than cell (ii) ($M = 6.09$ vs. $M = 5.58$; $t(264) = 1.92, p < 0.06$), indicating that incorporating a small surprise into the LPG compensation had a positive effect on beliefs about the seller. But FUTURE PURCHASE was not significantly higher in cell (v) than cell (iii) ($M = 5.39$ vs. $M = 5.79$; $t(264) = 1.39, p > 0.15$), indicating that incorporating a large surprise into the LPG compensation had no effect.

**Analysis 2:** As suggested in Valenzuela et al. (2010), we also compared cells (i), (iv) and (v). First, we noted that FUTURE PURCHASE in cell (iv) was significantly greater than cell (i) ($M = 6.09$ vs. $M = 5.43$; $t(264) = 2.43, p < 0.05$), indicating (again) that providing a small amount of surprise benefits had a positive effect on beliefs about the seller. Next, FUTURE PURCHASE was significantly lower in cell (v) than cell (iv) ($M = 5.39$ vs. $M = 6.09$; $t(264) = 2.63, p < 0.05$), indicating that providing a large surprise in LPG compensation backfired, and had a negative effect on beliefs about the seller, and this was true despite those in cell (v) receiving LPG compensation which exceeded the LPG compensation received by those in cell (iv). Finally, the above result was fully mediated by differences in TRUST (mediation results available on request).

**Discussion and Future Research**

This research contributes to the literature on surprise, finding an interaction between (1) the presence of a surprise benefit, and (2) the amount of the surprise benefit. Specifically, providing larger amounts of unexpected benefits appears to backfire, and might not be beneficial to the retailer. References are available upon request.

**ENDNOTES**

1 Using multi-item scales ($\alpha > 0.9$).
2 We also measured propensity to provide positive word of mouth. Results using this DV replicated results from using FUTURE PURCHASE.

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LEFT BEHIND: THE POTENTIAL DOWNSIDE OF ODD-ENDING PRICING

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SUMMARY

The increased practice of odd pricing has been spurred in part by the growing body of evidence that there can be significant benefits of odd pricing for retailers. Perhaps the original benefit was evidenced in the late nineteenth century prior to the introduction of a national sales tax when retailers began to use odd pricing as a tool to minimize employees’ theft by requiring the till to be opened in order to make change. However, retailers may benefit from decreased inter-retailer search as the use of odd pricing, rather than 00-prices, signals a low-price image for the store and often leads consumers to suspect that they are unlikely to find the item at a lower price elsewhere. Finally, a third, and from the retailer’s perspective perhaps the most important, benefit of odd pricing is the potential for increased retailer sales.

Though there is significant evidence that odd pricing can have important benefits for retailers, researchers have also pointed out potential negative consequences associated with the practice of odd pricing. First, while odd pricing can signal the presence of sale items and more generally lower prices, the possibility exists that these signals may be interpreted as necessary to move lower quality merchandise. Similarly, odd pricing over time can lead customers to believe that the retailer is prone to sales, which can have a negative impact on a retailer’s brand image if the store has a high end brand. Finally, in addition to potential negative signals, and perhaps the most damaging negative consequence for retailers using odd pricing, is the potential for lost revenue. While some studies provide evidence that odd pricing increases retail sales, other studies did not see increases in sales with odd pricing. If retailers use odd pricing without an increase in sales, retailers lose money on the difference between what they could have charged for the product (the even price at $5.00) and the odd price ($4.99).

Taken together previous studies have contributed significantly to the understanding of odd pricing and its impact on retailers with the potential for both benefits and negative consequences. However, though we now have substantial knowledge about how odd pricing can impact a single product, and more broadly perceptions and sales at the catalog/retailer level, our knowledge is limited when it comes to understanding how odd pricing impacts the day to day tactical decision making of managers. That is, retailers have to make many pricing decisions with a product set and its associated pricing structure already in place. Does the existing pricing structure with its typical mix of odd and even prices impact the retailer’s ability to introduce subsequent prices in the category and if so, how? How does the existing comparison set of prices influence value perceptions and purchase likelihood of subsequently added prices? Answering these questions is important for retailers making day-to-day pricing decisions in a category, but is especially important when adding new products to an existing product assortment. To date the literature is largely silent on such issues.

The purpose of this project is to fill a gap in the existing odd pricing literature by investigating the impact of an existing price set and associated price thresholds on subsequent price attractiveness. Specifically, we test whether existing odd or even price thresholds impact the value perceptions and purchase intentions for subsequently added prices. We focus our primary attention on the addition of subsequent prices outside the initial comparison price set as this is the most interesting and likely scenario for retailers. Unlike other studies that investigate the impact of odd pricing on retail sales for an individual SKU or general sales (e.g., catalog) at one point in time, we focus on the category level and consider how existing prices impact subsequent prices. This approach provides three significant contributions to the literature and has important managerial implications. First, this approach allows us to determine if existing odd and even price structures influence the retailer’s ability to add new items in the category. Second, to our knowledge our work is the first to address how the use of odd pricing may affect subsequent pricing decisions. Third, we investigate the category level impact of odd pricing decisions to determine how pricing of one product, especially at the high threshold, can impact the outcomes of another product added to the category. Our approach provides evidence that suggests odd pricing may lessen the attractiveness of a more expensive brand or SKU when added to an existing product assortment. Further, purchase familiarity moderates the negative impact odd pricing has on the future value perceptions and purchase intentions of the newly added brand or SKU. Thus, this study contributes to the existing pricing dialogue by demonstrating an instance where the practice of odd pricing may not benefit retailers by highlighting a potentially unintended consequence of using odd pricing. References are available upon request.
KNOWING WHERE TO DROP YOUR ANCHOR: VARYING PRICE LEVELS AND ONLINE AUCTION BEHAVIOR

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SUMMARY

Internet auctions, which have been one of the success stories of digital commerce, provide an interesting application of the principles of anchoring. In forming a valuation for the item, the consumer may anchor based on the initial price or the most recent price of the item. Prior research would suggest that the mechanisms that drive auctions reverse any anchoring effects (Ariely and Simonson 2003; Ku, Galinsky, and Murnighan 2006); however, when quality is suspect we argue otherwise.

Pricing and Price Progressions

Consumers often have difficulty assessing an item’s value, to compensate they construct values based on cues (Bettman, Luce, and Payne 1998; Simonson and Tversky 1992). In an online marketplace such as eBay.com one of the salient cues is the price of the product (Li, Srinivasan, and Sun 2009). If initial prices are seen as an indicator of product quality (Monroe 1973; Rao and Monroe 1989) consumer valuations may vary with initial price and consumers would be willing to pay more for a product that had a higher initial price versus a product that had a low initial price.

In an English auction the initial price increases based on competing bidders, therefore consumers are aware of other consumers who value the same product. This can create a form of informational social influence, even if all bidders are equally unsure of the product quality. Individuals need only view a social presence and subsequent behavior to infer product quality (Cohen and Golden 1972). Therefore, in an English auction price progression from low to high, the effects of an initial low price will be offset and increase the amount consumers are willing to pay for the item.

Anchoring effects may also impact reverse auctions as well. In a reverse auction the consumer must give a price that is high enough that it will be accepted but not lower than the minimum that the seller would be willing to sell the item for. With the reverse auction travel website Priceline.com consumers may be given different reference prices for different days. In this situation we believe that the higher price signals to consumers that the seller is able to obtain this price from certain consumers. Thus, consumers will anchor on the higher price. The relationships between varying price levels on the final price is illustrated in Figure 1.

Methodology

We employed an experimental approach using actual online auction marketplaces to investigate the impact of varying price levels on item valuations. A total of 250 undergraduate students from a large Mid-Atlantic private university participated in the study in exchange for bonus course credit.

Study 1

In Study 1, a DVD of the motion picture “Angels and Demons” was selected as the auction item after a pretest determined DVD’s to be the best category choice. Four slightly different eBay.com pages were created with varying prices and numbers of bidders on each page. Undergraduate business students (n = 149) were divided into four cells (Table 1) and asked to state the maximum amount they would pay for the product, then explain how they decided on that valuation in an open ended question.

The results are illustrated in Figure 2 and Table 3. As the price progressed higher from bidding, participants were less wary of the quality but still bid significantly less than they did when the item had a higher initial price (F(1, 126) = 10.61, p < 0.001). A content analysis of the responses to the open ended question revealed that issues of quality were a primary concern when the item was priced at $0.99 (Cell 1). When an item’s price progressed from $0.99 to $9.50 (Cell 2), quality was less of a concern.

Study 2

Study 2 investigated the impact of varying price levels in a reverse auction format. Three groups of undergraduate business students were asked to place bids on hotel rooms in Study 2 (n = 101). Different Priceline.com web pages for a four star hotel were presented and the content varied according to Table 2. Participants who viewed the weekday and weekend prices bid higher for the weekday room than those who only viewed the weekday price (Cell 1 = 97.59 vs. Cell 3 = 112.98, F(1, 90) = 7.46, p < 0.01). No significant difference (alpha = 0.05) was found between Cell 2 and Cell 3.
FIGURE 1
Contrasting Anchoring Effects

TABLE 1
Summary of Study 1 Cells

<table>
<thead>
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<th>Cells</th>
<th>Initial Price</th>
<th>Last Price</th>
<th>Bidders</th>
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<td>$0.99</td>
<td>0</td>
</tr>
<tr>
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<td>10</td>
</tr>
</tbody>
</table>

FIGURE 2
Willingness to Pay for DVD

Cell 1: $.99 and No Other Bidders
Cell 2: 10 bidders, progression from $.99 to $9.50
Cell 3: $9.50 and No Other Bidders
Cell 4: 10 bidders, progression from $9.50 to $19
# Summary

Online auctions provide a rich area for the application of anchoring and the present paper provides insight into the impact that varying price levels can have on both English style and reverse auctions. Figures, Tables, and References are available upon request.

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## Table 2  
Summary of Study 2 Cells

<table>
<thead>
<tr>
<th>Cell</th>
<th>Weekday</th>
<th>Weekend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$140</td>
<td>n/a</td>
</tr>
<tr>
<td>2</td>
<td>n/a</td>
<td>$190</td>
</tr>
<tr>
<td>3</td>
<td>$140</td>
<td>$190</td>
</tr>
</tbody>
</table>

## Table 3  
Reasoning Behind Participants’ Willingness to Pay

<table>
<thead>
<tr>
<th>Mean WTP</th>
<th>Issues of quality were a primary concern</th>
<th>Issues of quality were a secondary concern</th>
<th>Alternative sources for the product were raised</th>
<th>Mention of reference points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cell 1: $.99, no bidders (cell size: 36)</td>
<td>$6.48</td>
<td>33%</td>
<td>19%</td>
<td>36%</td>
</tr>
<tr>
<td>Cell 2: $.99 to $9.50, 10 bidders (cell size: 41)</td>
<td>$7.67</td>
<td>20%</td>
<td>10%</td>
<td>34%</td>
</tr>
<tr>
<td>Cell 3: $9.50, no bidders (cell size: 36)</td>
<td>$10.11</td>
<td>8%</td>
<td>14%</td>
<td>50%</td>
</tr>
<tr>
<td>Cell 4: $9.50 to $19.00, 10 bidders (cell size: 21)</td>
<td>$12.85</td>
<td>19%</td>
<td>28%</td>
<td>86%</td>
</tr>
</tbody>
</table>
STRATEGIES FOR INTRODUCING PRICES FOR FORMERLY FREE VALUE-ADDED SERVICES

Sabine Kuester, University of Mannheim, Germany
Barbara Broermann, University of Mannheim, Germany

SUMMARY

Value-added services (VAS) which are “supplementary service elements that add value to the core product” (Lovelock 2001) should be associated with an augmented willingness to pay (Oliva and Kallenberg 2003). However, in practice they are frequently given away for free (Reinartz and Ulaga 2008). Offering the VAS for free will damage its perceived value in the long run so that introducing prices from now to a sudden can negatively influence the perceived price fairness. This phenomenon is explained by the reference price concept, which postulates that as the new price will be compared to the internal reference price of zero the price introduction will be judged as unfavorable and perceived negatively by the customer. Furthermore, as VAS appear in combination with the core product, introducing prices for VAS ultimately results in a price increase of the overall product which may trigger negative customer reactions like a decrease of the perceived price fairness (Sheng, Bao, and Pan 2007) or of the repurchase intention (Homburg, Hoyer, and Koschate 2005). Once VAS are given away for free it is hard to start pricing VAS at a later point of time.

There is no empirical research investigating price introductions of formerly free VAS explicitly considering customer perceptions and investigating instruments which can facilitate their introduction. Therefore, the focus of our research is on identifying instruments that help companies to successfully accompany these price introductions.

The theory of information integration states that initial attitudes can be influenced (Anderson 1981), e.g., via preannouncements (Eliashberg and Robertson 1988). If this communication is effective, receivers often change their opinion (Hovland, Janis, and Kelley 1953). This suggests that it is possible to change customers’ attitudes toward price introductions. Also, attribution theory states that the perceived price fairness depends on motives customers attribute to price increases (Vaidyanathan and Aggarwal 2003). When deciding to increase prices, a ‘good rationale’ should be communicated (Campbell 2007). The rationale can either be based on cost motives (cost-based communication) or on value motives (value-based communication). The cognitive psychology-based structural alignment model of similarity predicts that it is easier for people to compare alignable (comparable) than non-alignable (non-comparable) differences as the processing effort is lower for alignable differences (Lee and Lee 2007). Also, alignable differences will be given more attention than non-alignable differences in comparison tasks (Herrmann et al. 2009). Depending on the alignability of the priced versus the former VAS, customers process the price introduction differently.

In our experiment, participants were asked to contact a laptop provider due to their laptop problems. Then, they were confronted with a price introduction for the formerly free VAS, a technical support of a laptop provider. Two groups received no communication and learned about the upcoming price introduction from an automatic call agent on tape. The communication activity was manipulated via a preannouncement email to customers either by focusing on cost-based motives or by emphasizing the value. The alignability of the VAS was manipulated by either offering the same alignable (i.e., comparable to the former VAS) or the new non-alignable (i.e., not comparable to the former VAS) version of the VAS.

Analyzing data of 417 participants our results show that cost- and value-based communication measures are successful in introducing prices for formerly free VAS as both measures have a positive impact on perceived price fairness. Also, companies can use product-related instruments like the non-alignability of the VAS as offering the VAS as non-alignable positively influences the perceived price fairness subsequent to the price introduction for the case without communication. An interesting finding is that introducing communication measures turns the positive effect of non-alignability on perceived price fairness into a negative effect. We also found that perceived price fairness influences the purchase intention of the VAS. Additionally, product involvement is an important segmentation variable for companies: More involved customers process the information they get from communication measures more easily leading to higher perceived price fairness compared to lowly involved customers.

Our study contributes to a first understanding of how to introduce prices for VAS successfully. Also, this study extends insights in cost-based communication, value-based communication, as well as alignability research. Future research could enhance the generalizability of our results by investigating other VAS. Moreover, more
instruments could be identified which help introducing prices for formerly free VAS. Additionally, we based our communication activities on a preannouncement communication strategy. Thus, it would be interesting to study other communication tools that can accompany price introductions. References are available upon request.

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CUSTOMER-INDUCED QUITTING INTENTIONS: AN EMPIRICAL ANALYSIS

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Simon Brach, University of Koblenz-Landau, Germany
Patrick Hille, University of Koblenz-Landau, Germany

SUMMARY

Unpleasant work experiences of service employees can cause problems with job performance, affect the bottom line and contribute to high rates of employee turnover (e.g., Jackson and Sirianni 2009; Shaw et al. 2005). Motivated by concerns for employee well-being and the considerable costs associated with high levels of employee turnover, scholars have examined a large number of antecedents explaining employees’ intention to quit (e.g., Hong 2007; Siong et al. 2006).

A dense body of organizational behavior literature suggests that job stressors related to intra-organizational factors such as workload and the relationships between supervisors and subordinates contribute to people’s intention to quit their jobs (e.g., Firth et al. 2004; Harris et al. 2009; Jawahar 2002).

What is largely absent from the literature is an investigation of service employees’ quitting intentions in relation to antecedents that are largely outside the realm of the service firm’s control, namely difficult customers. Existing studies report customer-related social stressors to affect employees’ feelings of frustration, fatigue and employee burnout but do not take quitting intentions into account (Dallimore et al. 2007; Fiske et al. 2010; Grandey et al. 2004; Dormann and Zapf 2004; Reynolds and Harris 2006). Drawing on Moskowitz (1993), we propose a new construct, perceived customer unfriendliness, as another social job stressor and hence an important driver of employees’ quitting intention.

To explain the links between perceived customer unfriendliness and downstream variables, we build on Hobfoll’s (1989) Conservation of Resources Theory. Based on a review of service literature, we examined distance seeking (Strutton and Lumpkin 1994), role ambiguity (Peterson et al. 1995), job satisfaction (Ashford et al. 1989) as relevant factors in explaining the link between perceived customer unfriendliness and an employee’s intention to quit. Five hypotheses are developed:

H1: Employee perceptions of customer unfriendliness will be positively related to employee distance seeking.
H2: Employee perceptions of customer unfriendliness will be positively related to employee role ambiguity.
H3: Employee distance seeking will be negatively related to employee job satisfaction.
H4: Employee role ambiguity will be negatively related to employee job satisfaction.
H5: Employee job satisfaction will be negatively related to an employee’s intention to quit.

The hypotheses were tested against empirical data from more than 200 service employees. The conceptual model was estimated by using path analysis, which supports all hypotheses.

While much research attention has been given to intra-organizational factors contributing to employees’ intention to quit their jobs, no empirical evidence currently exists on whether and how antecedents outside the service firm’s control affect employee’s turnover intentions. As such, the present research extends the typical focus of research on job related stressors by examining the relationship between customers’ behavior and service employees’ resulting behavior, an important yet under researched facet of service management.

Our findings indicate that perceived customer unfriendliness has a positive impact on employee distance seeking and role ambiguity. It appears that service workers partly use distance seeking as a behavioral strategy in response to customer unfriendliness in order to conserve their resources. Further, our findings show that role ambiguity can result from perceived customer unfriendliness, presumably because service workers are unsure whether they have to condone and how to deal with such customer behavior. Distance seeking and role ambiguity have a negative impact on job satisfaction, the strongest driver of an employee’s intention to quit.

Our findings also suggest that managers should need to understand the various drivers behind a service employee’s intention to quit. In order to minimize quitting intentions caused by perceived customer unfriendliness, managers need to focus on employee-customer interactions more closely. Train-
ing of employees’ skills that are useful in dealing with difficult customers or mood management techniques are possibilities to manage downstream variables resulting from customer-employee interactions. References are available upon request.

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THE IMPACT OF CUSTOMER EMOTIONS ON EMPLOYEES

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SUMMARY

A plethora of research exists that has investigated the impact of employee attitudes on the firm performance (i.e., Jaramillo, Mulki, and Marshall 2005). For example, it is well accepted that employees who enjoy their job, are committed to the organization, and exhibit positive affect are related to key outcomes such as customer satisfaction (Boles and Babin 1996; Jaramillo et al. 2005). In attempts to understand why these relationships exist, previous researchers have utilized emotional contagion as a theoretical framework. For example, previous research has shown that employees who are in a good mood transfer their positive affect to customers creating satisfaction (Gountas, Ewing, and Gountas 2007; Hennig-Thurau et al. 2006).

Recently it has been acknowledged that customers are co-creators of value in service encounters (Vargo and Lusch 2004). As such, it seems relevant to turn attention to how customer affect impacts the employee. It seems intuitive because of the interactional nature of a service encounter that there would be transference between the parties in a bi-directional manner. Unfortunately very little research exists that investigates this important phenomenon.

To investigate the possibility of this phenomenon the present research investigated how the presence of two distinct customer emotions (satisfaction and delight) impact employee level variables (customer oriented boundary spanning behaviors, job satisfaction, affective commitment, and positive affect). Utilizing emotional contagion and broaden-and-build theories this research also provides a theoretical explanation for why customer emotions are likely to impact the employee.

The sample included employees from a wide range of service industries (high and low contact, as well as services directed at property), helping to make the results more generalizable. Findings supported the hypotheses that customer emotions can have a profound impact on the attitudes and behaviors of employees.

These findings have important theoretical and practical implications for the marketing community. First, this research identifies hidden benefits of aiming for customer delight, namely, employee delight. This finding is especially relevant when thinking about research that has shown the impact of employee satisfaction in creating value for the firm within the service-profit chain framework (i.e., Brown and Lam 2008).

This research also took the type of service into account in the hopes of providing more generalizable results. Dividing the services along Bowen’s Taxonomy results revealed no significant differences for 5 of our 6 hypotheses. This supports previous research that has found the employee-customer satisfaction link holds across different employee groups (Wangenheim, Evanschitzky, and Wunderlich 2007).

This research also makes contributions to the emotional contagion literature. From the former perspective, the results provide empirical evidence for the ability of contagion theories to explain a wide spectrum of emotions. Second, the findings support the notion that customer emotions are relevant to the development of employee emotions. Third, we show that contagion can occur in both directions for a service encounter even for elevated affective states.

Finally this research contributes to the growing literature on positive psychology. By illustrating that affective states of the customers can impact affective and behavioral states of the employee, we provide support for the main tenets of Fredrickson’s broaden-and-build theory of positive emotions. As such, we extend this theory to service research, as well as discovering new antecedents to positive affect in the employee.

REFERENCES

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Economic and competitive pressures have sparked firms’ interest in generating sales from existing customers during after-sales support in call centers. Yet, firms struggle to create conditions that are conducive to customer service representatives’ (CSRs) concurrent pursuit of customer service provision and cross-up-selling goals, and face disappointing returns (e.g., ICMI 2007). Managerial literature highlights the firms’ need to understand the factors contributing to CSRs’ successful service-sales alignment and its impact on key performance parameters. Our study focuses on the conflicting demands placed on CSRs when aligning service and sales efforts. We recognize that CSRs who fulfill service requests efficiently and reliably while also exploring cross-up-selling opportunities demonstrate ambidextrous behavior. Ambidexterity has been studied mainly as an organizational phenomenon which reflects firms’ alignment in exploiting existing competencies and exploring new opportunities, leading to superior performance (Raisch and Birkinshaw 2008; Tushman and O’Reilly 1996). Despite recent theorizing that ambidexterity ultimately becomes manifest at the individual level, we lack an in-depth understanding of individual ambidextrous behavior (Mom, van den Bosch, and Volberda 2009; Raisch et al. 2009). To address this theoretically and managerially relevant gap, we develop and empirically validate a framework of the antecedents and performance consequences of CSRs’ ambidexterity in relation to the pursuit of service and sales goals.

Because ambidextrous behavior requires self-regulation to manage conflicting task demands in the pursuit of multiple goals, we draw on regulatory mode theory, which suggests locomotion and assessment are two motivational orientations that determine how people pursue goals. Locomotion orientation refers to the proclivity toward psychological and behavioral movement; assessment orientation refers to the tendency to compare and evaluate alternatives in order to determine the right thing to do when pursuing goals (Kruglanski et al. 2000). We propose that the locomotion orientation promotes the engagement in both service and sales activities (i.e., ambidextrous behavior), because locomotors are intrinsically motivated to engage in activities, perceive them as ends in themselves rather than as means, and feel more intrinsic reward, the greater their sense of movement is (Higgins, Kruglanski, and Pierro 2003). We also propose that the assessment orientation complements the locomotion orientation because it directs attention and activity engagement toward the achievement of multiple goals. Following the notion of person-environment interaction, we also study how prevalent social and task structural call center contingencies influence the valuable interplay of these two orientations. First, team structures aim to encourage the creation of a collective identity and induce CSRs to respond with team identification (Ashforth and Mael 1989; Deery, Iverson, and Walsh 2002). We argue that team identification shifts attention to team goals and performance, which interferes with an assessment orientation in purposefully guiding locomotors’ engagement in service and sales activities toward the achievement of their own goals. Second, low empowerment implies tight prescriptions which should govern CSRs’ work tasks (Hartline and Ferrell 1996), and is designed to induce CSRs to exercise routine discretion (Kelley 1993). Yet such routinized enactment of prescribed behaviors curtails the necessity for active consideration and choice of alternatives, and is not conducive to the enactment of an assessment orientation. Consequently, routine discretion crowds out the assessment orientation’s function of guiding the locomotion orientation toward ambidextrous behavior and goal achievement. Considering the ambidexterity-performance tenet (Cao, Gedajlovic, and Zhang 2009), we hypothesize that customer service provision and cross-up-sell activities enhance each others’ effectiveness with regard to customer satisfaction and sales performance, but together lengthen CSR-customer interactions and therefore reduce efficiency.

We conducted an empirical study based on survey responses of CSRs working in inbound call centers and matched objective, individual-level performance data (customer satisfaction, conversion rate, and call handling time). Because measures for customer service provision and cross-up-selling were not available in the literature, we developed new scales in a separate, extensive, multi-stage study, following established procedures. We relied on existing scales for the other study constructs, and obtained performance data from the call centers. We used Mplus 6.0 and a nested model approach to test our conceptual framework for which the results provide strong sup-
port. We find that a CSR’s locomotion orientation has a positive impact on ambidextrous behavior, and assessment orientation strengthens this effect. Negative three-way interactions indicate that team identification and routine discretion impair this valuable interplay. We also find that ambidextrous behavior increases customer satisfaction and sales performance, but decreases efficiency. Nevertheless, the net performance effect of ambidextrous behavior is positive.

This study advances ambidexterity theory by providing insight into the nature of ambidexterity at the individual level, and developing a framework of antecedents and performance consequences. Our results underline the relevance of regulatory mode orientations for ambidextrous behavior and highlight the detrimental effects of typical social and task structural contingencies. To the best of our knowledge, our study is the first to assess the validity of the performance implications of ambidexterity at the personal level. Moreover, our study informs how firms can promote CSRs’ ability to align service and sales efforts, which may help them to obtain the desired benefits of enhanced revenue generation and customer relationships, and transform costly after-sales support into a more profitable organizational function. Our study yields several managerial recommendations for personnel selection and hiring (e.g., person-job fit), the organization and design of work (e.g., team-based goal setting and output controls, empowerment), as well as processes and operations in call centers (e.g., intelligent routing). References are available upon request.

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THE ROLE OF SERVICE CLIMATE IN ADAPTIVE SERVICE OFFERINGS

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SUMMARY

Previous research on the topic of employee adaptability has primarily focused on employees’ personality variables or intrinsic motivation to adapt to a service experience (Gwinner et al. 2005). However, front-line employees (FLEs) who are predisposed and motivated to adapt do not necessarily manifest those behaviors. Thus, rather than examining employees’ individual attributes, this research explores, from an organizational standpoint, which factors a service firm can emphasize to encourage employees to be more adaptive in the service they provide. Role theory is used as a general foundation for the research.

Based on their understanding of the job, employees tend to have certain expectations of the responsibilities assumed in the role of employee (Solomon et al. 1985). When employees experience an incongruity between their understanding of their roles and management’s expectations, the conflict can negatively impact job performance, satisfaction, and innovativeness (Kahn et al. 1964; Solomon et al. 1985). For role congruence to occur, management will not only need to align expectations with employees’ perceptions of their roles, but the firm will also need to effectively and overtly communicate those expectations to the employee (Solomon et al. 1985). An FLE’s ability to adapt a service offering is largely based on his or her perception that the organization expects and supports such customer-oriented behaviors (Schneider et al. 1992). These perceived customer-oriented practices and behaviors an FLE can expect a firm to support and reward are referred to as a firm’s service climate (Schneider and Bowen 1993) and are essential to encouraging adaptive service orientation.

We propose that adaptive service experiences are the result of a three-stage process requiring FLEs to (1) identify the opportunity for adaption, (2) determine how to alter the service, and (3) work as a team to accomplish this adaption. In Step 1 – the identification of customer needs – it is crucial that FLEs are able to empathize with the situational influences of a customer’s experience and anticipate the customer’s subsequent needs. In Step 2, the focus switches from need identification to the determination of how to alter the service to best fit the need. Oftentimes, it is the FLE’s ability to be creative in problem solving that results in the best-suited adaptation for a particular customer. In the third and final step, the ability of the FLE to provide the adapted solution is the focus. In many service settings, the successful adaptation of a service is dependent upon whether the service staff is willing to work as a team. The foundation for this process is the understanding that all three steps are customer-oriented in nature and as such are dependent upon management support for success. Thus, not only should the service climate of a firm have an impact on the process, but the extent to which management empowers its employees should also have a similar impact on each stage of the process (Borucki and Burke 1999; Chebat and Kollias 2000; Hartline et al. 2000; Pelham 2009).

Drawing from prior research on employee adaptation and using role theory as a foundation, the authors develop a conceptual framework to understand the potential influence an organization has on the ability of an FLE to provide an adaptive service offering. First, the conceptual model proposes that the service climate of a firm and employee empowerment will directly influence an FLE’s ability to identify customer needs, propose ways to meet those needs, and enact the necessary solution. Specifically, the firm’s service climate and employee’s empowerment will influence FLEs’ capacity for empathy, anticipation of customer wants, creativity in problem solving, and team orientation in delivering an adapted service offering.

A pretest consisting of 245 usable responses obtained via the solicitation of participation from service employees was conducted for this research. The items for each construct measure were adapted from established scales and measured on a 7-point likert-type scale (1 = strongly agree, 7 = strongly disagree). Results indicate that minimum standards for assessment of unidimensionality, reliability, and convergent and discriminant validity were met (Nunnally 1978; Fornell and Larcker 1981). On the basis of these criteria, we concluded that the measures in the pretest exhibited sufficient standards to move forward with the collection of a larger data sample for the purposes of testing the conceptual model.

This research is intended to be the first step in an investigation of how the service climate of service-industry firms can ultimately affect front line employees’ ability to adapt service offerings. A clearer understanding of the nature of adaptive service offerings has considerable implications for service managers. As the conceptual
model suggests, a firm’s service climate can potentially encourage the requisite employee skills that have the strongest impact on the performance of adaptive service. With that thought in mind, service organizations should consider whether the training and support they provide to employees is actually in line with customer service best practices. This research suggests that when an incongruity exists between management practices and the desire of front line employees to provide customer service, employees will experience role conflict and will be less likely to participate in the behaviors necessary for adaptive service. Thus, for service firms to realize the benefits of adaptive customer service, management will need to consider ways to train employees to see exchanges from the customer’s perspective, identify verbal and nonverbal cues of customer needs, and think critically about alternative ways to deliver service to best suit customer needs. In addition to training employees to identify customer needs and conceive of service alternatives, managers will also need to provide employees with the autonomy to provide the adaptive service deemed most fitting for the situation. To do this, managers will need to not only empower their employees with the discretion to make decisions, but they will also need to encourage and support a team-oriented environment to enable the adapted services to be effectively provided. Our model suggests that firms which are willing to take these steps should be able to create competitive advantage by effectively and efficiently meeting customers’ unique service needs. References are available upon request.

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SECOND GENERATION MEASURES FOR DETERMINING DATA QUALITY IN MARKETING RESEARCH

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SUMMARY

The growth and diffusion of the Internet have led to a rapid development of surveys on the World Wide Web by opening new opportunities for collecting and disseminating research information. Existing research on web surveys has mainly focused on comparing internet-based and traditional mail surveys or on combining existing evidence into a meta-analysis (Cook, Heath, and Thompson 2000; Ilieva, Baron, and Healey 2002). Main focus has thereby been placed on comparing response rates. While methodological research around response quality in online surveys is still limited (O’Neil and Penrod 2001; Deutskens et al. 2004), past research has mainly determined data quality by strictly quantitative measures such as the number of omitted items (item-nonresponse) or dropout rates (Goeritz 2004; Tuten, Galesic, and Bosnjak 2004). Little or no attention has been paid to the motivation and attitude of respondents, and the question whether respondents give accurate answers to survey questions.

In two experimental studies, we explore mechanisms, which are appropriate to identify inaccurate response behavior in web surveys. In our first survey, we provide an incentive and examine three groups, which have been recruited by (1) email, (2) an online panel and (3) virtual communities. By determining the data quality of the three experimental groups, we are able to draw conclusions on effective indicators for accurate response behavior in online surveys. In order to explore whether results will vary when no incentives are given, we conduct a second study replicating our first one.

In the context of surveys, data quality is merely a function of the amount of error in the data. The more accurate the data (or: the less erroneous the data), the higher is the quality of the data (Biemer and Lyberg 2003). An approach that focuses on accuracy and that is often used for analyzing the several different sources of error in surveys is the total survey error (Groves et al. 2009). But even though Weisberg (2005) elaborates the importance of response behavior within the concept of total survey error, existing literature mostly examines data quality on the basis of sample errors such as item-nonresponse or dropout rate (MacElroy 2000). However, even a perfect questionnaire does not necessarily prevent respondents from giving inaccurate answers.

For a full coverage of data quality in online surveys, it is necessary to widen the focus to the respondent and his cognitive and motivational processes in the context of answering the questions. Thus, a new approach to examine the response behavior of subjects is generated on the basis of social psychological literature. These new measures are divided into three categories analogously to the three motifs of satisficing (Krosnick 1991): the instrumental, cognitive and motivational level. The instrumental level is oriented on the inherent task difficulty of which influencing factors largely emerge from the questionnaire design (e.g., congruency of different scales). The cognitive level is based on another motive of satisficing, namely the abilities of the respondent to accomplish the task (Narayan and Krosnick 1996). Here, test equipments are combined to check the mental abilities of respondents and their experiences and expertise on the subject of the questionnaire. As last category of the second generation measurements, the motivational level is based on the third factor of satisficing, the motivation of the respondents to solve a problem (e.g., extent of the answer). Mechanisms on these three levels allow us to check the respondent’s motivation and manipulation attempts and thus the response accuracy.

An accurate response requires going through all of the four stages of the response process (Tourangeau 1984), but not all of the respondents do so. In fact, this depends on the respondent’s motivation and other factors (Tourangeau, Rips, and Rasinski 2000). Incentives are a widely spread means of motivating people (Manfreda and Vehovar 2008). Past research shows that incentives do raise response rates and motivate respondents to finish surveys (Tuten, Bosnjak, and Bandilla 2000). Nevertheless, the impact of the incentive depends on the whole context of the web survey, especially on the way of recruiting and the population targeted.

Hence, in Study 1 we conducted an experimental web survey by using a 1x3 design, with the form of recruiting (email, online panel, and virtual community) as the independent variable and the data quality as the dependant variable. Respondents in the first group were invited by an email that was sent from their e-mail hosting service. The second group was made up of online panelists, who regularly participate in online surveys. Respondents from group three were acquired by web banners in virtual...
communities such as Facebook. The three groups were exposed to the same questionnaire, in which the mechanisms were implemented. The three groups in our first study were promised an incentive for completing the questionnaire. As the panelists were paid in bonus points, we set a voucher (same value as bonus points) for an online music store as incentive for the email and virtual community group. In order to determine data quality we externally validated the data and used the total survey error approach. For each experimental group we compared the empirical result with the true value and computed the mean squared error. The higher the mean squared error, the lower the data quality was.

In Study 2 the experiment was replicated with the same parameters but without an incentive for the respondents. We ought to examine whether intrinsic motivation, such as altruistic or issue-oriented factors, results in higher data quality than extrinsic motivation, and if yes whether different mechanisms of response behavior account for that.

Overall, measures based on sample error are not sufficient to determine data quality in online surveys satisfactorily. Data quality is mainly affected by errors of the subjects’ answers. With regard to an accurate detection of these errors, more instruments on the basis of the respondents’ behaviors are required. This paper introduces new approaches on how to measure data quality in web surveys. Along with that, the results of the empirical study indicate that recruiting subjects from virtual communities leads to higher data quality due to more accurate answers than list-based e-mail recruiting and online panel recruiting if an incentive is offered. In addition, list-based e-mail recruited subjects with and without incentive give more valid responses than subjects recruited via an online panel. Moreover, the use of monetary incentives leads to better data quality than no incentives when recruiting in virtual communities. However, the responses of the list-based e-mail recruited subjects with no incentive show reduced errors and thus better data than those that received an incentive. References are available upon request.
THE PERFORMANCE IMPLICATIONS OF MARKETING METRICS USE IN DIFFERENT BUSINESS CONTEXTS: A CONFIGURATIONAL APPROACH

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Henrikki Tikkanen, Aalto University School of Economics, Finland
Jaakko Aspara, Aalto University School of Economics, Finland

ABSTRACT

Drawing on the configurational perspective on organizations and the related fuzzy-set qualitative comparative analysis method, this empirical study examines the performance implications of adopting different combinations of marketing metrics. The link between metrics use and business performance is shown to be contingent on the economic cycle and business context.

INTRODUCTION

The need for understanding the contribution of marketing to business performance and shareholder value has recently been underscored by several scholars (Srivastava et al. 1998; Lehmann 2004; Srinivasan and Hanssens 2009; Kimbrough et al. 2009). Marketing metrics are tools that can be used to shed light on different aspects of marketing efficiency, effectiveness and adaptiveness (cf., Morgan and Rego 2009; Clark 2000; Ruekert et al. 1985). However, many scholars have observed an inadequate use of marketing metrics in practice (e.g., Whitwell et al. 2007). This has been identified to be partly attributable to the limited diagnostic relevance and excessive number of different measures leading to difficulty of comparison (Ambler et al. 2004; Day and Wensley 1988; Ambler and Kokkinaki 1997; Clark 1999). Indeed, Clark (2000), for instance, stresses the importance and difficulty of adopting an appropriate mix of marketing metrics to be used in measuring and communicating marketing performance.

In order to provide empirically-driven guidelines for metrics selection, the present study introduces a new, configuration-based approach for studying marketing metrics use, emphasizing the context-sensitive nature of metrics system effectiveness. Adopting a configuration theoretical perspective (Meyer et al. 1993), this empirical study explores different “recipes” of metrics leading to higher business performance in different business contexts. More specifically, we address the following research questions: (1) To what extent do configurations of marketing metrics predict business performance? (2) How is the metrics configuration-performance relationship contingent on business context? Thus, we provide a holistic perspective on marketing metrics systems by emphasizing how the use of different metrics collectively affect the business performance of the firm.

THEORETICAL BACKGROUND

The Use of Marketing Metrics

In order to support firms’ marketing performance measurement processes, there is a need to develop comprehensive and coherent measurement systems for assessing marketing performance (cf., Rust et al. 2004). There are no “silver measures” to capture marketing performance in its entirety (Ambler and Roberts 2008; Ambler and Kokkinaki 1997). Therefore, several scholars have argued that multiple metrics are needed in order to gain a rounded view of marketing performance, especially in terms of business performance and shareholder value (e.g., Rust et al. 2004a; Ambler et al. 2004; Morgan and Rego 2006; Grewal et al. 2009; cf., Kaplan and Norton 1996). However, to the authors’ best knowledge, no prior research has provided any empirical support for explicit guidelines on which metrics firms should adopt. Instead, previous empirical studies have mostly concentrated on developing or reflecting on individual metrics (e.g., Ambler and Roberts 2008; Rust et al. 2004b) or exploratory analysis on metrics currently in use (e.g., Ambler et al. 2004; Ambler and Xiucun 2003; Llonch et al. 2002; Bennett 2007).

The proverb “what gets measured, gets done,” or, put the other way round “what you measure is what you get,” reflects a common assumption underlying marketing metrics research (Ambler et al. 2004; Clark et al. 2005; Morgan and Rego 2006). The assumption is that the metrics chosen by a firm reflect the fields of marketing emphasized in the firm’s marketing activities, organization and strategy. As proposed by Ambler et al., control, orientation, and institutional theories serve as a basis for explaining firms’ metrics selections. In explaining the choice of metrics, control theory posits metrics selection as a rational process reviewing metrics projected in the marketing plan, thus providing a means for helping planned marketing activities to produce desired results (Jaworski 1988; Ambler et al. 2004). Following orientation theory, metrics selection of a firm reflects the primary interests of
the firm’s top management (Ambler et al. 2004). The business goals and planning, as well as managerial interests and orientations, are here presumed to differ among firms operating in different business sectors and contexts, as e.g., a consumer goods company is expected to have different types of targets and goals vs. a company operating in e.g., a B2B service market. Institutional theory (Meyer and Rowan 1977), on the other hand, suggests that organizational action is driven by cultural values and history of both the firm and its industry sector. As a result, metrics may also evolve a-rationally in conformity with firm traditions or sector norms (Ambler et al. 2004). In sum, marketing metrics provide tools for marketers to control and monitor the implementation of marketing strategies. On the other hand, marketing metrics reflect the realized marketing strategy of the firm (cf., Mintzberg and Waters 1985).

The Metrics Use-Performance Relationship

We build on the empirically supported assumption (Ambler et al. 2004) that the choice of marketing metrics is contingent on the factors related to business context. We argue that the business context also determines the effectiveness of different marketing metrics systems. However, there is little research investigating how marketing performance measurement affects the business performance of the firm. An exception is provided by O’Sullivan and Abela (2007) who argue that the ability to measure marketing performance in itself has a positive impact on business performance. Beyond that, we see that the understanding of the relationship between marketing metrics use and performance is still in its infancy. While there are studies that examine how different marketing metrics predict or reflect firm performance (e.g., Morgan and Rego 2009), there is a need to move beyond investigating the diagnostic relevance of individual marketing metrics toward examining how the use of different marketing metrics in combination contribute to the business performance and the value of the firm. Elsewhere, the relationship between strategic performance measurement and the economic performance of firms has been studied (Ittner et al. 2003). In this paper, we adopt a similar approach by studying the link between marketing metrics use and the business performance of the firm.

Configuration Theoretical Perspective on Marketing Metrics Use and Performance

Assessing whether a firm’s selection of marketing metrics fits with the firm’s business context requires considering multiple aspects of the firm simultaneously. In order to address such complex research problems, marketing scholars such as Vorhies and Morgan (2003) have recently adopted configuration theory-based approaches from organization theory. Vorhies and Morgan (2003) argue that the ways in which marketing activi-ties are aligned with one another as well as with the business environment of the firm are key drivers of organizational success. The configurational approach to organizational analysis (Meyer et al. 1993) thus provides a suitable framework for the present study. The configurational approach is widely used in organization theory, the seminal works ranging from the Miles and Snow (1978) typology to Mintzberg’s (1979, 1983) theory of organizational structures. Organizational configurations are “any multidimensional constellations of conceptually distinct characteristics that commonly occur together” (Meyer et al. 1993, p. 1175). The configurational perspective is a holistic research approach emphasizing how different characteristics collectively contribute to organizational outcomes (ibid.).

In this study, we define organizational configurations as groups of firms that are similar in terms of their marketing metrics use and the business contexts they face. This study builds on the findings by Ambler et al. (2004) who identified six dimensions of marketing performance present in the metrics systems: (1) consumer attitudes, (2) consumer behavior, (3) trade customer, (4) relative to competitor, (5) innovation, and (6) accounting (inputs and outputs), each consisting of a number of individual metrics. We use these dimensions to define the configurations that describe which marketing metrics the firms use. To account for how the business context affects the effectiveness of marketing metrics systems, we use the business sector (Ambler et al. 2004) and industry life cycle stage (Miles et al. 1993) to characterize the organizational configurations.

METHODOLOGY

The Data

The data were collected using web-based questionnaires, as part of a study examining the current state of marketing in Finnish companies in 2008 and 2010. Macroeconomic developments, especially the business cycle fluctuation, can be among the most influential determinants of a firm’s activities and performance (Srinivasan et al. 2005; Deleersnyder et al. 2004). However, studies related to economic fluctuation in the marketing literature remain scarce (Srinivasan et al. 2005). This study compares findings from two periods of time, years 2008 and 2010, representing distinct phases in the economic cycle. In Finland, year 2008 is considered to essentially represent economic upturn, while in 2010 international markets were faced with a significant economic downturn. For example, between 2008 and 2009, the Finnish GDP reduced by a massive 7.8 percent (Statistics Finland 2010). Therefore, in addition to industry-specific contextual considerations the study explores the impact of economic cycle to the metrics use-performance relationship.
The survey questionnaire, pre-tested with 34 CEOs, was addressed to the top management of all Finnish firms with more than five employees, derived from a commercial database. Altogether, 1157 and 1134 responses from 1099 and 995 firms (in 2008 and 2010, respectively) were received, adding up to the total firm level response rate of 16% (10% in 2010). The most frequent title of the respondent was CEO (38% of respondents in both years). The response rate was considered fair, considering the high positions of the respondents (Forlani et al. 2008). Moreover, comparable response rates have been obtained in other marketing studies (Forlani et al. 2008; Barwise and Strong 2002; Evans et al. 2008; Chebat et al. 1998). Only those firms for which data for both years was available were included in the study. This resulted in a total of 258 firms (516 firm-years).

Outcome and Explanatory Variables

Indices of Metrics Use. The metrics use indices were defined as the total number of metrics of each type. Respondents were asked to indicate which metrics they currently use from a 41-item listing (cf., Ambler et al. 2004, see Appendix). Metrics items used in the study were derived from the study by Ambler et al. complemented by the customer lifetime value metric, which has recently gained a lot of attention in marketing metrics literature (e.g., Wiesel et al. 2008; Rust et al. 2004b). Each of the 41 items were then divided into six categories, following the theoretical dimensions of marketing performance identified by Ambler et al. In this framework, for instance, the index describing the use of consumer attitudes metrics is defined as the number of consumer attitudes metrics that the focal firm uses. The full range of possible consumer attitudes metrics consists of awareness, salience, perceived quality/esteem, consumer satisfaction, relevance to consumer, image/personality/identity, (perceived) differentiation, commitment/purchase intent, other attitudes (e.g., liking), and knowledge metrics. Thus, this index is a number between zero and ten.

Industry Life Cycle Stage. Following Miles et al. (1993), industry life cycle stages were divided into introductory, growth, mature, and decline stages. Each respondent was asked to indicate the life cycle stage of their firm’s industry.

Business Sector. Adapting the classification by Ambler et al. (2004), business sector is here simplified to a two-dimensional construct, consisting of operating in business/consumer and product/service markets. Respondents were asked to estimate the percentage of firm turnover attributable to the four following markets (consumer goods, consumer services, industrial goods, business-to-business (B2B) services).

Relative Business Performance (Outcome). Following the recent calls on examining marketing’s contribution to business performance in terms of financial outcomes such as shareholder value and return on investment (Ambler and Roberts 2008), and in order to eliminate the possible effects of business context (cf., Ambler et al. 2004), business performance is here defined in terms of relative ROI. ROI is an often used indicator of business performance (Anderson and Paine 1978). The respondents used a seven-point Likert scale to specify their firm’s ROI relative to most important competitors (1 = significantly higher, . . . , 7 = significantly lower).

Analyses

Fuzzy-Set Qualitative Comparative Analysis. According to Fiss (2007) and Short et al. (2008), the three most popular methods for studying organizational configurations are linear regression models (e.g., Baker and Cullen 1993), clustering algorithms (e.g., Ketchen et al. 1993), and the deviation score approach (e.g., Doty et al. 1993). Fuzzy-set qualitative comparative analysis (fsQCA) extends configuration-based research methodology (Fiss 2007). The method has been applied in several studies that have adopted a configurational approach in organizational research (e.g., Greckhamer et al. 2008; Pajunen 2008; Fiss 2007; Järvinen et al. 2009). In short, the fsQCA method provides a way to investigate how different factors combine rather than compete to affect an outcome. Conversely, for instance, in linear regression the research problem is to investigate the effect of independent variables on the dependent variables beyond what is explained by other factors (Greckhamer et al. 2008). In other words, the independent variables “compete” to affect the dependent variable. To overcome this limitation, complementary effects can also be investigated by using interaction terms (Baker and Cullen 1993). However, only simple bivariate or, in some cases, three-way interactions are amenable to interpretation. The fsQCA method provides a way to move beyond simple bivariate interaction effects. For a lengthier discussion on how fsQCA overcomes various limitations of other methods, see Fiss (2007).

The fsQCA procedure involves describing cases as configurations by using a set-theoretical approach (for details, see Fiss 2007). The outcome, for instance, a high business performance relative to competitors, is a set to which each case either belongs or not. The configurations are defined in a similar way, that is, in terms of memberships in the sets that characterize the underlying typology, or the set of logically possible configurations. To be precise, the method applies fuzzy set theory (Zadeh 1965) where cases are not simply in or out of a set, as in standard set theory. Rather, the degree of membership can vary between full and zero membership (Ragin 2000). The cases are characterized by the degree of membership in all the possible causal combinations and by the degree of membership in the set describing the outcome of interest.
Having characterized the cases, the method involves determining which causal combinations, or configurations, consistently lead to the outcome of interest. Finally, the logical expressions are minimized so as to produce as simple recipes for the outcome as possible (Ragin 2006, 2008).

The causal inference in fsQCA is based on the set-theoretic notions of sufficiency and necessity (Ragin 2000, 2006, 2008). The consistency index is used to determine whether a given configuration consistently leads to the outcome. The formula is

\[ \text{Consistency}(X \leq Z) = \frac{\sum_{i=1}^{N} \min(X_i, Z_i)}{N} \]

where \( N \) is the number of cases in the data, \( N \) is the degree of membership of the \( i \)th case in the set \( X \) representing the focal configuration, and \( Z \) is the degree of membership of the \( i \)th case in the set \( Z \) representing the outcome. Coverage index, on the other hand, defined as

\[ \text{Coverage}(X \geq Z) = \frac{\sum_{i=1}^{N} \min(X_i, Z_i)}{\sum_{i=1}^{N} Z_i} \]

indicates the degree to which the configuration is necessary for the outcome to occur.1 In our analysis, we use the truth table algorithm (Ragin 2008) that is provided by the fs/QCA 2.0 software2 (Järvinen et al. 2009; Fiss 2010). The truth table algorithm seeks for the most parsimonious logical expression that encompasses all the configurations that meet the frequency threshold (number of empirical instances of the configuration) and consistency threshold (which is computed for each configuration as described above). The frequency and consistency thresholds are reported in the tables that report the results. We only report the so-called “complex solution” of the model that makes no simplifying assumptions about the nature of configurations that are not present in the data (Ragin 2008). We also report the consistency and coverage of the overall solutions. These indices reflect how consistent the solution is with the data and how much variation in the outcome does the solution explain.

**Model Specifications.** The variables of the models are described in the previous section. We use relative business performance as the outcome in the model. The configurations are defined by the extent to which the firms use different marketing metrics (indices of metrics use) and the business context in which each firm operates. We divide our analysis into two periods: the economic upturn and the economic downturn. Within each period we analyze (1) combinations of marketing metrics use in different business sectors and (2) combinations of marketing metrics use in different industry life cycle stages. The fsQCA requires transforming the outcome and explanatory variables into membership scores, that is, into values between 0 and 1. Table 1 reports the membership functions that were used to transform the original variables into appropriate set-theoretic concepts.

### TABLE 1
The Membership Functions Used in the Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Set-theoretic concept</th>
<th>Thresholds for the degrees of membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative business performance</td>
<td>High relative business performance</td>
<td>0  0.33  0.5  0.67  1</td>
</tr>
<tr>
<td></td>
<td>7 on the Likert scale and NA</td>
<td>5–6 on the Likert scale</td>
</tr>
<tr>
<td></td>
<td>1–4 on the Likert scale</td>
<td></td>
</tr>
<tr>
<td>Indices of metrics use</td>
<td>Extensive use of each metric type, denoted by</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customer attitudes, Customer behavior, etc.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>less than or equal to (sample) 1st quartile</td>
<td></td>
</tr>
<tr>
<td></td>
<td>between 1st and 2nd quartile</td>
<td></td>
</tr>
<tr>
<td></td>
<td>above or equal to 3rd quartile</td>
<td></td>
</tr>
<tr>
<td>Business sector</td>
<td>B2B (~B2C)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If most of turnover is attributable to consumer products or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If most of turnover is attributable to goods (industry or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>consumer)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If most of turnover is attributable to industrial products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>or services</td>
<td></td>
</tr>
<tr>
<td>Industry life cycle stage</td>
<td>New</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If stage is Growth, Mature, or Decline</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If stage is New, Mature, or Decline</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If stage is Growth</td>
<td></td>
</tr>
<tr>
<td></td>
<td>If stage is Mature</td>
<td></td>
</tr>
</tbody>
</table>

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1. In our analysis, we use the truth table algorithm (Ragin 2008) that is provided by the fs/QCA 2.0 software (Järvinen et al. 2009; Fiss 2010). The truth table algorithm seeks for the most parsimonious logical expression that encompasses all the configurations that meet the frequency threshold (number of empirical instances of the configuration) and consistency threshold (which is computed for each configuration as described above). The frequency and consistency thresholds are reported in the tables that report the results. We only report the so-called “complex solution” of the model that makes no simplifying assumptions about the nature of configurations that are not present in the data (Ragin 2008). We also report the consistency and coverage of the overall solutions. These indices reflect how consistent the solution is with the data and how much variation in the outcome does the solution explain.

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RESULTS AND FINDINGS

Recipes for High Relative Business Performance in Different Business Sectors

Table 2 and Table 3 report the results of the analyses within the economic upturn period and economic downturn period, respectively. The consistency of both solutions is greater than .80 which can be considered sufficient to warrant that the solutions are supported by the data (Ragin 2008). However, there is a drastic difference between the coverage indices of the solutions in different periods. The solution in the economic upturn period explains more of the variance in the outcome, as indicated by the relatively high coverage (cf., Fiss 2010; Järvinen et al. 2009). The configurations thus predict performance better in the upturn period as compared with the predictive power in the downturn period. The finding is new but intuitive; From the point of view of business performance, the importance of using marketing metrics seems to change with the macroeconomic conditions (cf., Srinivasan et al. 2005).

<table>
<thead>
<tr>
<th>Business sector</th>
<th>Recipe for High Relative Business Performance</th>
<th>Raw Coverage</th>
<th>Unique Coverage</th>
<th>Consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2B Goods</td>
<td>~Consumer attitudes ~ Trade customer ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.04</td>
<td>0.03</td>
<td>0.86</td>
</tr>
<tr>
<td></td>
<td>~Consumer attitudes ~ Trade customer ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.05</td>
<td>0.03</td>
<td>0.86</td>
</tr>
<tr>
<td></td>
<td>~Consumer attitudes ~ Trade customer ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.02</td>
<td>0.00</td>
<td>0.85</td>
</tr>
<tr>
<td></td>
<td>Consumer attitudes ~ Consumer behavior ~ Trade customer ~ Relative to competitor ~ Innovation</td>
<td>0.04</td>
<td>0.03</td>
<td>0.95</td>
</tr>
<tr>
<td></td>
<td>~Consumer attitudes ~ Consumer behavior ~ Trade customer ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.01</td>
<td>0.01</td>
<td>0.87</td>
</tr>
<tr>
<td>Goods or services</td>
<td>Consumer attitudes ~ Trade customer ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.09</td>
<td>0.03</td>
<td>0.83</td>
</tr>
<tr>
<td></td>
<td>~Consumer attitudes ~ Consumer behavior ~ Trade customer ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.05</td>
<td>0.00</td>
<td>0.84</td>
</tr>
<tr>
<td>B2B Services</td>
<td>~Consumer attitudes ~ Consumer behavior ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.04</td>
<td>0.01</td>
<td>0.91</td>
</tr>
<tr>
<td></td>
<td>Consumer attitudes ~ Consumer behavior ~ Trade customer ~ Innovation ~ Accounting</td>
<td>0.06</td>
<td>0.03</td>
<td>0.82</td>
</tr>
<tr>
<td></td>
<td>Consumer attitudes ~ Consumer behavior ~ Trade customer ~ Innovation ~ Accounting</td>
<td>0.05</td>
<td>0.01</td>
<td>0.80</td>
</tr>
<tr>
<td></td>
<td>~Consumer attitudes ~ Consumer behavior ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.03</td>
<td>0.00</td>
<td>0.81</td>
</tr>
<tr>
<td></td>
<td>~Consumer attitudes ~ Consumer behavior ~ Trade customer ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.05</td>
<td>0.01</td>
<td>0.80</td>
</tr>
<tr>
<td></td>
<td>Consumer attitudes ~ Consumer behavior ~ Trade customer ~ Innovation ~ Accounting</td>
<td>0.03</td>
<td>0.01</td>
<td>0.88</td>
</tr>
<tr>
<td></td>
<td>~Consumer attitudes ~ Consumer behavior ~ Trade customer ~ Innovation ~ Accounting</td>
<td>0.04</td>
<td>0.00</td>
<td>0.81</td>
</tr>
<tr>
<td>B2C Goods</td>
<td>~Consumer attitudes ~ Consumer behavior ~ Trade customer ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.02</td>
<td>0.02</td>
<td>0.85</td>
</tr>
<tr>
<td></td>
<td>Consumer attitudes ~ Consumer behavior ~ Trade customer ~ Relative to competitor ~ Innovation ~ Accounting</td>
<td>0.02</td>
<td>0.01</td>
<td>0.80</td>
</tr>
<tr>
<td>Frequency cutoff</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consistency cutoff</td>
<td>0.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solution coverage</td>
<td>0.38</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solution consistency</td>
<td>0.82</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The solutions characterize the equifinality (see, von Bertalanffy 1972; Doty et al. 1993) related to the effectiveness of marketing metrics practices in different business sectors. The concept of equifinality refers to the fact that there may be several, equally effective ways to reach a defined goal (ibid.). Depending on the business sector and the economic conditions, the number of possible configurations leading to high business performance relative to competitors varies between zero (B2C services in the economic upturn, see Table 2, and B2B goods in the economic downturn, see Table 3) and fifteen (B2B services in the economic upturn, see Table 2).3

Finally, the configurations for achieving relatively high business performances are contingent on the business sector. For instance, in the economic downturn period, the following configuration is a recipe for high performance in the B2B service sector: A metrics system that employs strongly metrics related to trade customers, competitors and accounting, and does not strongly employ metrics related to consumer attitudes and behavior, consistently leads to high relative business performance. However, this recipe does not lead to high relative business performance in any of the other business sectors in the period.

Recipes for High Relative Business Performance in Different Industry Life Cycle Stages

Table 4 and Table 5 report the results of the analyses within the economic upturn period and economic downturn period, respectively. Again, the consistency of both solutions is greater than .80. The coverage of the latter solution is very low. This suggests that the configuration-performance link is weaker in this period. As in the previous analysis regarding marketing metrics use in different business sectors, the economic situation also affects the number of equally effective configurations found (equifinality).

In the economic upturn period, most of the configurations that consistently lead to high performance are found in growing and mature industries. For instance, there is only one configuration leading to high relative business performance in industries that are in the introductory stage of the industry life cycle.

In the economic downturn period, there is no configuration that consistently leads to high performance in industries that are in the growth phase. There are two configurations leading to high performance in new and

<table>
<thead>
<tr>
<th>TABLE 3</th>
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</table>

<table>
<thead>
<tr>
<th>Business Sector</th>
<th>Recipe for High Relative Business Performance</th>
<th>Raw Coverage</th>
<th>Unique Coverage</th>
<th>Consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2B Services</td>
<td>~Consumer attitudes<em>~Consumer behavior</em>Trade customer<em>Relative to competitor</em>Accounting</td>
<td>0.02</td>
<td>0.01</td>
<td>0.85</td>
</tr>
<tr>
<td></td>
<td>Consumer attitudes<em>~Consumer behavior</em>Trade customer<em>Innovation</em>Accounting</td>
<td>0.04</td>
<td>0.03</td>
<td>0.88</td>
</tr>
<tr>
<td>Goods</td>
<td>Consumer attitudes<em>Consumer behavior</em>Trade customer<em>~Relative to competitor</em>Innovation*~Accounting</td>
<td>0.03</td>
<td>0.01</td>
<td>0.81</td>
</tr>
<tr>
<td></td>
<td>Consumer attitudes<em>Consumer behavior</em>~Trade customer<em>Relative to competitor</em>Innovation*~Accounting</td>
<td>0.03</td>
<td>0.02</td>
<td>0.83</td>
</tr>
<tr>
<td>B2C Services</td>
<td>Consumer behavior<em>Trade customer</em>~Relative to competitor<em>~Innovation</em>~Accounting</td>
<td>0.02</td>
<td>0.01</td>
<td>0.80</td>
</tr>
<tr>
<td></td>
<td>Consumer attitudes<em>Consumer behavior</em>~Trade customer<em>~Relative to competitor</em>Innovation*~Accounting</td>
<td>0.01</td>
<td>0.01</td>
<td>0.83</td>
</tr>
<tr>
<td></td>
<td>~Consumer attitudes<em>Consumer behavior</em>~Trade customer<em>Relative to competitor</em>Innovation*~Accounting</td>
<td>0.01</td>
<td>0.01</td>
<td>0.83</td>
</tr>
<tr>
<td>Frequency cutoff</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consistency cutoff</td>
<td>0.81</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solution coverage</td>
<td>0.13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solution consistency</td>
<td>0.81</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry Evolution Stage</td>
<td>Recipe for High Relative Business Performance</td>
<td>Raw Coverage</td>
<td>Unique Coverage</td>
<td>Consistency</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
<td>--------------</td>
<td>----------------</td>
<td>-------------</td>
</tr>
<tr>
<td>New</td>
<td>Consumer attitudes<em>~Consumer behavior</em>~Trade customer<em>Relative to competitor</em>Innovation*Accounting</td>
<td>0.01</td>
<td>0.01</td>
<td>0.83</td>
</tr>
<tr>
<td></td>
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<td>0.03</td>
<td>0.00</td>
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<td>0.05</td>
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Frequency cutoff: 1.00
Consistency cutoff: 0.80
declining industries, and one in mature industries. Moreover, the success recipes in new, mature and declining industries are different vis-à-vis one another. This is consistent with the notion that organizational capabilities and resources evolve as the industry evolves and the environmental mechanisms that select high performing organizations change (Jacobides and Winter 2005).

Observations Relating to Individual Metric Combinations

From a managerial perspective, it is interesting to look into the individual configurations for achieving high business performance. Consider for instance the economic downturn. In a B2B context, accounting and trade customer related metrics were emphasized. Strong employment of consumer behavior metrics was missing from the successful configurations. In B2C, successful configurations focused more on consumer behavior related metrics, whereas accounting metrics were not employed. Metrics relative to competitors were only employed strongly in declining industries. Furthermore, the use of consumer attitudes related metrics was not apparent in introductory phase industries. However, the managerial implications of these observations should be drawn with caution.

DISCUSSION AND CONCLUSIONS

Contribution

The present study contributes to discussions on measuring marketing performance by introducing a new, configuration-based approach for studying marketing metrics. The focus of our research was especially how marketing metrics use affects business performance. We studied metrics use in terms of organizational configurations characterized by different combinations of marketing metrics. Thus, the study extends extant marketing metrics literature in several respects. Firstly, we move beyond explaining and characterizing different ways of using marketing metrics toward an understanding of the metrics use-performance relationship. Secondly, we continue the efforts of, for instance, Vorhies and Morgan (2003) to integrate the configurational approach into marketing literature. The configurational perspective moves beyond contingency approaches that assume performance to be the additive function of simple bivariate interactions between contingency factors and marketing variables. Conversely, the configurational approach assumes that a change in a single industry-, market- or firm-level factor may drastically change the composition of high-performance configurations. In particular, we introduce the fsQCA method as an extension to the configurational approach to marketing research. Thirdly, the panel structure of the data provides a unique perspective on the impact of economic cycles on the metrics use-performance link.

The three major findings relating to the link between configurations of marketing metrics use and business performances are as follows. First, the configuration-performance link is contingent on the business context. More specifically, we found that the ability of the configurations depends on the business sector, industry life cycle phase and the macroeconomic environment of the firm. Second, we found that the number of different, equally effective marketing metrics combinations depend on the stage of the industry life cycle as well as on the economic climate. Third, the business context of the firm is a key determinant of the combinations that lead to high business performance relative to competitors. Finally, we pre-
presented empirically derived configurations of metrics that consistently lead to higher business performance.

**Limitations and Directions for Future Research**

Some limitations should also be considered. First, the empirical analysis has identified configurations that are associated with high firm performance. However, the fsQCA is in some ways an exploratory data analysis method. Thus, future research should further investigate the performance implications of the configurations by using other configurational methods including linear regression and the deviations score approach.

Second, we have used subjective estimates of relative performance in our analyses. Such responses are subject to cognitive biases including over-optimism and pessimism (cf., Van den Steen 2005). Future research could employ objective performance data in order to eliminate the possible bias. However, this approach is also not without problems. The use of objective performance data requires eliminating cross-industry differences. For instance, ROIs in media businesses are typically much higher than in the paper industry. Also, performance as perceived by key informants has been shown to be a reliable indicator of firm performance (Venkatraman and Ramanujan 1987; see also Olson et al. 2005). In order to overcome the limitations of ROI in ignoring the long term effect on performance and marketing assets (Ambler and Roberts 2008), future oriented measures such as market capitalization or stock price could be used (e.g., Srinivasan et al. 2009).

Third, a study by Barwise and Farley (2004), for instance, found significant differences in the use of marketing metrics between USA, Japan, Germany, U.K., and France. As our study was conducted using data from a single country, future studies using multinational research designs would enhance the generalizability of the findings.

**ENDNOTES**

1 For convenience, it is possible to think that consistency is akin to the significance of a linear regression model and coverage is similar to the $R^2$ of the model, though the correspondence most certainly is not one-to-one.


3 Note that the solution terms that include less than six marketing metrics use indices, actually encompass more than one configuration because those terms have been compressed by the truth table algorithm.

**REFERENCES**


APPENDIX: METRICS ITEMS USED IN THE STUDY

**Consumer Attitudes:**

- Awareness (prompted, unprompted or total).
- Salience (prominence, stand out).
- Perceived quality / esteem (how highly rated).
- Consumer satisfaction (confirmation of expectations).
- Relevance to consumer (“my kind of brand”).
- Image / personality / identity (strength of individuality).
- (Perceived) differentiation (how distinct from other brands).
- Commitment / purchase intent (expressed likelihood of buying).
- Other attitudes, e.g., liking (may be a variety of indicators).
- Knowledge (experience with product attributes).

APPENDIX: METRICS ITEMS USED IN THE STUDY (CONTINUED)

Consumer Behavior:
- Total number of consumers (customers).
- Number of new consumers.
- Loyalty / retention (e.g., % buying this year and last).
- Price sensitivity / elasticity (any measure of volume elasticity).
- Purchasing on promotion.
- Number of products per consumer (the width of range end user buys).
- Number of leads generated / inquiries (number of new prospects).
- Conversions (leads to sales) %.
- Number of consumer complaints (level of end user dissatisfaction).

Trade Customer:
- Distribution / availability (e.g., number of stores).
- Customer satisfaction.
- Number of customer complaints.

Relative to Competitor:
- Market share (share of market by sales volume).
- Relative price (e.g., share of market by value / share of market by volume).
- Loyalty of the market share (share of category requirements).
- Penetration (share of total who buy in a period).
- Relative consumer satisfaction (satisfaction relative to competitors).
- Relative perceived quality (perceived quality relative to quality leader).
- Share of voice (share of advertising relative to category).

Innovation:
- Number of new products in a period (new product launches).
- Revenue of new products (turnover, sales).
- Margin of new products (gross profit).

Accounting:
- Sales (value and / or volume).
- % discount (allowances as % of sales).
- Gross margins (gross profit as % of sales turnover).
- Marketing spend (e.g., advertising, PR, promotions).
- Profit / profitability (profit before tax).
- Shareholder value.
- Economic value added (EVA).
- Return on investment (ROI).
- Customer lifetime value (CLV)

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WHY ARE THE HYPOTHESIZED ASSOCIATIONS NOT SIGNIFICANT? A THREE-WAY INTERACTION

Robert A. Ping, Wright State University, Dayton

ABSTRACT

There is little guidance for estimating a latent variable (LV) “three-way” interaction (e.g., XZW). The paper explores these variables, and suggests their specification. It also provides a pedagogical example to suggest the utility of three-way interactions. Hypothesizing these LV’s is discussed, their reliability is derived, a remedy for their nonessential ill-conditioning (their high correlations with X, Z, and W) in real-world data is suggested, and an approach to interpreting them is illustrated.

INTRODUCTION

“Two-way” interactions in structural equation analysis (SEM) such as XZ, XW, and ZW in

\[ Y = \beta_0 + \beta_1X + \beta_2Z + \beta_3XZ + \beta_4ZW + \beta_5XZW + \varsigma, \]

where X, Z, W, and Y are non-categorical variables, \( \beta \) through \( \beta \) are unstandardized structural coefficients, \( \beta \) is an intercept (typically ignored in SEM), and \( \varsigma \) is the structural disturbance (estimation error) term, have received considerable theoretical attention (see Aiken and West 1991). They also have been investigated with survey data in several substantive literatures (see Aiken and West 1991, p. 2; Bohrnstedt and Marwell 1978; Jaccard, Turissi, and Wan 1990, p. 79; Lubinski and Humphreys 1990; and Podsakoff, Tudor, Grover, and Huber 1984 for partial lists of citations).

However, non-categorical “three-way” interactions in survey data (e.g., XZW in Equation 1) have received little attention. They also have yet to appear in published SEM models, perhaps because there is little guidance for estimating them. This paper sheds additional light on these LV’s and their estimation. Specifically, it discusses their specification, estimation and interpretation. Along the way their utility is illustrated, and a remedy for a property of these LV’s in real world data that apparently is not well known, their nonessential ill-conditioning, is proposed. Hypothesizing a three-way interaction is discussed, their reliability is derived, and an approach to interpreting these LV’s is illustrated.

To help motivate this topic, we will skip ahead to a pedagogical example. In studies of firms’ Reactions to Dissatisfaction in Business-to-Business relationships, the relationship of the subject’s Switching Costs (SC’s) (costs to replace the primary supplier) with the subject’s Opportunism (OPP) (guileful self-interest seeking) was observed to be non-significant (NS) in Ping (1993), and positive in Ping (2007). Similarly, the OPP association with the subject’s Investment (INV) (expenditures to maintain the relationship) was NS in Ping (1993), and positive in Ping (2007). This suggested the possibility that INV and SC were being moderated (Ping 1996d). Subsequently, it was judged plausible that INV moderated SC (argument omitted). In a reanalysis of one of the above studies’ data sets, however, INVxSC was not significant.

Another possibility was that Alternatives (ALT) (attractive replacement relationships) moderated an interaction between INV and SC. Specifically, it was plausible that there was a three-way interaction among ALT, INV, and SC: ALTxINVxSC. In the reanalysis data set ALTxINVxSC was significant.

Next, we will discuss two-way interactions, which will lead to a proposed specification of a three-way interaction involving LV’s, then the details of the above pedagogical example (that will illustrate their estimation and interpretation).

INTERACTIONS IN SURVEY MODELS


These proposed techniques are based on the Kenny and Judd (1984) product-of-indicators proposal \((x, z_1, x, z_2, \ldots, x, z_n, x, z_1, x, z_2, \ldots, x, z_m)\), where \( n \) and \( m \) are the number of indicators of \( X \) and \( Z \) respectively. However, in theoretical model tests using real world survey data, where models with several, usually over-determined, LV’s (i.e., LV’s with four or more indicators), are the rule, specifying XZ with all the Kenny and Judd product indicators typically produces model-to-data fit problems. Specifically, in Techniques 1 and 5, the resulting specifi-
cation of XZ in its single construct measurement model usually will not fit the data (i.e., this specification of XZ is inconsistent with the data), and full measurement and structural models containing this specification of XZ can exhibit unacceptable model-to-data fit.

Several proposals use subsets of the Kenny and Judd (1984) product indicators, or indicator aggregation, to avoid these inconsistency problems (Techniques 3, 5, 7, 9, 11, 12, and 14). Unfortunately, omitting Kenny and Judd product indicators raises questions about the face or content validity of the resulting interaction. Specifically, if all the indicators of X are not present in the itemization of XZ, is XZ still the “product of the LV X and the LV X?” (techniques 3, 7, 9, 11, 12, and 14). This specification has additional drawbacks: the reliability of XZ is unknown for a partially itemized XZ. As we shall see, the formula for the reliability of XZ is a function of X and Z with all their items (see Bohrnstedt and Marwell 1978). Further, a procedure for determining which product indicators to retain is unknown. And, deleting Kenny and Judd product indicators can produce interpretation problems because the X in XZ is no longer operationally the same as X in Equation 1, for example.

Some proposed techniques do not involve Maximum Likelihood estimation, or commercially available estimation software (Techniques 2, 6, and 13). And, several of these proposals have not been evaluated for possible bias and lack of efficiency (i.e., Techniques 8 and 10).

A SINGLE INDICATOR

The following will rely on the Ping (1995) proposal for specifying XZ because it has the fewest of the above drawbacks. This proposed specification uses a single indicator for XZ that is the product of sums of the indicators for X and Z. Specifically, for X with the indicators x1 and x2, and Z with indicators z1 and z2, the single indicator of XZ would be xz = (x1 + x2)(z1 + z2). Ping (1995) suggested that under the Kenny and Judd (1984) normality assumptions, a loading, λxz, and error variance, θεxz, for this single indicator are

\[
\lambda_{xz} = \Lambda_X \Lambda_Z, \tag{2}
\]

and

\[
\theta_{\varepsilon_{xz}} = \Lambda_X^2 \text{Var}(X)\theta_X + \Lambda_Z^2 \text{Var}(Z)\theta_Z + \theta_{\varepsilon X} \theta_{\varepsilon Z}, \tag{2a}
\]

where \(\Lambda_X = \lambda_{x1} + \lambda_{x2}\). Var indicates error disattenuated variance, \(\theta_X = \text{Var}(\varepsilon_{x1}) + \text{Var}(\varepsilon_{x2})\), \(\lambda_{xz} = \lambda_{x1} \lambda_{z2} + \lambda_{x2} \lambda_{z1}\), \(\theta_{\varepsilon X} = \text{Var}(\varepsilon_{x1}) + \text{Var}(\varepsilon_{x2})\), \(\lambda_{zx} = \lambda_{z1} \lambda_{z2}\), \(\theta_{\varepsilon Z} = (\Lambda_Z^2)\text{Var}(Z)\theta_Z\), and \(\lambda_{xz}\) and \(\theta_{xz}\) are loadings and measurement error variances. The indicators x1 and z2 are mean-centered by subtracting the mean of x1, for example, from x1 in each case, and the single indicator of XZ, xz, becomes

\[
x_z = [\Sigma(x_x^n - M(x_x^n))][\Sigma(z_z^n - M(z_z^n))],
\]

where \(x_x^n\) and \(z_z^n\) are uncentered indicators (denoted by the superscript “u”), M denotes a mean, and \(\Sigma\) is a sum taken before any multiplication. Centering x1 and z2 not only helps provide simplified Equations (2) and (2a), it reduces the high correlation or nonessential ill-conditioning (Marquardt 1980; see Aiken and West 1991) of X and Z with XZ that produces unstable (inefficient) structural coefficient estimates that can vary widely across studies.

Using simulated data sets and data conditions that were representative of those encountered in surveys, Ping’s (1995) results suggested that the proposed single indicator for an interaction produced unbiased and consistent coefficient estimates.

This single-indicator specification can be estimated in two steps. First, the data for the single indicator of XZ is created by computing the sum of the indicators of X times the sum of the indicators of Z in each case. Next, the measurement parameters in Equations 2 and 2a (i.e., \(\lambda_{x1}, \lambda_{x2}, \lambda_{z1}, \lambda_{z2}\), etc., \Var(\varepsilon_{x1}), etc., \Var(X), etc.) are estimated in a measurement model (MM) that excludes XZ. Then, the loadings and measurement error variances for XZ’s (\(\lambda_{xz}\) and \(\theta_{\varepsilon_{xz}}\)) are computed using equations 2 and 2a, and using these parameter estimates. Finally, specifying the calculated loadings and error variances \(\lambda_{xz}\) and \(\theta_{\varepsilon_{xz}}\) for the product indicator as fixed values, the structural model is estimated.

If the structural model estimates of the measurement parameters for X and Z (i.e., \(\lambda_{x1}, \lambda_{x2}, \lambda_{z1}, \lambda_{z2}\), etc., \Var(\varepsilon_{x1}), etc., \Var(X), etc.) do not approximate those from the MM (i.e., equality in the first two decimal places) the loadings and error variances of the product indicator are recomputed using the structural model estimates of the equation 2 and 2a measurement parameters. Experience suggests that with consistent LV’s zero to two of these iterations are sufficient to produce exact estimates (i.e., equal to “direct” estimates of XZ – see Ping 1995).

THREE WAYS

XZW also could be specified as the product of sums of indicators (e.g., \(xzw = (\Sigma x)(\Sigma z)(\Sigma w)\)). However, mean centering x, z, and w does not reduce any multicollinearity (nonessential ill-conditioning – see Marquardt 1980; Aiken and West 1991) between XZW and X, Z, and W in real-world data.5

Unfortunately, the bias from this multicollinearity can produce an apparently non-significant (NS) three-way interaction. For example, in the pedagogical example ALTxINVxSC specified with mean-centered X, Z, 0, and W was NS.
A SPECIFICATION

An alternative specification that avoids multicollinearity bias is the indicator

\[
x_c(zw) = [\Sigma x_z + M(\Sigma x_z)]([\Sigma z_w + M(\Sigma z_w)])/\Sigma x_z ,
\]

(3)

where \(x_z, z^w, x^w\) are uncentered indicators (denoted by the superscript “u”), \(M\) denotes a mean, and \(\Sigma\) is a sum taken before any multiplication. The indicator \(x_c(zw)\) is the product of mean-centered \(x_z\)’s and the mean-centered product, \(z^ww^w\), of uncentered \(z\) and \(w\), and it could be used as a single indicator of \(X(Zx W)\).

The loading and variance of \(x_c(zw)\) is derived next. Under the Kenny and Judd (1984) normality assumptions the variance of the product of \(x^u - M(\Sigma x^u)\) and \((zw)^u\) is

\[
\text{Var}(x_c(zw)) = (\Lambda_x^2 \text{Var}(x) + \Lambda^2 \text{Var}(ZW) \Theta_{\text{zw}} + \Theta_{\text{zw}} \Theta_{\text{xzw}})^2,
\]

(4a)

(e.g., Ping 1995) where \(\Lambda_x = \Sigma x_z\) is the loading of \(X\) on \(x\), \(\Lambda_{ZW}\) is the loading of \(ZW\) on \(z\), \(\text{Var}(ZW)\) is the error disattenuated variance of \(XZW\), and \(\Theta_{\text{xzw}} = \Sigma \text{Var}(\epsilon)\) is the measurement error variance of \((zw)^u\). \(\text{Var}(ZW)\) is the error disattenuated variance of \(ZW\), and \(\Theta_{\text{xzw}} = \Sigma \text{Var}(\epsilon)\) is the measurement error variance of \(x\). This provides a specification of the XZW using the indicator \(x(zw)\) with the loading \(\Lambda_{xzw}\) and the measurement error variance of \(x_c(zw)\), \(\text{Var}(ZW)\), \(\text{Var}(X)\), and \(\Theta_{\text{xzw}}\) of the parameters associated with \(ZW\) are available (the parameters associated with \(X\) are available in the measurement model) (see Ping 1995).

To provide an estimate of \(\text{Var}(ZW)\),

\[
\begin{align*}
\text{Var}(ZW) &= E(Z^2) \text{Var}(W) + E(W) \text{Var}(Z) + 2E(Z)E(W) \text{Cov}(Z, W) + \text{Var}(Z) \text{Var}(W) + \text{Cov}(ZW) \text{Var}(W) + \text{Cov}(ZW) \text{Var}(Z) + \text{Cov}(Z, W) \text{Var}(W) + \text{Cov}(ZW) \text{Var}(Z),
\end{align*}
\]

(4b)

(Bohnsstedt and Goldberger 1969), where \(E(\cdot)^u\) denotes the expectation (mean) of \(\mathbf{Z}\) and \(E(\cdot)^u\) its square, \(\text{Cov}(Z, W)\) is the covariance of \(Z\) and \(W\), and \(\text{Cov}(Z, W)\) its square \((Z and W\) are uncentered and have non-zero means). Since first moments (means) are unaffected by measurement error, \(E(Z)\), for example, can be estimated using \(E(\Sigma x^u)\) (the SAS, SPSS, etc. mean of \(\Sigma x^u\), and the variances of \(Z\) and \(W\), and their covariance, can be estimated in a measurement model without \(\text{ALT}_{\text{INV}}(x_{xw})\).

To provide an estimate of \(\Lambda_{xzw}\) and \(\Theta_{\text{xzw}}\),

\[
\begin{align*}
(zw)^u &= (\Sigma x^u)(\Sigma w^u) - M(\Sigma x^u)(\Sigma w^u) = (\Sigma x^u)Z + \Sigma x^u)(W + \Sigma z^u)(\Sigma y^u) - M(\Sigma x^u)(\Sigma y^u) = (\Lambda_x Z + \Lambda_z W + \Sigma z^u)(\Sigma y^u) - M(\Sigma x^u)(\Sigma y^u) = (\Lambda_x Z + \Lambda_z W + \Sigma z^u)(\Sigma y^u) = (\Lambda_x Z + \Lambda_z W + \Sigma z^u)(\Sigma y^u) = (\Lambda_x Z + \Lambda_z W + \Sigma z^u)(\Sigma y^u) = (\Lambda_x Z + \Lambda_z W + \Sigma z^u)(\Sigma y^u),
\end{align*}
\]

with the usual assumptions that the L.V’s are independent of measurement errors, measurement errors have zero expectations, and measurement errors are independent.

Thus,

\[
\begin{align*}
\text{Var}(ZW) &= \text{Var}(\Lambda_x Z + \Lambda_z W + \Sigma z^u)(\Sigma y^u) = \text{Var}(\Lambda_x Z + \Lambda_z W + \Sigma z^u)(\Sigma y^u) = \text{Var}(\Lambda_x Z + \Lambda_z W + \Sigma z^u)(\Sigma y^u).
\end{align*}
\]

From Equation 4b

\[
\begin{align*}
\text{Var}(XZ) &= (\Lambda_x^2 \text{Var}(ZW) + \Lambda^2 \text{Var}(W) \text{Var}(Z) + \text{Var}(W) \text{Var}(Z) + \text{Var}(\Lambda^2 WZ) + \text{Var}(\Lambda_x ZW) + \text{Var}(\Lambda)^2 \text{Var}(ZW) + \Lambda_x^2 \text{Var}(ZW) + \text{Var}(\Lambda_x ZW) + \text{Var}(\Lambda_x ZW) + \text{Var}(\Lambda_x ZW) + \text{Var}(\Lambda_x ZW)\). 
\end{align*}
\]

because the covariances involving measurement errors are zero, and the expansions of \(\text{Var}(X_{xw})\) and \(\text{Var}(e_{xw})\) contain zero \(E(\epsilon)^u\) terms.

As a result, in Equation 4a

\[
\begin{align*}
\Lambda_{xzw} &= (\Sigma x^u)(\Sigma w^u)(\Sigma y^u),
\end{align*}
\]

(4c)

and

\[
\begin{align*}
\Theta_{\text{xzw}} = \Lambda_x^2 \text{Var}(X) \Theta_{\text{xzw}} + \Lambda_x^2 \text{Var}(Z) \Theta_{\text{xzw}} + \text{Var}(W) \text{Var}(Z) \Theta_{\text{xzw}},
\end{align*}
\]

(4d)

with the parameters in Equation 4a all can be estimated. Specifically, the loading of \(XZW\),

\[
\Lambda_x = \Sigma x_z\) (\Sigma y^u)(\Sigma y^u),
\]

(4e)

and the measurement error variance of \(x_c(zw)\),

\[
\Lambda_x^2 \text{Var}(X) \Theta_{\text{xzw}} + \Lambda_x^2 \text{Var}(Z) \Theta_{\text{xzw}} + \text{Var}(W) \text{Var}(Z) \Theta_{\text{xzw}}\)

(4f)

where \(x_c(zw)\), \(\text{Var}(ZW)\) and \(\Theta_{\text{xzw}}\) are given by Equations 4b, 4c and 4d.

AN EXAMPLE

Returning to the pedagogical example, after developing a plausible argument for ALT moderating the Y-INV\(x SC\) association, the three-way interaction ALT\(c(INV x SC)\) in
\[ Y = a_{\text{SAT}} + b_{\text{ALT}} + c_{\text{INV}} + d_{\text{SC}} + g_{\text{ALT} \times \text{INV} \times \text{SC}} + \zeta, \quad (5) \]

where \(a, b, c, d, g\) are structural coefficients, was specified in a measurement model for Equation 5 to gage each LV’s psychometrics.\(^7\)

\[ \text{ALT} \times \text{INV} \times \text{SC} \] was specified by computing the Equation 3 single indicator, \(\text{ALT} \times \text{INV} \times \text{SC} = \left( \sum_{i} \text{ALT}_i - M \left( \sum_{i} \text{ALT}_i \right) \right) \times \left( \sum_{j} \text{INV}_j - M \left( \sum_{j} \text{INV}_j \right) \right) \times \left( \sum_{k} \text{SC}_k - M \left( \sum_{k} \text{SC}_k \right) \right) \) in each case, then the loading and measurement error variance was computed using the Equations 4e and 4f (\(\text{ALT}_i, \text{INV}_j, \text{SC}_k\) are the uncentered indicators of ALT, INC and SC respectively, and \(M\) denotes a mean).

Specifically, estimates of the loading and measurement error variance of \(\text{ALT} \times \text{INV} \times \text{SC}\) were computed using the loadings, variances, covariances and measurement error variances of \(\text{ALT}, \text{INV}, \text{SC}\) from earlier measurement models (MM’s) without the interactions (see Footnote 6), and SPSS estimates of the means.

Then, the measurement model for Equation 5 was estimated, using LISREL 8 and Maximum Likelihood estimation. The resulting loadings and measurement error variances of SAT, ALT, INV, SC, and Y were sufficiently similar to those from previous MM’s containing just SAT, ALT, INV, SC, and Y, that a second Equation 5 measurement model estimation (to revise the computed interaction loadings and measurement error variances) was judged not necessary (see Ping 1996a). Because the Equation 5 measurement model fit the data, \(\text{ALT} \times \text{INV} \times \text{SC}\) was judged to be externally consistent. Finally, \(\text{ALT} \times \text{INV} \times \text{SC}\) was judged to be trivially internally consistent.

### RELIABILITY

Because the reliability of a three-way interaction is unknown, it is derived next. The reliability of \(X_c(ZW)_c\) is

\[ \rho_{X_c(ZW)_c} = \frac{\rho_{X_c}(ZW)_c}{\rho_{(X_c,ZW)_c} + 1}, \quad (6) \]

where \(\rho\) denotes reliability and \(\rho_{X_c}(ZW)_c\) is the square of the correlation between \(X_c(ZW)_c\) and \(Z(W)_c\) (Bohrnstedt and Marwell 1978). The reliability of \((ZW)_c = ZW - M(ZW)_c\) is

\[ \frac{\mu_z^2 \rho_z^2 + \mu_w^2 \rho_z^2 + 2 \mu_z \mu_w (\text{Corr}(Z,W)) \rho_z}{\mu_z^2 + \mu_w^2 + 2 \mu_z \mu_w (\text{Corr}(Z,W)) + \text{Corr}(Z,W) + 1} \quad (6a) \]

(Bohrnstedt and Marwell 1978) where \(\mu_z = M(\Sigma z_i)/\text{SD}(Z)\) (SD denotes standard deviation), \(\mu_w = M(\Sigma w_i)/\text{SD}(W)\), \(\text{Corr}(Z,W)_c\) is the square root of that correlation.

### RELIABILITY AND VALIDITY

Substituting Equation 6a into Equation 6, the reliability of \(\text{ALT} \times \text{INV} \times \text{SC}\) was computed to be 0.89. Specifically, SPSS values for the means of INV and SC, the square root of the MM variances for the standard deviations of INV and SC, the MM value for the correlation between INV and SC, SPSS reliabilities of ALT, INV, and SC, and the calculated error-disattenuated correlation of ALT and \(\text{INV} \times \text{SC}\) (see Ping 1996c) were substituted into Equation 6. Then, \(\text{ALT} \times \text{INV} \times \text{SC}\) was judged to be valid.\(^9\)

Next, the structural model was estimated using LISREL 8 and Maximum Likelihood estimation, and the abbreviated results are shown in Table B. Then, the Y associations with ALT, INV and SC were interpreted to account for their moderation. First, the plausible moderation of INVxSC by ALT was trivially “confirmed” by the significant \((\text{INV} \times \text{SC} \times \text{ALT})\) coefficient in Table B.) Then, the (now moderated) Y-ALT association was interpreted. Specifically, Equation 5 was “factored” to produce the (full) structural coefficient (“simple slope”--see Aiken and West 1991) of \(\text{ALT}_c\):

\[ Y = a_{\text{SAT}} + (b + g(\text{INV} \times \text{SC} \times \text{ALT}))_{\text{ALT}_c} + c_{\text{INV}} + d_{\text{SC}} \]

and the coefficient of ALT was interpreted using \((b' + g(\text{INV} \times \text{SC} \times \text{ALT}))\)--the results are shown in Table C.\(^{12}\)

Next, Equation 5 was re-factored to produce the moderated coefficient of INV in,

\[ Y = a_{\text{SAT}} + b_{\text{ALT}} + c_{\text{INV}} + d_{\text{SC}} + g_{\text{ALT} \times \text{INV} \times \text{SC}} = a_{\text{SAT}} + b_{\text{ALT}} + c_{\text{INV}} + d_{\text{SC}} + g_{\text{ALT} \times \text{INV} \times \text{SC}} \]

and the coefficient of ALT was interpreted using \((b' + g(\text{INV} \times \text{SC} \times \text{ALT}))\)--the results are shown in Table D.

Finally, Equation 5 was again re-factored to produce a moderated coefficient of SC in,

\[ Y = a_{\text{SAT}} + b_{\text{ALT}} + c_{\text{INV}} + (d + g_{\text{ALT} \times \text{INV} \times \text{SC}})_{\text{SC}} \]

for interpretation (details omitted).

### DISCUSSION

While it may or may not be reasonable to expect the Equation 4e and 4f specification of a three-way interac-
Some authors recommend including the two-way interactions costs interaction is stronger when alternative attractiveness is higher.” Alternatively, because it turned out that the INVxSC interaction was negative at very low ALT, and positive at very high ALT, another hypothesis might be, “the investments-switching costs interaction is negative when alternative attractiveness low, but positive when it is high.”

SUMMARY AND CONCLUSION (omitted)

ENDNOTES

1 A moderated variable’s structural coefficient estimate occurs at the mean of the moderator variable in a study (see Aiken and West 1991). When a significant moderation is unspecified, variation in the moderator variable’s mean across studies can produce wide variation in the moderated variable’s structural coefficients.

2 Details of the study will be omitted to sidestep matters that are unimportant to the methodological matters at hand. And, hereafter Y will be used instead of OPP.

3 In theory testing, such explorations are within the logic of discovery (see Hunt 1983). Specifically, a “discovery,” such as a three-way interaction, that can be theoretically supported is proposed in the Discussion section of the study at hand for disconfirmation in a subsequent study.

4 X and Z are assumed to be independent of their measurement errors (ε₁₁, ε₂₂, ε₃₃, and ε₄₄), their measurement errors are mutually independent, the indicators x₁, x₂, z₁, and z₂, and the measurement errors (ε₁₁, ε₂₂, ε₃₃, and ε₄₄) are multivariate normal with mean zero.

5 Authors seem to be unaware of this multicollinearity in real world data (e.g., Aiken and West 1991). (See for example, the uncomfortably high correlations between ALTxINVxSC, in several specifications, and ALT, INV and SC in Table A.)

6 If ALT, INV and SC are internally and externally consistent their measurement parameters should not change materially with the addition of other LV’s—see Ping 1996a.

7 Some authors recommend including the two-way interactions, ALTxINV, ALTxSC and INVxSC, in Equation 5, unless theory suggests they are zero (e.g., Aiken and West 1991). However, theory typically suggests that associations should be non-zero, and in a theory test this is the usual rationale for including variables. Thus, because we could not develop plausible arguments for including INxINV or AL.TxSC, Equation 5 was specified without them. Although theory appeared to support including INVxSC, it was not specified because it was judged to be redundant— the interaction of INV and SC was already modeled in ALTc(INVxSC)c.

8 The latent variable reliabilities of ALT, INV and SC are practically equivalent to coefficient alpha reliabilities (Anderson and Gerbing 1988).

9 There is little agreement on validity criteria. A minimal demonstration of validity might include content or face validity (how well an LV’s indicators tap its conceptual definition), construct validity (the target LV’s correlates with other LV’s are theoretically sound), convergent validity (e.g., its average extracted variance (Fornell and Larker 1981) is greater than .5), and discriminant validity (e.g., its correlations with other measures are less than some cutoff value) (e.g., Bollen 1989, DeVellis 1991, Fornell and Larker 1981, Nunnally 1978) (see Ping 2004a). ALTc(INV*SC)c was judged to be content valid because ALT, INV and SC were content valid, and the specification of ALTc(INV*SC)c included all the indicators of ALT, INV and SC. To gage convergent and discriminant validities, the formula for the Average Variance Extracted (AVE) of Xc(ZW)c, (Σ λᵢⱼ) / (Σ λᵢⱼ + (Σ λⱼⱼ + (Σ λᵢᵢ + Var(xc(zw)) + θx(zw)) / [(Σ λᵢᵢ)(Σ λⱼⱼ)(Σ λᵢⱼ)Var(xc(zw)) + θx(zw)] (Fornell and Larker 1981) (see Equations 4a through 4d), where (Σ λᵢᵢ) is the sum of the squares of λᵢᵢ, etc., Var(xc(zw)) is the variance of xc(zw) (available in the structural model), and θx(zw) is the measurement error variance of x(zw) in Equation 4f, was used, and ALTc(INV*SC)c was judged to be convergent and discriminant valid using Fornell and Larker’s criteria (see Fornell and Larker 1981). Finally, the construct (correlational) validity of ALTc(INV*SC)c was impossible to judge.

10 Specifically, the test failed to disconfirm the moderation. True “confirmation” would be suggested inductively by many such “confirmation” results.

11 In this case the “factored” coefficient of ALT was the partial derivative of Y with respect to ALTc. The term “factored” emphasizes that ALT is the same (i.e., centered and fully itemized) in all of its occurrences in Equation 5.

12 Graphs also can be used for interaction interpretation.
(e.g., Aiken and West (1991)). However, the significances required for interpreting the originally hypothesized individual effects of ALT, INV, and SC are not available using graphs.

REFERENCES


APPENDICES

TABLE A
Selected Correlations

<table>
<thead>
<tr>
<th></th>
<th>SATu</th>
<th>SATc</th>
<th>ALTu</th>
<th>ALTc</th>
<th>INVu</th>
<th>INVc</th>
<th>Scu</th>
<th>SCc</th>
</tr>
</thead>
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<tr>
<td>AcSc</td>
<td>-0.3641</td>
<td>-0.3641</td>
<td>0.5657</td>
<td>0.5657</td>
<td>-0.4513</td>
<td>-0.4513</td>
<td>-0.4662</td>
<td>-0.4662</td>
</tr>
<tr>
<td>AuSc</td>
<td>-0.3682</td>
<td>-0.0382</td>
<td>0.4059</td>
<td>0.4059</td>
<td>0.5499</td>
<td>0.5499</td>
<td>0.5792</td>
<td>0.5792</td>
</tr>
<tr>
<td>Ac(Sc)c</td>
<td>-0.0094</td>
<td>-0.0094</td>
<td>0.0930</td>
<td>0.0930</td>
<td>-0.0501</td>
<td>-0.0501</td>
<td>-0.1397</td>
<td>-0.1397</td>
</tr>
</tbody>
</table>

SATu denotes an uncentered SAT, SATc denotes a mean-centered SAT, etc.; AcSc is the product of mean-centered (MC) ALT, MC INV and MC SC.
AuSc is the product of uncentered (UC) ALT, UC INV and UC SC.
Ac(Sc)c is the product of centered ALT and the mean-centered product of UC INV and UC SC.

TABLE B
Equation 5 Unstandardized Structural Coefficient Estimates

\[ Y = a_{SATu} + b_{ALTc} + c_{INVu} + d_{SCu} + g_{ALTc(INVu*SCu)c} \]

<table>
<thead>
<tr>
<th></th>
<th>-0.07</th>
<th>.14</th>
<th>-0.16</th>
<th>.14</th>
<th>.02</th>
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<td>T-value</td>
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### TABLE C

Interpretation: (Factored Coefficient) ALT Associations with Y

Due to the INVxSC Interaction

ALT-unstandardized structural coefficients

<table>
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<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>3.26 b</th>
<th>4</th>
<th>5</th>
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<tr>
<td>INV = 1</td>
<td>0.1688</td>
<td>0.1926</td>
<td>0.2164</td>
<td>0.2226</td>
<td>0.2402</td>
<td>0.2640</td>
</tr>
<tr>
<td>2</td>
<td>0.1926</td>
<td>0.2402</td>
<td>0.2878</td>
<td>0.3001</td>
<td>0.3354</td>
<td>0.3829</td>
</tr>
<tr>
<td>2.51 b</td>
<td>0.2047</td>
<td>0.2645</td>
<td>0.3242</td>
<td>0.3397</td>
<td>0.3839</td>
<td>0.4436</td>
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<tr>
<td>3</td>
<td>0.2164</td>
<td>0.2878</td>
<td>0.3591</td>
<td>0.3777</td>
<td>0.4305</td>
<td>0.5019</td>
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<tr>
<td>4</td>
<td>0.2402</td>
<td>0.3354</td>
<td>0.4305</td>
<td>0.4553</td>
<td>0.5257</td>
<td>0.6208</td>
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<tr>
<td>5</td>
<td>0.2640</td>
<td>0.3829</td>
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<td>0.6208</td>
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ALT-structural coefficient standard errors

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<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>INV = 1</td>
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<td>0.1090</td>
<td>0.1070</td>
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<td>0.1015</td>
<td>0.0876</td>
<td>0.0842</td>
<td>0.0754</td>
</tr>
<tr>
<td>2.51 b</td>
<td>0.1127</td>
<td>0.0943</td>
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<td>0.0657</td>
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<td>0.0754</td>
<td>0.0603</td>
<td>0.0594</td>
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<td>5</td>
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<td>0.0659</td>
<td>0.0616</td>
<td>0.0657</td>
<td>0.0854</td>
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ALT-structural coefficient t-values

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<tr>
<td>INV = 1</td>
<td>1.3569</td>
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<tr>
<td>2</td>
<td>1.6519</td>
<td>2.3652</td>
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<td>2.51 b</td>
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</table>

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a The unstandardized structural coefficients suggest that the ALT-Y association was positive over the range of INV and SC in the study. The structural coefficient t-values suggest, however, that the moderated Y-ALT association was NS for low values of INV and SC in the study.

b Mean value in the study.

c The SQUARE of the Standard Error (SE) of the Equation 5 factored coefficient of ALT is:

\[
\text{Var}(b + g(INVxSC-M_{INVxSC})) = \text{Var}(b) + (INVxSC-M_{INVxSC})^2\text{Var}(g) + 2(INVxSC-M_{INVxSC})\text{Cov}(b,g) \\
= \text{SE}(b)^2 + (INVxSC-M_{INVxSC})^2\text{SE}(g)^2 + 2(INVxSC-M_{INVxSC})\text{Cov}(b,g).
\]

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*American Marketing Association / Winter 2011*
TABLE D
Interpretation: (Factored Coefficient) INV Associations with Y
Due to the ALTxSC Interaction (Unstandardized Betas Omitted)a

<table>
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<tr>
<th>ALT=</th>
<th>INV (T-values)</th>
<th>SC=</th>
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<td>2</td>
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<td>4</td>
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<td>2.51</td>
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</table>

a The unstandardized structural coefficients suggest that at low values of ALT, INV and SC the INV–Y association was positive, while at high values of ALT, INV and SC it was negative. However, the structural coefficient t–values suggest that only the negative associations were significant in the study (as originally hypothesized). (These results also hint that significant positive associations might occur only if the average ALT, INV and SC were materially higher in the study.) The “band of significance” in the study extended from the lower left corner (high ALT and low SC) to the upper right corner (low ALT and high SC). The maximum associations and t–values in the study were at high ALT.

b Mean value in the study.

c The SQUARE of the Standard Error (SE) of the Equation 5 factored coefficient of INV is:

\[ \text{Var}(c + g(ALTvSC–M_{INVSC})/INV)) = \text{Var}(c) + (ALTvSC–M_{INVSC})/INV)^2\text{Var}(g) + 2(ALTvSC–M_{INVSC})/INV)\text{Cov}(c,g). \]

\[ \text{SE}(c)^2 + (ALTvSC–M_{INVSC})/INV)^2\text{SE}(g)^2 + 2(ALTvSC–M_{INVSC})/INV)\text{Cov}(c,g). \]
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Dayton, OH 45437
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ARE ADVERTISING APPEAL EFFECTIVE? INSIGHTS FROM A META-ANALYSIS

Jacob Hornik, Tel Aviv University, Israel
Giulia Miniero, Bocconi University, Italy

SUMMARY

One of the most relevant and debated questions addressed by advertising academicians and managers centers on the determinants of ad campaign performance. This is evident in the vast literature examining the importance of the message, media, budget, repetition and other input factors on market response. Appealing to consumers has been an ever-present challenge for advertisers, and the challenge continues to grow as advanced technology and increased economic globalization contribute to the proliferation of international marketing and advertising (Miller and Stafford 1999).

It has for centuries been a commonplace among students of advertising that, in order to be effective, persuasive messages should be utilizing appropriate appeals. An advertising appeal refers to the approach used to attract consumers’ attention and/or to influence their attitudes and feelings toward the product, service, or cause. It is something that moves people, speaks to their wants or need, and excites their interest. Often it is the underlying content of the advertisement, it as a “movie script.”

Indeed, advertising to consumers typically uses various persuasive appeals. Among these, the symbolic appeal (emotional) and utilitarian (functional) appeal (Park, Jaworski, and Maclnnis 1986; Snyder and DeBono 1985) represent the most common approaches.

Despite the importance of this debate to strategic marketing, advertising literature offers equivocal conclusions to the relative effectiveness of these effects (NyiIasy and Ried 2009). Thus, the primary goal of this research is to quantitatively and qualitatively synthesize the empirical research over a wide variety of disciplines and studies, that for the best of our knowledge, has not been done before. Most published studies have compared single massage appeals against non-appeal messages: none have attempted to formally systematize such results through a comparative analysis. In particular, no estimates of appeals performance in terms of their associated variability within consumers’ response behavior have been reported in the literature. Indeed, recent estimates indicate that comparative ads, humor, fear, sex, two-sided, gained-framed, and metaphor appeals account for two-third of all advertisements (Stewart and Furse 1986) and close to 85 percent of all television commercials (Pechmann and Stewart 1990). Consumers’ response to advertising appeals is here measured with two outcome variables: persuasion and attitude toward the advertisement. These variables are usually employed to assess advertising effectiveness (Keller et al. 2003).

In addition, the present research supplements the quantitative meta-analysis with a qualitative comparative analysis (QCA), which enabled us to introduce marketing researchers with a new analytical tool and compare findings from the two distinct research approaches.

Results show that overall employing advertising appeals significantly enhances the two outcome variables.

The correlation between message appeal and consumers’ response was positive. The results show considerable variance, with the strongest effects of sex appeal on persuasion ($r = 0.462$) and the lowest of two-sided appeal on Aad ($r = 0.093$).

For each of the seven types of treatments, we conducted a separate meta-analysis in which we examined the mean difference per type of appeal compared with each of the all other appeals. All appeals have a positive and statistically significant effects on the two dependent variables.

The results of the meta-analysis should be of value to campaign managers as they establish goals for behavior change in future ad campaigns. They show that using ads with the common appeals makes ads more persuasive and better-liked, but also demonstrates that these effects are not especially large. The implication is that advertisers will want to consider carefully the costs of appeals, to ensure appropriate return on investments. Indeed, the effectiveness of appeals was substantially less than many managers tend to believe. In addition, our data can become a benchmark against which new campaigns can be measured. Planners are frequently innovating with new channels, message strategies, and timing. Now they will be able to judge whether the innovations were helpful or not.
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MARKETING AND PR INTEGRATION: A STUDY OF ITS DRIVERS IN THE FIRM’S C-SUITE

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SUMMARY

Academi cians and practitioners have debated the merits of integrating the related yet distinct functions of marketing and public relations (PR) for decades (cf., Kotler and Mindak 1978). Few studies, however, have empirically explored the issue using a theoretical approach that explains why firms should adopt either integration or separation. We argue for such an approach as a first step toward understanding the merits or demerits of each. Specifically, we pose the following research question: What are the drivers of integration of marketing and PR in the firm’s top management team (TMT) or C-suite? Integration (separation) here refers to both responsibilities being under the same (different) TMT executive(s), which we determine by scanning the titles and responsibilities of firms’ TMT executives listed on company websites. We choose to focus on the TMT given the gap in the literature examining the integration debate from a C-suite perspective, and since it allows us to explore the firm’s choice regarding marketing and PR at the highest levels of the firm. Moreover, the choice made by the TMT in this regard is bound to influence similar structural arrangements at lower levels of the firm. We therefore add to the body of work on Integrated Marketing Communications (IMC) which has typically explored this issue at the level of the strategic business unit or SBU.

We address our research question by drawing on contingency theory, according to which structural arrangements such as the integration of marketing and PR are made in response to strategic and environmental contingencies faced by a firm; to the extent that firms integrate or separate these functions in line with this theory, they should experience optimal outcomes. While many IMC proponents argue that structural integration is necessary to achieve coordination and consistency, others advocate that it should be avoided so that each function remains separate and uniquely focused on its core competency and audience (customers for marketing and the general public for PR), in order to be most effective. Our drivers of integration and their hypothesized effects therefore reflect the assumption that a contingency should make integration more (or less) likely to the extent that it takes advantage of (or avoids) the pros (or cons) of integration. In our study, we look at four strategic (corporate vs. other branding strategy, business-to-business [B2B] vs. business-to-customer [B2C] customer profile, customer power, and foreign sales over total sales [FSTS]), and one environmental (market concentration) contingency.

We expect greater integration among firms that have a corporate (vs. other) branding strategy since such firms are more likely to benefit from the resulting consistency in the firm’s communication efforts that are made under the umbrella of a single corporate brand. For similar reasons, we anticipate that greater FSTS will make integration more likely since the need for communication consistency and corporate-level coordination increases as firms target geographically diverse customers. We also expect greater integration in B2B (vs. B2C) firms since they are less likely to have a large scale of specialized PR activities targeted at various segments of the general public, especially since their customers are less likely to be influenced by them. For similar reasons, we anticipate that firms pursuing customers who have greater bargaining power on account of their share of the focal firm’s sales, are less likely to see benefits from separation or focus of their PR strategies, and therefore more likely to integrate it with marketing. Finally, we expect to see lesser integration in firms belonging to industries characterized by high market concentration, since these firms have greater visibility to both customers and the general public, which mandates a discrete focus on each audience.

In an initial sample of 48 firms representing a cross-section of industries from the Fortune 500, we find support for three of these five hypothesized relationships. In line with our expectations, integration is greater in B2B (or at least in firms pursuing an approximately equal split of businesses and customers) vs. B2C firms; it increases as FSTS increases; and decreases with market concentration. Taken together, these results and the specific rationales mentioned previously for each of these relationships broadly support our theoretical approach: firms integrate (separate) marketing and PR in the C-suite in response to strategic and environmental contingencies that make integration (separation) beneficial. We therefore extend research on IMC by empirically examining it through a theoretically-grounded lens, with a focus on the C-suite. We also add to the literature on marketing’s role within the firm — greater responsibility via the integration of PR into marketing while possibly giving marketing greater influence may not always be optimal depending on the contin-
gencies a firm faces. A larger sample (for which additional data collection is underway) will allow us to explore performance outcomes and make prescriptive recommendations, thus bringing greater clarity to the integration debate regarding its efficacy for marketing and the firm.

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ONLINE ADVERTISING: WHAT WORKS – IMAGE OR INFORMATION?

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SUMMARY

As click-through rates (CTR) fall (Drèze and Hussherr 2003; Hollis 2005), trust in the value of online advertising has also nosedived, leading to a decline in online advertising expenditures (BusinessWeek 2007). But who decided CTR is the be-all, end-all measurement for the success of an online ad? Fortunately, recall and recognition, the most prevalent forms of advertising measurement for offline advertisements, have also been used recently to measure online ad effectiveness. Still, practitioners continue to operate under the concept that online ads are measured by CTR, and therefore follow a cost-per-click model of advertising expenditures. Unfortunately, a self-perpetuating downward spiral has evolved, making some practitioners believe an investment in online ads is a waste of marketing capital. This paper examines why that is and what marketers, and marketing researchers, should do about it, if anything.

Research

The question of whether online advertisements should be measured by CTR or a behavioral response, such as intent to purchase or message recall, is essentially a debate to determine if online ads should be designed for direct response or for branding purposes (Broussard 2000). Chandon, Chhtourou, and Fortin (2003) concluded that CTR may actually under-represent the impact on sales, while Drèze and Hussherr (2003) found Internet users (1) avoided looking at ads while online, but (2) do perceive banner ads in their peripheral vision, and therefore (3) are affected more by banner message rather than how the message was conveyed. They concluded that the function of online advertising should be to influence people. Recognition and awareness of the brand can be developed even if consumers are not clicking on the banner ad (Briggs and Hollis 1997).

The purpose of this paper is to answer the following questions: (1) How well do consumers recall online ads designed to support a brand? (2) How well do consumers recall online ads designed to support a product? (3) Do consumers recall one type of online ad more frequently than another?

To understand the persuasion process taking place in consumers through the use of online advertisements, this study’s theoretical foundation is based on the Elaboration Likelihood Model (Petty, Cacioppo, and Schumann 1983) that says consumers process persuasive information differently. Need for Cognition can be used to measure the inherent trait that consumers have to engage in problem solving activities (Peltier and Schibrowsky 1994) and whether they tend to regularly exhibit high-NFC or low-NFC characteristics (Haugtvedt, Petty, and Cacioppo 1992). Haugtvedt and Petty (1992) showed that NFC has an effect on message elaboration, motivation to process information, attitude change, message persuasiveness, and message recall. In their research, Wang, Wang, and Farn (2009) found that NFC is a good determinant for measuring ad effectiveness in an online environment.

Methodology

Using experimental design, two types of banner advertisements were developed – one image-based that could be used to support a brand, and one information-based that would be akin to advertisement supporting a product. Because consumers visit web sites to search for information on a topic of their interest (Yoo 2007), an instrument was developed for online data gathering to simulate a consumer using the Internet to search for information. Following a priming paragraph, respondents were presented three consecutive images of a web page that featured a photograph and an introduction to a story about the current event on the first page followed by a continuation of the story on the subsequent pages. One banner ad of each company was placed on top of each page. The combination of web page and banner ad was randomized so that respondents saw banner ads – either image-based or the information-based – in random order. The dependent variable was “advertisement recall” measured three times per respondent in unaided, partially aided, and fully aided situations over the course of questionnaire administration. Independent variables were Advertisement Type and Need for Cognition (NFC).

The results were analyzed using MANOVA because of the multivariate nature of the 2 x 2 x 3 experimental design. The between-subjects interactive effect of Ad Type and NFC was found to be significant ($M = .756, F = 5.279, p = .023$) for unaided recall, indicating that consumers with a high NFC were able to recall banner ads featuring information-based content at a greater level than their low NFC counterparts, while low-NFC consumers were able to recall image-based banner ads at a greater level than high-NFC consumers.
In addition, high-NFC consumers recalled the information-based advertisements at a higher rate than low-NFC consumers recalled the image-based ads ($M_{\text{high}} = 1.29; M_{\text{low}} = 1.24$) and also recalled the image-based ads at a higher rate than low-NFC consumers recalled the information-based ads ($M_{\text{high}} = 1.12, M_{\text{low}} = 1.11$). No significance was found for level of cognition when respondents were given partial or full aid in recall, demonstrating that the recall of the banner ads was solely based on inherent traits of cognition rather than assistance from external sources.

**Discussion**

For researchers, Need for Cognition was verified as a moderator for online persuasive communications. For practitioners, the results indicate that message association may be more important than message content, and therefore marketing managers must have an online message strategy to augment their marketing mix. If the overall advertising strategy is to support the brand, care must be given to locations where banner ads should be displayed in order to maximize individual differences in NFC among consumers. References are available upon request.

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THE SLEEPER EFFECT OF THE MESSAGE: EXPLAINING IMMEDIATE AND DELAYED EFFECTS OF MESSAGE SIDEDNESS

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SUMMARY

The literature on message sidedness provides evidence that a message that includes some negative information can be more persuasive than a one-sided message, that is, a message with positive information only. The effect is due to enhanced believability of a two-sided message over a one-sided message. The sleeper effect suggests that the credibility of a source diminishes over time. In this study, we try to find out whether effects of message sidedness’ believability vary over time in a similar way as source credibility effects do and if so, how this variation can be explained. Two explanations are suggested and tested: forgetting of negative information – the main explanation underlying the sleeper effect of the source – and reevaluation of message elements.

We conduct two experiments where we test the effect of source credibility, message believability and delay on dependent variables. Both experiments apply a 2 (source: publicity versus advertisement) by 2 (sidedness: one-sided vs. two-sided message) by 2 (delay: immediate vs. delayed) between subjects design. The length of the delay in both experiments differs, though. The dependent variables are message believability, source credibility, source recall, recall of message elements, evaluation of message elements, and overall evaluation of the message.

The results of both experiments support a sleeper effect of the message, whereas the sleeper effect of the source appears only in the experiment with extended delay. The results further show that the sleeper effect of message sidedness on believability depends on the reevaluation of message elements, but not on forgetting of message elements. Memory and reevaluation are independent processes and the explained variance due to reevaluation is higher than that due to memory.

The findings contribute to sleeper effect research by showing that sleeper effects due to sources of varying credibility can also emerge for messages that vary in believability. By this, the results broaden the relevance and applicability of the sleeper effect. The sleeper effect of the message depends on reevaluation processes of negative message elements, but not on forgetting processes, as has been suggested in the literature on the sleeper effect of the source. Message sidedness triggers independent processes of both evaluation and memory.

The findings further show that delayed effects of message sidedness differ from immediate effects. The findings contribute to the message sidedness literature by showing how the effectiveness of message sidedness develops in the passage of time, an aspect that has not been investigated so far.

The study provides some practical implications as well by showing how message sidedness operates over time. While two-sided messages are more persuasive than one-sided messages due to enhanced believability, this effect diminishes over time. Furthermore, negative information is reevaluated over time. A frequent concern against the adoption of two-sided messages – the threat of unfavorable brand attitudes caused by negative information in a message – is devalidated that way. References are available upon request.

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REGIONAL DIALECT AND FOREIGN ACCENT IN BUSINESS COMMUNICATION: A REVIEW AND SYNTHESIS OF THE LITERATURE

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SUMMARY

In business literature there has been a recent explosion of interest and research on the crucial role of speech characteristics in business communication. Particularly, the influence of speech varieties – such as regional dialect or foreign accent – on the outcome of a business interaction is being widely discussed. The topic is of high scholarly and practical relevance for different fields ranging from international marketing (e.g., standardization of advertising campaigns), services marketing (e.g., communication problems with frontline employees) to internal management (e.g., clash of different mother tongues in multinational companies). This paper summarizes the current research which is focused on speech varieties in a business environment. Since previous partial theories do not fully explain the role of speech varieties in internal and external business communication, a theoretical framework is suggested and practical implications as well as directives for future research are given.

The article looks at varieties in speech style which are influenced by the speaker’s geographical origin (Giles 1970). Whereas accent exclusively refers to a variation in pronunciation, dialect is a broader concept of speech variety, which also comprises modifications in syntax, semantics, and morphology (Carlson and McHenry 2006). A large body of research in various disciplines has considered speech varieties and their influence on listener’s perceptual judgments (Fuertes, Potere, and Ramirez 2002). Linguistic research has documented which language is used in different regions and how these varieties affect the communication act (e.g., intelligibility, comprehensibility). Language usage among social classes has been a focal point of interest in social sciences. Business research, however, is at the beginning of a systematic analysis of speech varieties. Studies that shed light on business priority analyzed what personality traits recipients ascribe to a salesperson (e.g., DeShields and de los Santos 2000) or a spokesperson in an advertisement (Lalwani, Lwin, and Li 2005).

This article scrutinizes fourteen studies of accent and dialect in a business context which were published in journals of business and economics, sociology as well as linguistics. The literature review reveals that the extant studies on speech variety effects in a business setting are restricted to very few foreign accents in English language. Regional deviations from standard speech have been neglected so far. In summary, the studies demonstrate that a foreign accent decreases comprehensibility of a speaker and, therefore, hampers the processing of the message. The customer perceives the message of an accented communicator more negatively than the one of a speaker with standard accent. Moreover, a communicator with standard accent is rated higher on competence, social attractiveness and integrity. In consequence, customers who evaluate the message with standard accent more positively, express a higher intention to purchase and are more willing to recommend a product or brand (e.g., Tsalikis, DeShields, and LaTour 1991).

Similar conclusions can be drawn for regional dialects, albeit based on a smaller set of two empirical studies. These studies show that recipients devalue the message of a speaker with a local dialect. However, Lalwani, Lwin, and Li (2005) observed that a local dialect increases the attention toward the advertising. This “vampire effect” can be explained by the fact that listeners need to direct their attention to the decoding of the speaker’s dialect.

All in all, it is shown that speech varieties have a decisive impact on the processing of the message, the perception of the speaker and the outcome of the interaction. Hence, companies should consider speakers with standard accents and dialects for advertising products or doing business. If an employee speaks a very strong regional dialect or foreign accent, companies are well advised to apply speech trainings. Due to the fact that speech varieties of adults are difficult to change, training programs should focus on developing good speech habits (e.g., enunciation, voice volume).

Moreover, the review clearly shows that business research on language attitudes is somewhat limited in scope. Hence, a more comprehensive framework is suggested which expands the partial theories into a broader approach, integrating knowledge from different disciplines. This framework is more encompassing than established approaches and is designed to give a deeper understanding of language attitudes in business communication.
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NARCISSISM: THE EFFECT OF STORE IMAGE ON PURCHASE INTENTION

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SUMMARY

Narcissism is defined by the Diagnostic and Statistical Manual of Mental Disorders (DSM-IV; American Psychiatric Association 1994) as a pervasive pattern of grandiosity, self-focus, and self-importance. Narcissists are preoccupied with dreams of success, power, beauty, and brilliance. They display exhibitionistic behaviors and demand for attention and admiration, but respond to threats to self-esteem with feelings of rage, defiance, shame, and humiliation. There are two levels of narcissism: (1) clinical, unhealthy, or pathological narcissism; and (2) subclinical, healthy, or normal narcissism (Rose 2002; Wink 1991). Normal narcissism has been generally considered to be a normal trait (Sedikides et al. 2004) and social critics such as Lasch (1979) have argued that narcissistic personality characteristics are prevalent in the general population.

Narcissism has three basic ingredients: a positive self, a relative lack of interest in warm and caring interpersonal relationships, and reliance upon self-regulatory strategies (Campbell and Foster 2007). Narcissists spend a good deal of effort to make themselves look and feel positive, special, successful, and important. The self-regulatory tactics used by narcissists include efforts to be noticed, look good, and surpass others. Displaying high-status material goods and associating with high-status individuals are two of their tactics for looking good (Campbell and Foster 2007). Narcissists are more likely to wear expensive, flashy, and neatly kept clothing as well as a more dressed-up hairstyle (Vazire et al. 2008). In fact, narcissists perceive the purchasing and consumption of products as an opportunity to show their positive self. This perhaps is also the case for where the consumer buys. Therefore, one would expect narcissists to buy more expensive products from high status stores than low status stores. In contrast, it seems that the compatibility between the stores image and the consumer’s actual image lead nonnarcissists to show different behavior. Specifically, it is expected that nonnarcissists are, to a much lesser extent, influenced by the store image in their value judgments. In other words, they are more likely to seek out value from nonimage-related factors such as convenience, price, or availability. In addition, since high-image stores create an expectation of higher prices (Baker et al. 2002), when an expensive product is available at a high-status store, one would attribute the high price to image-related factors rather than to the product specifications and quality.

Therefore, it is hypothesized that nonnarcissists will purchase an expensive product less frequently when the product is only available at a high-status store than when it is only available at a low-status store.

Methodology

In exchange for extra course credit, 125 undergraduate students from a large Southwestern university participated in this study. In order to manipulate the store image, participants were randomly assigned to one of these two scenarios: (1) a high-end store and (2) a low-end store. After reading the scenario, participants were asked to indicate their intention to purchase an expensive piece of clothing from the store on a five-item semantic differential scale adopted from Spears and Singh (2004), from 1 to 7 (Cronbach’s alpha = .945). Narcissism was measured on the 40-item Narcissistic Personality Inventory (NPI; Cronbach’s alpha = .921) because NPI is designed to measure individual differences in narcissism as a personality trait in the general population (Raskin and Hall 1979).

Results and Discussion

A 2 (narcissism: low vs. high) × 2 (store image: low-status vs. high-status) between-subjects full factorial design was employed to test the hypotheses. Before testing the hypotheses, a one-way ANOVA was conducted indicating that the manipulation of store image was successful (F(1, 123) = 92.397, p < .001). The averages of items within both independent and dependent constructs were computed and a median split was performed to divide participants into two groups according to their scores on the NPI scale (M = 4.78, Mdn = 4.80). The 2 × 2 ANOVA reveals a significant interaction between narcissism and store image on purchase intention (F(1, 121) = 4.642, p < .05). That is, when the product is only available at a low-end store, narcissists show a lower purchase intention than their low narcissistic counterparts. In addition, narcissists purchase more when the product is only available at a high-status store (M = 5.800) than when it is only available at a low-status store (M = 5.317), whereas nonnarcissists purchase more when the product is only available at a low-status store (M = 5.832) rather than at a high-status store (M = 5.254). The results also show that store image is not a significant predictor of purchase intention (M_high-status = 5.527 vs. M_low-status = 5.574; F(1, 121) = .037, p > .1), confirming the findings of Rao and Monroe’s (1989) meta-analysis study. In addition, the
The main effect of narcissism on purchase intention is not significant ($M_{\text{narcissist}} = 5.558$ vs. $M_{\text{nonnarcissist}} = 5.543; F(1, 121) = .004, p > .1$).

Overall, one of the significant findings of this study is that for expensive products, actual image congruity, rather than ideal image congruity, directs consumer behavior in the context of retail stores. That is, narcissists have a more positive and high-status view of the self and therefore, purchase more from a high-status store. In contrast, nonnarcissists, who have a more realistic view of the self, are less likely to make use of store image in order to enhance their self-image. Among the main implications of this study is the importance of product-image-store-image congruity in predicting purchase intention. Store managers may consider the harmony between their product assortment and store image as well as its environment because consumers are likely to attribute price to both product quality and image related factors such as store image.

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INCORPORATING EMPLOYEE SATISFACTION IN A CUSTOMER RETENTION MODEL

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ABSTRACT

Existing streams of literature in marketing and OB are integrated to synthesize a multilevel conceptual framework that highlights the effect of employee job satisfaction on customer outcomes. This study of 183 bank employees and 604 customers demonstrated a significant effect of employee satisfaction on perceived service quality, customer satisfaction and relational switching costs.

INTRODUCTION

In response to an increasingly competitive marketplace, growing research attention has been attracted to antecedents enhancing customer retention. Customers have become increasingly informed and demanding in terms of customer service (Dabholkar et al. 1996). As a result, service providers focus on service quality in order to satisfy their customers (Voss et al. 2004) and enhance customer loyalty (Zeithaml et al. 1996). However, with competitive pressure becoming even stronger during the last decades, customer behavior becomes a function of customer delight (Lee et al. 2001) and premium quality. Within this context, the service encounter becomes an important antecedent of service performance, since it influences heavily the customer's overall experience with the service providing organization (Hartline and Ferrell 1996). In fact, the crucial role of service employees in affecting the customer’s overall experience is well established in the service literature (Ryan et al. 1996).

Previous work on the employee-customer link has mainly focused on either the customer or the employee level of analysis (Hombug and Stock 2004). Despite the consistent calls for studies that incorporate both employee and customer variables, there are few studies that do so (Zeithaml 2000). However, a review of the pertinent literature reveals two very interesting findings. The first one pertains to the importance of employee satisfaction as an antecedent of customer satisfaction (Dean 2004). Second, most of the prior research linking job satisfaction to customer outcomes has used organization-level data. There are very few studies of the employee satisfaction-service quality linkage at the individual employee level of analysis (Snipes et al. 2005). However, scholar scrutiny has not, as yet, provided the empirical evidence that would allow associating specific employee behaviors which influence customer encounter satisfaction (Dolen et al. 2004).

Having identified this important gap, the present study develops a multilevel framework in order to examine the effect of employee satisfaction in customer perceived service quality, customer satisfaction and relational switching costs. The grounds for this study lay on the Attraction-Selection-Attrition theory (Schneider and Goldstein 1995), while the Balance theory (Brehm and Cohen 1962) and the Emotional Contagion Theory (Hatfield et al. 1994) are also taken into consideration in order to derive a conceptual framework that will allow empirically substantiating the relationships between employee job satisfaction and consequent customer evaluations.

The present study seeks to make a contribution in three ways. First, it accommodates in a single research design data from both customers and employees, which allows for a more accurate assessment of variable effects. Second, this study is the first one to empirically address the structure of the relationship between employee job satisfaction and consequent customer attitudes. The third major contribution of this study is the investigation of the strategic significance of “employee satisfaction” within a customer retention model. Various authors have been informing practitioners of the significance of the human capital in leveraging market success (Schneider and Bowen 1995; Magi 2003). Yet, without having considered the direct effect of employee satisfaction on such important parameters, as for instance, switching costs, this information cannot be persuasive enough. Hence, the key contribution from this study for practitioners is to highlight the significance of sustaining and cultivating employee satisfaction as an antecedent to customer retention.

The next of the study is structured as follows. First of all, we describe the theoretical background that underlies the relationship between employee job satisfaction and customer attitudes. Next, we briefly review the existing studies in the field. After dealing with the conceptual issues, we discuss the methodology as well as the results of this empirical study. In conclusion, we address the theoretical and managerial implications of our findings.
LITERATURE REVIEW

The theoretical background suggested to underlie this model is based on four theories. First, the ASA theory describes how people from a single organization eventually become homogenous in their attitudes because they share the same experiences and also they are subject to the same situational factors (Ryan et al. 1996). Within this context, companies seek to cultivate a service climate in order to drive employees to become more sensitive in achieving organizational and customer related goals (Schneider and Bowen 1995). To understand the scope for this effort, it is necessary to adopt the Service Profit Chain perspective (Heskett et al. 1997), which stresses the need to derive a positive internal climate for the employees before customers can derive value from the interaction with the service providing organization. Actually, Heskett et al. (1997) reports that employees who are satisfied with their company’s working conditions and climate, become more productive and provide higher levels of service quality.

The Emotional Contagion theory explains as well the association between employee attitudes and customer response (Hatfield et al. 1994). Rooted in the field of social psychology, this theory suggests that during the service encounter employee’s displayed emotional state affects the emotional state of the customer. Consistent with this view, employee satisfaction influences customer satisfaction via the employee’s positive emotions which result from the employee’s satisfaction and in turn cause changes in the customers’ affective state. Finally, Balance theory suggests that customers adapt their attitudes to the (positive or negative) attitudes of the front line personnel since the employee has more knowledge about the services offered and attaches greater relevance to his job (Krosnick and Petty 1995).

Researchers not until recently begun to focus on employee attitudes influencing the desirable customer outcomes (Liao and Chuang 2004). Several studies indicate that satisfied employees are more likely to engage in behaviors that assist customers (Locke and Latham 1990) and establish a significant positive relationship between employee and customer satisfaction (Payne and Webber 2006; Wiley 1991) in different service settings such as salespeople (Homergus and Stock 2004), software industry (Tornow and Wiley 1991) and financial service industry (Brown and Mitchell 1993). Schneider and Bowen (1985) argued that employees had to feel that their needs had been met by management before they, in turn, could fully focus on satisfying external customers, while Berry (1981) suggests that employee satisfaction enhances their performance which consequently improves the ability of the organization to deliver high quality services. However, the accumulated research includes findings of negative (Silvestro and Cross 2000) and non-significant relationship as well (Loveman 1998; Adcock 1999). This article aims to provide a better insight into the employee job satisfaction-customer satisfaction link in a retail services context and thus we hypothesize that the greater the employee’s job satisfaction, the greater customer satisfaction (H1).

Relatively few studies have examined the relationship between employee’s attributes and service quality (Hartline and Ferrell 1996). Yoon and Suh (2003) argued that satisfied employees are more likely to work harder and provide better services. Similarly, some researchers have suggested that loyal employees are more eager to and more capable of delivering a higher level of service quality (Loveman 1998) and that service quality is influenced by employee’s satisfaction (Bowen and Schneider 1985), while others such as Brown and Peterson (1993) found evidence for a weak relationship between employee’s satisfaction and performance. Considering the aforementioned statements, the literature that links employee satisfaction and service quality is rarely evident. Therefore, we suggest the following hypothesis: the greater the employee’s job satisfaction, the higher the level of customer’s perceived service quality (H2).

Switching costs are also considered as an important factor influencing customer retention (Colgate and Lang 2001), since they explain why dissatisfied customers stay with the same provider. Despite their potential importance in the retention process, the role of switching costs has received little attention in marketing (Jones et al. 2000). Burnham et al. (2003) define switching costs as “the onetime costs that customers associate with the process of switching of one provider to another.” Building on the basic premises of Jones’s et al. work (2002), this framework focuses on relational switching costs. This type of switching costs refers to the psychological or emotional discomfort due to the loss of identity or breaking the bonds with the service provider (Jones et al. 2007). Relational switching costs represent the strength of personal bonds between customer and the service employee (Berry and Parasuraman 1991) and are considered especially important in services given the importance of specific service characteristics such as intangibility and high degree of personal interaction (Czepiel 1990). Previous studies highlight that personal relationships bond customers with retailers (Beatty et al. 1996; Price and Arnould 1999).

However, no empirical study exists to incorporate relational switching costs in a multilevel customer retention model. Responding to suggestions by Jones et al. (2007) that research should explore employee behaviors that increase customer’s perceptions of switching costs, we propose that the greater the employee’s job satisfaction, the higher the level of relational switching costs (H3).
Few empirically tested models of the customer retention process are developed in the pertinent literature incorporating employee variables (Jones et al. 2007). Service quality is defined as the delivery of superior service relative to customer expectations and is considered as a main antecedent of customer satisfaction (Kelley and Davis 1994). The conceptual foundation of this view lies in the assumption that service quality is an attitude-like construct that drives customer’s behavioral intentions. Research has not reported yet a direct link between service quality and switching costs, although some researchers argue that switching costs can help business to overcome fluctuations in service quality (Jones et al. 2000). Commensurate with the importance of the aforementioned statements, we advance the hypothesis that a higher level of service quality is positively associated with higher perceptions of switching costs (H4).

Locke (1976) defines employee satisfaction as “a pleasurable or positive emotional state resulting from the appraisal job or job experiences.” The investigation of the relationship between employee job satisfaction and customer satisfaction originates mainly from the field of sales management (Wiley 1991), as a means to identify ways to improve customer’s satisfaction from the encounters with sales personnel and consequently to facilitating marketing and sales objectives attainment (Schlesinger and Zornitsky 1991). Customer satisfaction is also considered as having a significant effect on customer switching costs (Anderson and Sullivan 1993). The higher the level of customer’s satisfaction with the service, the larger the costs the customer expects to incur in changing providers.

Despite the importance of this relationship in the short term, in the long term the ability of switching barriers to retain customers from defecting is limited (Maute and Forester 1993). Thus, higher levels of overall customer satisfaction yield higher perceptions of switching costs (H5).

**METHODOLOGY**

In our study, we chose bank firms as our sampling frame and measured store employee’s grades because their performance is crucial in satisfying bank’s customers’ needs. We contacted a major Greek retail bank in order to receive approval to conduct research. Fifteen branches agreed to participate in the study. A pre-notification through telephone with each store manager followed, explaining the research objectives. Research assistants addressed to a random sample of 13 front line employees from each store to collect data. They also distributed survey packages to bank’s customers a few days after the employees surveys were completed. Customers were informed that the survey asked about their perceptions of the store they use. To ensure the anonymity of employee responses, we set up a central collection box in each store where customers could drop off their envelopes. In total, research assistants conducted 183 personal interviews from financial service employees and collected 604 questionnaires from bank customers. Employee satisfaction was measured on the basis of data collected from employees, whereas customer satisfaction, service quality and switching costs were measured based on customer responses. This approach combined with the...
The multilevel nature of our study rules out the possibility of common method bias (CMB) producing a significant correlation between employee satisfaction and customer variables.

All employees’ responses were aggregated at the store level to form a composite. Employee satisfaction was aggregated to the store level for two reasons. First, in most service encounters customers interact with multiple store employees, thus their evaluations are influenced by the overall level of employee satisfaction, not the satisfaction of a particular employee. Second, based on the attraction-selection model employees’ attitudes in a store tend to become homogenous, therefore, customer’s evaluations will be affected by employee’s satisfaction due to the homogeneity of the organizational store climate (Liao and Chuang 2004).

MEASURES AND RELIABILITY

In order to remain consistent with previous research, all the measures employed in this study are adapted from previous studies in the field. Construct measures were based on extensive review of the literature on services marketing, bank marketing, and consumer behavior. All constructs used a 7-point Likert-type scale, with anchors of strongly disagree (1) and strongly agree (7), whereas for employee satisfaction a 5-point Likert type was employed. A total of 43 items were generated. Eight items for employee job satisfaction were derived from Hartline and Ferrell (1996). Perceived service quality was measured with Gounaris et al. (2003) 25-item scale, which is an adaptation of the Servqual scale. Furthermore, customers’ satisfaction was measured with a 3-item scale adopted from Fornell (1992). Relational switching costs were measured with a scale of 7 items adapted from Burnham, Frels, and Mahajan (2003). Additionally, we examined the internal reliability of the measurement model by calculating composite reliability and average variance extracted. All coefficients Cronbach α are above 0.7 (table 1), as indicated by Nunally (1978). Furthermore, for each construct, average variance extracted (AVE) exceeds the 0.5 level as Fornell and Larcker (1981) suggest. CFI, GFI and TLI indexes exceed 0.9 while RMSEA values are above below 0.08. On the basis of these measures it can be concluded that the data fit the model adequately. Intraclass correlations were all above 0.3, indicating that the multilevel approach is indeed appropriate.

DATA ANALYSIS AND RESULTS

Hierarchical linear modeling was used to examine the relationships between level-2 predictor (employee satisfaction) and customer data (Raudenbush and Bryk 2002). In the present study, customer data were nested within bank stores. Thus, our hierarchical model consists of two levels, the customer and the store level. All level 1 variables were grand-mean centered, as recommended by Hofmann and Gavin (1998). The model to be tested was hierarchical with the dependent variables being customer-level constructs, and the predicting variables spanning the store (level 2) and customer level (level 1). Table 2 presents the descriptive statistics and correlations for the study variables.

Three HLM analyses were performed, with customer satisfaction, service quality and relational switching costs as dependent variables. First, we estimated a null model that had no predictors at either level-1 or level-2 to partition the repurchase intention variance into within and between-stores components for each dependent variable. The results reveal significant between store variance for customer satisfaction ($x^2 = 285.18/ p < 0.01$), service quality ($x^2 = 320.62/ p < 0.01$) and relational switching

<table>
<thead>
<tr>
<th>Variables</th>
<th>CFI</th>
<th>TLI</th>
<th>RMSEA</th>
<th>Cronbach α</th>
<th>AVE</th>
<th>Correlations Intraclass</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Satisfaction</td>
<td>0.998</td>
<td>0.997</td>
<td>0.018</td>
<td>0.86</td>
<td>0.83</td>
<td>–</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>0.87</td>
<td>0.87</td>
<td>0.407</td>
</tr>
<tr>
<td>Service Quality</td>
<td>0.954</td>
<td>0.945</td>
<td>0.074</td>
<td>0.92</td>
<td>0.81</td>
<td>0.316</td>
</tr>
<tr>
<td>Relational Switching Costs</td>
<td>0.983</td>
<td>0.971</td>
<td>0.060</td>
<td>0.82</td>
<td>0.79</td>
<td>0.378</td>
</tr>
</tbody>
</table>
### TABLE 2
Means, Standard Deviations and Correlations of the Study Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employee satisfaction</td>
<td>3.11</td>
<td>0.65</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Service quality</td>
<td>4.04</td>
<td>0.82</td>
<td>–</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Customer satisfaction</td>
<td>4.05</td>
<td>1.18</td>
<td>–</td>
<td>0.756*</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>4. Relational costs</td>
<td>3.80</td>
<td>1.05</td>
<td>–</td>
<td>0.649*</td>
<td>0.542*</td>
<td>1.00</td>
</tr>
</tbody>
</table>

N for level 1 variables is 604, and n for level 2 variable is 183. *p < 0.05, **p < 0.01.

### TABLE 3
HLM Results – Random Coefficient Regression Model

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Variance Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>$G_{00}$</td>
<td>$G_{10}$</td>
</tr>
<tr>
<td>$R^2$</td>
<td>$\sigma^2$</td>
</tr>
<tr>
<td>$T_{00}$</td>
<td>$T_{11}$</td>
</tr>
</tbody>
</table>

#### Service Quality – Relational Switching Costs

L1: Relational = $B_0 + B_1 \times (Quality) + R$
L2: $B_0 = G_{00} + U_0$
$B_1 = G_{10} + U_1$

<table>
<thead>
<tr>
<th></th>
<th>Coefficients</th>
<th>Variance Component</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3.79^{**}$</td>
<td>$0.68^{**}$</td>
</tr>
<tr>
<td></td>
<td>$0.37$</td>
<td>$0.53$</td>
</tr>
<tr>
<td></td>
<td>$0.10^{**}$</td>
<td>$0.04^{**}$</td>
</tr>
</tbody>
</table>

#### Customer Satisfaction-Relational Switching Costs

L1: Relational = $B_0 + B_1 \times (CS) + R$
L2: $B_0 = G_{00} + U_0$
$B_1 = G_{10} + U_1$

<table>
<thead>
<tr>
<th></th>
<th>Coefficients</th>
<th>Variance Component</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$3.79^{**}$</td>
<td>$0.42^{**}$</td>
</tr>
<tr>
<td></td>
<td>$0.24$</td>
<td>$0.64$</td>
</tr>
<tr>
<td></td>
<td>$0.12^{**}$</td>
<td>$0.03^{**}$</td>
</tr>
</tbody>
</table>

Note: L1 = level 1, L2 = level 2, Quality = perceived service quality, Relational = relational switching costs, CS = customer satisfaction, ESAT = employee satisfaction, $G_{00}$ = intercept of level 2 regression predicting $B_1$, $G_{10}$ = slope of level 2 regression predicting $B_1$, $\sigma^2$ = variance in level 1 residual, $T_{00}$ = variance in level 2 residual predicting $B_1$, *p < 0.05, **p < 0.01.

All the aforementioned Chi-square tests show that between group variance for all three criteria is significantly different from zero, indicating that the intercept term varies across groups, a necessary condition to be met in HLM models. Moreover, using information estimated in the null model, an intraclass correlation coefficient (ICC) can be computed that represents the amount of variance that could potentially be explained by the level-2 predictor (Bryk and Raudenbush 1992), employee satisfaction and was assessed: 32.1 percent for customer satisfaction, 35.3 percent for service quality and 23.4 percent for relational costs.

Table 3 shows the results for each of the random coefficient regression models. At the customer level, service quality was significantly associated with relational switching costs ($\gamma = 0.68$/$SE = 0.06/)p < 0.001), so hypothesis 4 was supported by the analysis. Concerning hypothesis 5 that satisfaction is positively associated with relational switching costs, satisfaction emerged as a sig-
A significant predictor for relational costs ($\gamma = 0.42/ SE = 0.05/ p < 0.001$). Thus, hypothesis 5 was supported by the data as well.

Concerning cross-level effects, employee satisfaction was found to be significantly related to service quality ($\gamma = 0.36/ SE = 0.16/ p < 0.05$) and customer satisfaction ($\gamma = 0.51/ SE = 0.17/ p < 0.05$), thus hypotheses 1 and 2 were supported. Hypothesis 3 was also supported, since employee satisfaction predicted significantly relational switching costs ($\gamma = 0.38/ SE = 0.15/ p < 0.05$).

DISCUSSION

Previous service research has emphasized the role of contact employees’ behavior during the service encounter. However, no attention has been attributed to the effect of employee satisfaction on customer switching costs within the customer retention process. This study extends prior research in the area in the following ways. First, our findings extend the service profit chain and emotional contagion theory by recognizing employees’ satisfaction as a predictor of customer’s relational switching costs in a financial services context. No single study has confirmed the aforementioned relationship. The results lend strong support for the assertion that employee satisfaction enhances the personal bonds between customers and front-line employees. Therefore, we conclude that customers’ emotional comfort toward the service provider is positively affected by front-line employee’s level of satisfaction.

Second, the results also indicated that the main links in the service profit chain (employee satisfaction-service quality and customer satisfaction relationships) are supported by significant positive effects. The results suggest that financial service companies should enhance specific employee behaviors (satisfaction) since these behaviors are positively related to customer’s overall satisfaction from the firm and their evaluations of delivered service quality. An increase in customer satisfaction and perceived service quality is likely to bring substantial increases in customer retention, loyalty, and profitability (Zeithaml 2000).

Finally, our study provides new insights into the relationship between service quality and switching costs. To the best of our knowledge, our study is the first to address the issue that perceived service quality has a positive impact on relational switching costs. It seems that customer’s evaluations of the overall level of service quality influence their bonds with the service provider.

Several managerial implications emerge from this study as well. First, is becomes imperative to establish internal marketing practices in order to enhance employee job satisfaction. Organizations should periodically measure employees’ level of satisfaction in order to deploy internal marketing strategies. The results also propose that store managers would be advised to take actions that aim at increasing employee job satisfaction, since the customer’s overall satisfaction and evaluations of service quality will be positively affected. One such action would be to foster a work environment in which superior service
quality is a primary goal. This research also offers potential for significant managerial implications by identifying actions that must be taken by the service provider to reduce switching. In other words, the results indicate that management can enhance switching costs associated with personal relationships loss by staffing corporate customers’ contact positions with persons that are willing and able to maintain strong customer relationships.

LIMITATIONS AND FUTURE RESEARCH

Nevertheless, our study is tempered by several limitations. First, this study draws data from a single retail bank in Greece. With only one organization within one type of service provider, a concern is raised about the generalizability of these findings in another service context. Additionally, the reported study should be replicated in different service settings so as to enhance generalizability of the findings. The third limitation lies in the sample which is drawn from high contact services. For different service contexts the effects of employee satisfaction on customer outcomes may be quite different.

Our study represents a relatively early attempt to assess the role of the different types of switching costs in the customer retention process. Additionally, future research should identify and other employee behaviors that have an impact on different types of switching costs. It is also crucial that future research draws data from multiple firms within service types so as to enhance generalizability of the findings, and different service types as well so as to highlight differences and similarities across service industries. Finally, both attitudinal and behavioral loyalty must be considered as outcomes of switching costs, as the marketing literature lacks empirical results that support the distinct in uence of switching cost on attitudinal and behavioral loyalty (Jones et al. 2007).

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DON’T RUSH TO SELL! SALESPEOPLE’S INFLUENCE STRATEGIES AND CONSUMERS’ RECIPROCITY

Xiaodan Dong, University of Missouri, Columbia

SUMMARY

As an expensive resource in the marketing mix, salespeople are usually evaluated by sales generated from the sales interaction. However, when a salesperson shares information with a potential customer for half an hour, but does not close a sale, do we necessarily consider that interaction a costly failure? If a consumer is benefitted from the sales conversation, does he feel obligated to reciprocate? It is possible that this consumer may make the purchase another time, refer friends to come, or simply have good impression about the salesperson. These possibilities from the sales interaction are all desirable outcomes, however, they cannot be captured by sales dollar. Understanding the role of reciprocity has meaningful implications for both customer relationship development and sales compensation system.

There are some studies that have focused on consumers’ psychological responses to persuasion (e.g., Campbell et al. 2000). But few of them investigated consumers’ response from the perspective of reciprocity, which is an indirect but important factor affecting purchase intention. In this conceptual paper, I propose the effect of two influence strategies on consumers’ perception to reciprocal debt at different stages of the decision making process. The moderation effect of salespeople’s effort in sales interaction will be proposed as well. Specifically, I look at the amount of effort because extra effort may reinforce perceived reciprocal obligation (e.g., a salesperson input extra time to share his knowledge about a product).

Reciprocal Debt

Past researchers (e.g., Campbell and Kirmani 2000; Deighton and Grayson 1995) have investigated consumers’ psychological responses to a firm’s influence, and only a limited number of studies addressed reciprocity (Morales 2005; Palmatier et al. 2009; Weitz and Bradford 1999). Lund (2009) argued that the reciprocal debt is a mediator between action and reaction in interpersonal relationships, and it refers to the recognition that the impact of another’s action needs to be repaid. It is quite vital for us to understand the mediating role of reciprocal debt in personal selling context, as consumers’ reciprocal behaviors after sales interactions, such as purchasing or referring, may all mediated by reciprocal debt. Thus, I propose that consumers’ perceived reciprocal debt positively affects consumers’ purchase intention and word of mouth.

Influence Strategies

Salespeople are likely to rely on specific influence behaviors designed to help them successfully exert influence (Mallalieu 2000). However, the consumer cues cannot be neglected, as it is very important to examine whether consumers’ responses to certain kinds of influence strategies differ based on the purchase stages and salesperson’s effort amount.

Information Exchange. Information exchange refers to a strategy that a salesperson uses discussions about product/service attributes and issues to try to alter a consumer’s perceptions of how the consumer might benefit from the product/service. Consumers at the problem recognition stage may consider the motives of the salesperson, and try to avoid being manipulated. Sales motives of a recommendation strategy, relative to information exchange strategy, are more transparent, and consumers are more likely to discount the value of the recommendation. Thus, it is proposed that the information exchange strategy (vs. recommendation) will elicit more perceived reciprocal debt for consumers at the problem recognition stage of the buying decision process.

Recommendations. The recommendations strategy is defined as a strategy in which the salesperson states his or her prediction to a consumer that a consumer will benefit from following the salesperson’s suggestions regarding some specific action or set of actions. At the information search stage of the decision making process, consumers will perceive the information exchange strategy as less valuable than in the problem recognition stage. Therefore, it is proposed that the recommendations strategy (vs. information exchange) will elicit more perceived reciprocal debt for consumers at the information search stage of the buying decision process.

At the evaluation of alternatives, consumers have acquired adequate knowledge about products and formed a consideration set. Recommending a specific brand or product can be more helpful by reinforcing consumers’ purchase intention and helping make the final decisions. Thus, it is proposed that the recommendations strategy (vs. information exchange) will elicit more perceived
reciprocal debt for consumers at the evaluation of alternatives stage of the buying decision process.

**Effort**

In the personal selling context, consumers who receive the salesperson’s help (with extra effort) will engage in attributional search to figure out what motivates the salesperson to do so. Consumers can perceive the effort difference when a salesperson only spends a few minutes with them and another salesperson is willing to spend an hour with them, assuming the information in both scenarios is useful. Thus, exerting extra effort can increase consumers’ perceived reciprocal debt when the right influence strategy is used at specific stages of the decision making process.

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SELF-PERCEIVED AGE AMONG OLDER CONSUMERS: A CROSS-NATIONAL INVESTIGATION

Florian Kohlbacher, German Institute for Japanese Studies (DIJ), Japan
Lynn Sudbury, Liverpool John Moores University, United Kingdom
Agnes Hofmeister, Corvinus University of Budapest, Hungary

SUMMARY

Conceptualization

Despite the growing importance of the 50+ population and its being perceived as an attractive market segment, older consumers are still routinely neglected by many marketing and advertising practitioners (Niemelä-Nyrhinen 2007; Simcock and Sudbury 2006; Uncles and Lee 2006) and what is known about their consumer behavior still lags far behind what is known about other important segments (Williams et al. 2010; Yoon et al. 2005). This is particularly true of research conducted outside the USA, where there is a marked lack of a coherent body of knowledge pertaining to senior consumers which can guide international marketing decisions.

Self-perceived or cognitive age has emerged as a key variable in studying older people and their consumer behavior (Psychology & Marketing 2001; Wilkes 1992). The relatively sparse number of studies that have investigated this type of age identity in cross-national settings have concluded that cognitive age is “culture-free” (Van Auken and Barry 2009; Van Auken et al. 2006; cf., also Barak 2009). Using data from an empirical study in four different countries, we challenge this view of cognitive age as culture free and thus aim to make a contribution to knowledge on older consumers on an international scale.

Method

The study comprised part of a major piece of international research into older consumers across several culturally disparate nations, and utilized questionnaires. The lower age parameter of 50 was selected on the basis that this is the starting point for many age-related services offered to older consumers (for example, SAGA, Age UK, Seniorsurfers.net). Besides, previous research has called for including middle-aged respondents in order to better understand aging mechanisms and their impact on consumer behavior (e.g., Cole et al. 2008). The two self-perceived age instruments, both age identity and cognitive age, were used. Additionally, respondents completed a battery of socio-demographic questions.

The four nations selected are Japan, Germany, U.K., and Hungary. The questionnaire was translated and back translated by teams in Japan, Germany, and Hungary before being piloted across all four countries. Three lists were purchased, one German (n = 6000), one British (n = 5000), and one Japanese (n = 1044) that contained randomly selected names and addresses of people aged 50+, and a questionnaire and pre-paid envelope was posted to them all. Piloting in Hungary demonstrated the difficulties of self-completion among many older Hungarian adults, thus the distribution strategy was adapted in that country, where a team of trained researchers administered the questionnaire face-to-face to 200 adults aged 50+. A total of 1368 usable questionnaires were received. After removing cases with missing values for the scales used in this paper, 1293 questionnaires remained in the data set.

Two measures of self-perceived age were used: (1) age identity (Cavan et al. 1949), which is the first and oldest and widely used in gerontology (2) cognitive age (Barak and Schiffman 1981), the most popular scale in the marketing literature, consisting of four dimensions.

Major Findings

The vast majority of older adults, regardless of their nationality, consider themselves to be middle aged. Conversely, few people still feel young, although these differ slightly between nationalities, with only 2.4 percent of Germans feeling young, compared to almost 8 percent of older U.K. adults. This is despite the fact that the U.K. sample is older than the German sample by almost 3 years. Nevertheless, particularly noteworthy are the differences in those who admit to an old identity. In the U.K. and Germany less than 15 percent of older adults admit to feeling old, in comparison to one quarter of Hungarians and more than 30 percent of Japanese respondents.

Consistent with previous research, our multi-national sample found little agreement between cognitive and chronological age, although a strong and positive correlation was found between the two. Indeed, across the sample as a whole only 125 (9.7%) respondents had cognitive ages that were greater than their actual age. In contrast, the vast majority (87.2%) perceived themselves to be younger than their actual age.

Overall, there is a bias toward a more youthful self-perceived age. In all four samples paired-samples t-tests
demonstrated that chronological and cognitive age are significantly different. Noticeably, however, the youth bias ranges from less than 4 years for Hungarians to over 10 years for U.K. seniors. One-way ANOVA showed these differences to be significant. Post-hoc comparisons revealed Hungary to have a significantly lower youth bias than any other country, while the U.K. has a significantly greater youth bias than Japan. Conversely, no significant differences emerged between Germany and the U.K.

Consistent with previous research, for the sample as a whole look age is the dimension closest to chronological age. Once again, however, there are contrasts between the nations, as the difference between look age and the other dimensions are greater in the U.K. and Germany in comparison to Japan and Hungary. In these latter countries, there is little difference between look age and other dimensions, and indeed in Hungary the mean look age is actually marginally higher than feel age. References are available upon request.
INTRODUCTION

Enhancing customer participation behavior is an important goal for service firms (Berry 1995). Successful customer participation can be a relevant competitive advantage, as it increases productivity (Bendapudi and Leone 2003) and service quality (Bitner et al. 1997; Lengnick-Hall 1996) and as a consequence results in higher customer satisfaction (Dellande, Gilly, and Graham 2004) and customer loyalty (Auh et al. 2007; Lam et al. 2004). Bendapudi and Leone (2003) even consider customer participation the next frontier in competitive effectiveness.

The challenge to increase customer participation is particularly large for internationally operating service firms. These firms need to take into account differences in culture and national consumer experience when developing their international market strategies. Consistent with this notion, recent studies show that customer participation and its consequences differ across countries (Chan, Yim, and Lam 2010; Lim, Leung, and Lee 2004; Schumann 2009). These studies, however, explain differences only based on variation in the cultural values between individuals from different countries, and thus based on the general mental model shared by all members of the cultural communities rather than norms specific to the exchanges and participation behavior of an industry. However, it can be inferred that differences in customer participation may arise from other institutional elements than just national culture. American and German customers of a major printing machine producer, for example, show major differences in their willingness to participate in a remote repair of their printing machine (Wünderlich 2009). The high density of service engineers in Germany has spoiled German customers and provided them with laid back attitudes and behaviors. American customers, on the other hand, due to the larger distances and longer waiting times, have developed a culture of conducting minor repairs themselves, sometimes assisted by the providers’ service personnel by phone.

Because recent studies show that industry-specific differences between countries have a major impact on consumers’ intentions and behaviors in a particular market, and responding to Iyer’s (1997) call for more institution-based comparative marketing research, Singh, Lentz, and Nijssen (2010) developed the concept of consumers’ conception of a market’s institutional logics. It offers a useful nation-industry specific conceptualization and operationalization of differences in consumer behavior across countries. Defined as consumers’ shared mental model for the institutional field of marketplace exchanges, consumers’ institutional market logic explains how consumers’ shared social norms (emerging from the institutional field) affect marketplace exchanges in a particular nation-industry context. Using a sample of three countries and one service industry context they showed that consumers’ institutional market logic is a valid alternative explanation to national cultural value differences for explaining consumer behavior.

Based on the above this study’s aim is to research whether consumer’s institutional view could be a viable alternative explanation for country variation in customers’ participation behavior. Influenced by industry history and consumer experience levels a service markets’ institutional field may be a useful extension of current cultural affect studies in this domain. So, the present study addresses the following research questions: (1) Can consumers’ institutional logic of the market account for differences in the levels of customer participation behavior as well as the levels of its antecedents and consequences across countries? (2) Do consumers’ institutional market logics influence mechanisms the interplay between consumer participation behavior and its antecedents and consequences? To answer these questions, we develop and test a set of hypotheses using consumer data of financial consulting services in eleven countries.

The research contributes to international marketing theory in two ways. First, we add to the debate on cross-national differences in consumer participation behavior. Second, we expand the work on consumers’ conceptualization and use of institutional norms. The results benefit international service providers who need to consider country differences in consumer participation behavior and find effective ways to react to these differences in their strategies.

CONSUMERS’ INSTITUTIONAL LOGICS

Institutional theory is well established in management research but only recently made inroads into international
consumer research. It focuses on institutional fields as established and prevalent social rules and norms guiding social interactions. As most markets are highly complex, norms are essential to facilitate market behavior (Denzau and North 1994; March and Olson 1998; Scott 2001). These fields and their norms are established and sustained through instruments of socialization (e.g., word-of-mouth, stories, etc.). Closely related to these norms are mental models that provide logics regarding if-then construals, i.e., routines of actions.

Arguing that consumers also have shared norms about the market place that guide their behaviors, Singh, Lentz, and Nijssen (2010) developed the concept of Consumers’ Institutional Logics of Market Action (CILMA). CILMA is a two-dimensional construct that builds on the duality of contracts and relations. It refers to the logics of instrumentalism and appropriateness (March and Olson 1998). The two basic dimensions to describe market exchanges are: (1) Contracts logics: Market exchanges are structured by institutions that emphasize the rule of formal contracts in dictating terms of firm-consumer relationships, and (2) Relational logics: Relational codes of conduct that are institutionalized to emphasize trust and reciprocity among market actors.

Previous research on international differences in customer participation behavior mainly focused on cultural aspects in order to explain differences in behaviors between different countries. However, these differences do not pertain to specific industries, so that the level of explanation chosen is possibly too general. Institutional theory and specifically the CILMA construct can add more detail in order to better understand industry-specific differences in participation behaviors between countries. However, it has to be noted that although CILMA shares common elements with existing cultural constructs, three fundamental points of distinction can be found (Singh, Lentz, and Nijssen 2010): (1) Cultural constructs reflect more general mental models shared by all members of a cultural community and are relevant to all situations – CILMA however is specific to market exchanges, (2) Cultural constructs are present from the beginning and are central to the identity of its members – CILMA focuses on mental models that develop with accumulating experience of exchanges with an industry, and (3) Cultural constructs tap into underlying values that define and characterize members of a cultural group – CILMA is more closely related to expectations that describe market actors’ behaviors. Although cultural constructs and CILMA cannot be regarded as competing mechanisms, CILMA is nested within cultural constructs. In the following, we develop hypotheses on the effects of CILMA in the context of customer participation behavior. However, before developing the hypotheses we propose a baseline model for antecedents and consequences of customer participation behavior.

Baseline Model of Customer Participation Behavior

Customer participation makes the customer partly responsible for the outcome. Such involvement tends to lead to higher service productivity (Bendapudi and Leone 2003), higher service quality (Bitner et al. 1997; Lengnick-Hall 1996), higher customer satisfaction (Dellande, Gilly, and Graham 2004) and customer loyalty (Auh et al. 2007; Lam et al. 2004).

Trust is an important driver of customer participation behavior. Trusting beliefs regarding a service provider can be differentiated into cognitive trust and affective trust (Johnson and Grayson 2005). Cognitive trust reflects the consumers’ willingness to rely on a service provider based on specific instances of reliable conduct. Affective trust is based on affective experiences from interacting with the service provider. Based on prior research findings, we anticipate that trust breeds commitment and thus increases customer cooperation behavior (Morgan and Hunt 1994; Palmatier et al. 2006). Consistent with this we present a baseline model of antecedents and consequences of customer participation in which participation is positively related to customer repurchase intentions and negatively to customer switching intentions (see Figure 1).

First- and Second Order Effects of CILMA

A key insight from institutional theory is the acknowledgement of an institutional field’s normative influence on consumer and firm behavior (Scott 2001), and thus the constructs and relationships from our baseline model. The institutional norms are “rules of procedures that actors employ flexibly and reflexively to assure themselves and those around them that their behavior is reasonable” (DiMaggio and Powell 1991, p. 20). So, consumers will align their behaviors with the norms of the market’s institutional field and comply with its normative and coercive pressures. Based on this general premise, and consistent with Singh, Lentz, and Nijssen’s (2010) research, we will develop hypotheses regarding two types of effects of institutional field: first order mean effects and second order moderation of relationships in our model across CILMAs prevalent in different countries and industries.

In contracts dominated institutional fields, consumers will expect firms to invest in cognitive and transactional capabilities (Singh, Lentz, and Nijssen 2010). Quality standards, certifications, and guarantees mandated by formal bodies in this institutional field act as contracts and alleviate the need for affective trust and readily shift focus toward cognitive trust. Experimental research provides support showing that when the experimenter served as a...
regulatory agent, affective trust between exchange parties was less and cognitive/transactional factors more important (Kollock 1994). As such, we expect levels of cognitive trust higher in contracts-dominated CILMA and affective trust in relational-dominated CILMA (see also Shapiro 1987).

H1: Compared to contracts-dominated CILMAs, relational-dominated CILMAs will be associated with (a) lower cognitive trust and (b) higher affective trust.

H2: Compared to contracts-dominated CILMAs, relational-dominated CILMAs will be associated with a higher consumer participation behavior.

Moreover, we expect higher levels of customer loyalty in a relational, relative to a rules dominated CILMA. In rules dominated institutional fields, we expect that there likely is higher substitutability among providers because of greater emphasis on institutional standards for quality norms, certification, and product guarantees, thereby mitigating the need for consumer commitment toward any single provider. In a relational dominated CILMA the importance of relational norms in market place exchanges fosters loyalty standards. Hence,

H3: Compared to contracts-dominated CILMAs, relational-dominated CILMAs will be associated with (a) a higher repurchase intention and (b) a lower intention to switch the service provider.

Second-Order Effects of CILMA

In relational-dominated CILMAs customers tend to focus more on reciprocity and mutually satisfying relationships as drivers of their loyalty (Singh, Lentz, and Nijssen 2010). One characteristic of trusting and reciprocal relationships is more pronounced customer participation behavior (Palmatier et al. 2006). Since both customer participation and loyalty are customer behaviors and customers are consistent in their behaviors and cognitions, we argue that in relational-dominated CILMAs, cooperation behavior is not only more prevalent but also more diagnostic for the relationship quality with the service provider. Customer participation behavior should therefore have a strong effect on the propensity to stay in an exchange relationship (Auh et al. 2007). In contracts-dominated markets, reciprocity and relationship quality are less important (Singh, Lentz, and Nijssen 2010). Therefore, customer participation behavior should be a less important driver of customer loyalty. We propose:

H4: Compared to contracts-dominated CILMAs, relational-dominated CILMAs will be associated with (a) a stronger impact of participation behavior on customers’ repurchase intentions and (b) a stronger impact of participation behavior on customers’ intention to switch the service provider.

We additionally argue for a contrast effect with customers being more sensitive to the less common aspect of trust when deciding to cooperate with a service provider. The rationale behind this thought is that the less common trust aspect should attract more attention and should be perceived as more diagnostic than the one that corresponds to the common market logic. That is, in relational-dominated CILMAs, customers should base their decision to participate more on perceived cognitive trust, which is less common and therefore more diagnostic than in contracts-dominated CILMAs and vice versa. We formally propose:
H5: Compared to contracts-dominated CILMAs, relational-dominated CILMAs will be associated with (a) a stronger impact of cognitive trust and (b) a weaker impact of affective trust on customer willingness to participate in the service provision.

METHOD

Study Context

The hypotheses are tested in the banking industry focusing on financial consumer services. This industry was chosen for two reasons. First, financial services are one of the most strongly internationalized service industries (Zeithaml and Bitner 1996). Second, they are relatively comparable in nature across different cultures (Malhotra et al. 2005). As professional services that require a particularly high customer participation, financial services need to be customized to particular customer needs and characteristics (Bitner et al. 1997). Two important requirements of customer participation behavior in a professional service context are customers’ willingness to provide information and willingness to follow the advice of the consultant (Bitner et al. 1997; Ennew and Binks 1999). In the following, we will use these to operationalize customer participation behavior.

The data collection encompassed 11 countries on four continents. Business students were used as respondents. They represent a well-defined target group that is homogeneous and highly comparable across countries (Erdem, Swait, and Valenzuela 2006). This homogeneity minimizes the influence of other potentially influential factors, such as education, social status, family status, wealth, or age (Bearden, Money, and Nevins 2006) and thus contributes to cross-country sampling equivalence. The data collection took place before the worldwide financial crisis, between May 2006 and February 2007.

Data Collection

Survey Instrument. A paper-and-pencil survey was used to collect the data. A carefully selected set of local researchers together with the project leader translated and back translated the scales to ensure correct translations and comparable responses (Brislin 1970).

Relational CILMA and contractual CILMA were assessed with a scale by Singh, Lentz, and Nijssen (2010). Affective trust and cognitive trust were operationalized using scales borrowed from Schumann et al. (2010). The customers’ participation behavior was measured with items by McKnight, Choudury, and Kacmar (2002) that were adapted to the context of financial services. The customers’ repurchase intention was measured with an extended version of a scale by Zeithaml, Berry, and Parasuraman (1996) and the customers’ intention to switch the service provider was assessed with a self-developed scale.

Control Variables. This study controls for several potential influences of customers’ delivery. Among others, it controls for (a) the presence of a regular contact service person at the provider’s end (yes/no question) and (b) other relevant factors including the length of customer relationship, gender and age (Auh et al. 2007), with all items measured using seven-point Likert scales.

RESULTS

Demographic Profile of the Sample

The sample consists of 1,910 business students from major universities in Australia, China, Germany, Hong Kong, India, Mexico, the Netherlands, Poland, Russia, Thailand, and the United States. Consistent with this, more than 70 percent of the participants are between 20 and 25 years of age. Further, the distribution of male and female respondents is equal. With an average length of their customer relationship with the bank of more than eight years, the participants have an acceptable level of customer experience. More than 17 percent of the respondents report having a regular contact service employee.

Reliability Tests

First- and Second-Generation Reliability Tests. The reliability of the scales is tested with first- and second-generation reliability tests. The results of an exploratory factor analysis support the factorial structure. As recommended by Bollen (1989), a measurement model with the factorial structure confirmed in the exploratory factor analysis is build. The model includes cognitive and affective trust, customer participation behavior, customers’ repurchase intention and intention to switch the service provider, as well as relational and contractual CILMA. When tested on the entire sample the model achieves an acceptable fit: \( \chi^2 = 2487.90, df = 409, p < .001, \chi^2/df = 6.08, \text{goodness-of-fit index (GFI)} = .92, \text{adjusted goodness-of-fit index (AGFI)} = .90, \text{Tucker-Lewis index (TLI)} = .93, \text{confirmatory fit index (CFI)} = .94, \) and root mean squared error of approximation (RMSEA) = .05. The obtained intercorrelations are acceptable (see Table 1) and also discriminant validity for all scales can be confirmed since the Fornell and Larcker criterion is met (Fornell and Larcker 1981). All Cronbach’s alpha values are above the recommended level of .70 (Nunnally 1978). Also all factor reliability (FR) scores exceed the recommended level of .60. Furthermore, all sample-level average variance extracted (AVE) scores are higher than the recommended level of .50 (Bagozzi and Yi 1988).

Common Method Variance. The cross-sectional survey design has the potential for bias due to common
method variance (Podsakoff, MacKenzie, and Lee 2003). However, in the present study, only between-groups hypotheses were tested, and there is no reason to believe that the groups differ systematically in their common method variance (Hofman, Morgeson, and Gerras 2003). This implies that the results of this research should not be substantially affected by common method bias.

**Test for Measurement Invariance.** Measurement invariance across cultures is tested with a procedure by Steenkamp and Baumgartner (1998). Due to spatial constraints only the results are displayed. The configural invariance models all display acceptable model fits. In a next step, the factor loadings are constrained to be equal across the country groups to control for metric invariance (Steenkamp and Baumgartner 1998). All scales are at least partially metric invariant. In a last step, scalar invariance is tested and the scales can be considered partially scalar invariant.

**Deriving Contracts and Relational-Dominated CILMA Clusters**

The testing of our hypotheses requires clustering of the countries into two groups: relational vs. rules-dominated CILMAs. To achieve this, general linear models are used to calculate between-country differences in relational and contractual CILMA. To ensure correct estimation, control variables were included. The estimated marginal means are displayed in Table 2.

Based on the means of the relational CILMA (Mean = 4.81) and contractual CILMA (Mean = 4.58) a matrix was then build to identify clusters of countries with a similar CILMA orientation. Poland and Russia (N = 293) form a cluster that can be characterized as contracts-dominated CILMA; this cluster is high in contractual and low in relational CILMA. The Netherlands and Hong Kong (N = 326) constitute the relations-dominated cluster; this cluster is high in relational and low in contractual CILMA. Both other clusters have mixed CILMA profiles; they rely on a mix of relational and contractual market logics. China, Thailand, the U.S., and India (N = 825), for instance, are high in contractual as well as relational CILMA, whereas Germany and Australia (N = 466) found to be both scoring low on contractual and relational CILMA dimensions, respectively.

**Hypotheses Tests**

The baseline model is tested using structural equation modeling using AMOS 18 software. The model is tested on the entire dataset and displays acceptable fit: $\chi^2 = 1455.64$, $df = 146$, $p < .001$, $\chi^2/df = 9.97$, $GFI = .92$, $CI = (0.79, 0.93)$, $RMSEA = .06$, $SRMR = .05$.

---

**TABLE 1**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Intercorrelations</th>
<th>a.</th>
<th>b.</th>
<th>c.</th>
<th>d.</th>
<th>e.</th>
<th>f.</th>
<th>g.</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Cognitive Trust</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>b. Affective Trust</td>
<td></td>
<td>.60***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Participation Behavior</td>
<td></td>
<td>.42*** .55 ***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Repurchase Intention</td>
<td></td>
<td>.56 *** .51 *** .60 ***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Intention to Switch</td>
<td></td>
<td>-.18 *** -.26 *** -.22 *** -.26 ***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Relational CILMA</td>
<td></td>
<td>.31 *** .43 *** .38 *** .31 *** .01</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Contractual CILMA</td>
<td></td>
<td>.16 *** .07 *** .09 *** .10 *** .19 *** .11 ***</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Average variance extracted: .69 .55 .50 .54 .67 .63 .52
Factor reliability: .90 .78 .80 .85 .81 .91 .87

NOTE: *** p < .001; ** p < .01; * p < .05.
AGFI = .89, TLI = .92, CFI = .93, RMSEA = .07. Both, affective trust ($\beta = .479, p < .001$) and cognitive trust ($\beta = .165, p < .001$) have positive effects on customer participation behavior. Customer participation behavior has a positive effect on customers’ repurchase intentions ($\beta = .630, p < .001$) and a negative effect on customers’ intention to switch the service provider ($\beta = -.257, p < .001$). It matches expectations based on existing literature.

The hypotheses on the first-order effects are tested with t-tests for independent samples. H1a does not find support (see table 3). Cognitive trust in the contracts-dominated CILMA cluster (Mean = 5.16, S.E. = .06) is not significantly higher than in the relational-dominated CILMA cluster (Mean = 5.13, S.E. = .06). However, the results do support H1b, showing that affective trust is significantly higher ($t = 2.91, df 617, p < .01$) in the relational-dominated CILMA cluster (Mean = 4.60, S.E. = .05) than in the contracts-dominated CILMA cluster (Mean = 4.37, S.E. = .06). In support of H2, customer motivation to participate in the service provision process is significantly higher ($t = 5.66, df 617, p < .01$) in the relational-dominated CILMA cluster (Mean = 4.90, S.E. = .06) than in the contracts-dominated CILMA cluster (Mean = 4.46, S.E. = .08). Finally, customer intention to switch the service provider is significantly lower ($t = 5.14, df 617, p < .01$) in the relational-dominated CILMA cluster (Mean = 3.92, S.E. = .07) than in the contracts-dominated CILMA cluster (Mean = 4.47, S.E. = .09).

The hypotheses on the second-order effects are tested with multi-group analysis across the two clusters in a structural equation model. The effect of customer participation behavior on customers’ repurchase intention is significantly stronger ($\chi^2 = 7.11, df = 1, p < .01$) in the relational-dominated CILMA cluster ($\beta = .712, p < .001$) than in the contracts-dominated CILMA cluster ($\beta = .562, p < .001$). Also the effect of customer participation behavior on customers’ intention to switch the service provider

<table>
<thead>
<tr>
<th>Country</th>
<th>Est. Marginal Mean</th>
<th>Est. Marginal S.E.</th>
<th>Mean</th>
<th>S.E.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>4.43</td>
<td>.10</td>
<td>4.56</td>
<td>.10</td>
</tr>
<tr>
<td>China</td>
<td>5.32</td>
<td>.10</td>
<td>4.64</td>
<td>.10</td>
</tr>
<tr>
<td>Germany</td>
<td>4.24</td>
<td>.07</td>
<td>4.49</td>
<td>.07</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>5.16</td>
<td>.09</td>
<td>4.26</td>
<td>.09</td>
</tr>
<tr>
<td>India</td>
<td>5.00</td>
<td>.10</td>
<td>4.54</td>
<td>.10</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.82</td>
<td>.09</td>
<td>4.91</td>
<td>.09</td>
</tr>
<tr>
<td>Netherlands</td>
<td>5.10</td>
<td>.09</td>
<td>4.13</td>
<td>.09</td>
</tr>
<tr>
<td>Poland</td>
<td>4.38</td>
<td>.09</td>
<td>4.89</td>
<td>.08</td>
</tr>
<tr>
<td>Russia</td>
<td>4.28</td>
<td>.11</td>
<td>4.70</td>
<td>.10</td>
</tr>
<tr>
<td>Thailand</td>
<td>5.06</td>
<td>.08</td>
<td>4.54</td>
<td>.08</td>
</tr>
<tr>
<td>USA</td>
<td>5.10</td>
<td>.09</td>
<td>4.68</td>
<td>.08</td>
</tr>
<tr>
<td><strong>F (df 10)</strong></td>
<td><strong>21.71</strong></td>
<td>***</td>
<td><strong>6.37</strong></td>
<td>***</td>
</tr>
</tbody>
</table>

**NOTE:** *** p < .001; ** p < .01; * p < .05.
is significantly stronger ($\chi^2 = 8.00$, df = 1, $p < .01$) in the relational-dominated CILMA cluster ($\beta = -.395, p < .001$) than in the contracts-dominated CILMA cluster ($\beta = -.126, p < .001$). These findings support H4a and H4b respectively.

With regards to H5 mixed support exists. In support of H5a, the effect of cognitive trust on customer participation behavior is significantly stronger ($\chi^2 = 5.82$, df = 1, $p < .05$) in the relational-dominated CILMA cluster ($\beta = .365, p < .001$) than in the contracts-dominated CILMA cluster ($\beta = .012$, n.s.). Although in the predicted direction, the effect of affective trust on customer participation behavior does not differ significantly ($\chi^2 = 2.39$, df = 1, n.s.) between the relational-dominated ($\beta = .400, p < .001$) and the contracts-dominated CILMA cluster ($\beta = .572, p < .001$). Hence, there is no support for H5b.

**DISCUSSION**

**Theoretical Implications**

The results of this study contribute to international marketing research in at least three ways. First, the results provide support for the validity of the CILMA construct in a different service industry and with a larger number of countries. Whereas Singh, Lentz, and Nijssen (2010) focus on the insurance industry in three countries, this research focuses on banking services in eleven countries. This allows us to identify four clusters of countries. Due to spatial constraints, the present study only focuses on the relational-dominated and contracts-dominated cluster and does not address the two balanced clusters, which will be subject to further research.

Second, the findings extent prior research on CILMA and show that CILMA can be applied to explain between-country differences in customer participation behavior and its antecedents and consequences. The results show that CILMA has a first-order effect on affective trust, which is higher in relational-dominated CILMA than in contracts-dominated CILMAs. No difference, however, is found for cognitive trust. Our results elaborate findings by Singh, Lentz, and Nijssen (2010) who found only partial support for higher levels (means) of trust in relational-dominated CILMA, which might be attributed to the fact that the authors incorporate both, cognitive and affective aspects of trust in their trust-scale. Separating cognitive and affective trust aspects is therefore advisable to achieve more meaningful results. Future research should investigate whether differences in cognitive trust appear in other industries, where ability is less critical than in banking services.

More importantly, the findings show a first-order effect of CILMA on customer participation behavior; participation is higher in relational-dominant CILMAs. It suggests that in markets where customers view providers and consumers to be exchanging products based on strong relationship, they more often participate in co-production and co-development of services.
Third, the findings show that CILMA also has second-order effects on customer behavior. The findings elaborate prior findings by Singh, Lentz, and Nijssen (2010), who only found partial support for a stronger effect of trust on customer commitment in relational-dominated CILMAs, i.e., the alignment premise of institutional theory for consumer behavior. The findings of this research show that CILMA moderates the effect of cognitive trust on customer participation behavior, which is stronger in relational-dominated CILMAs. No significant difference, however, is found for the effect of affective trust on customer participation behavior. Possibly the service setting may make differences in cognitive rather than affective trust easier to detect for consumers and as a result also for our analyses. Future research with more countries can create CILMA clusters more extreme profiles and may better be able to detect differences.

The findings also show that customer participation behavior has a stronger effect on customer loyalty intentions in a relational-dominated CILMA, supporting the notion that customers are consistent in their behaviors and cognitions. In relational-dominated CILMAs, customer participation behavior is not only more pronounced, but is also a more relevant driver of customers’ loyalty than in contracts-dominated CILMAs, that do not have a high value for interpersonal relations. Customers’ that act according to the relational market logic and participate in the service provision process also have higher loyalty intentions.

Managerial Implications

The findings have important implications for managers of international service firms. The results show that marketing managers of global service firms should consider consumers’ institutional logics, when developing a global marketing strategy or entering a foreign market. One aspect that managers should adapt to the respective CILMA is the effort they put in developing trust, fostering customer participation behavior, and customer loyalty, since the findings of the present study show significant level differences. Managers therefore need to invest more effort in contracts-dominated CILMAs, which go along with lower levels of affective trust, customer participation behavior, and customer loyalty. When fostering co-production behavior, managers also need to take different actions in different markets by stressing cognitive trust more in relations-dominated CILMAs. When building loyal relationships, managers of global service firms should also consider CILMA and especially strive to enhance customer participation in relations-dominated CILMAs. Here customer participation behavior is a particularly relevant driver of customer loyalty.

Limitations and Outlook

Several limitations of the study need to be mentioned that imply the potential for future research. First, due to spatial constraints, this study does not focus on the inter-relation of CILMA, cultural values, and the GDP of the different countries. Future research will address this issue. Second, the present study focuses predominantly on behavior, which is higher or more important in a relations-dominated CILMA. Future research should help us understand better, whether markets with relations-dominated CILMAs function better in general or whether there are behaviors and mechanisms that can make up for the lower levels of trust, customer participation behavior and loyalty in contracts-dominated CILMAs. Third, the study is conducted on students as a sample in the context of financial services. Whereas, we argue that the use of a student sample is reasonable due to the cross-cultural research focus and the findings of this research support prior findings on a representative sample of customers, future research should test this assumption.

REFERENCES


SOCIAL PRESENCE AND SERVICE SATISFACTION: THE ROLE OF INDEPENDENT SELF-CONSTRUAL

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Qimei Chen, University of Hawaii,
Dana L. Alden, University of Hawaii

SUMMARY

In the service satisfaction literatures, the “expectancy disconfirmation” model (Oliver 1997) posits that satisfaction depends on whether the service provider meets, exceeds, or falls below the customer’s expectations. Although the global generalizability of this model is well-documented (e.g., Keil, Hult, and Kandemir 2004; Laroche et al. 2004; Tam 2005; Ueltschy et al. 2004), its strong emphasis on the individual context has been questioned. Recognizing this issue, marketing scholars (e.g., Fournier and Mick 1999) have called for investigation of satisfaction in broader social contexts that account for lifestyle, family and social identity. In addition, social psychologists have long recognized that consumers’ thoughts, feelings and behaviors are, in part, shaped by the actual, imagined, or implied presence of others (Allport 1924). Given this, we examine the critical role of the presence of a social audience play on an individual’s satisfaction formation. Since social presence effect originates from self-monitoring and the desire to maintain a positive social image (Miller and Leary 1992), it occurs when one’s social image is perceived to be enhanced (damaged) in others’ eyes during a positive (negative) event (Dahl et al. 2001; Argo et al. 2005; Webster et al. 2003). When the social image is enhanced (damaged), social presence should further enforce those positive (negative) reactions (i.e., service satisfaction) to the event. Consequently, due to a state of enhanced alertness produced by the presence of others (Zajonc 1980), an individual’s reaction to a service encounter (i.e., service satisfaction) will be more pronounced with a social audience. Therefore, we posit that social presence will enhance satisfaction with positive service treatment by a sales representative and increase dissatisfaction with negative service treatment. We further examine the moderating role of independent self-construal on social presence effects. In particular, we expect a three-way interaction between social presence type, independent self-construal and valence of service experience on service satisfaction. These predictions are examined in three studies.

Study 1 tested the hypothesized effect of social presence on service satisfaction. Study 1 featured a 2 (valence of service experience: positive vs. negative) X 2 (social presence: no presence vs. presence) between-subject factorial design. The results showed that when the service experience was positive, participants in the social presence condition had significantly higher service satisfaction ratings than those who were alone at the service counter ($M = 4.39$ versus $3.25$, $t[41] = 1.80, p < .04$). Planned contrasts for the negative service experience were not significant ($p > .44$).

Study 2 examined the interactive effects of type of social presence and independent self-construal on service satisfaction during a negative service encounter. To this end, study 2 featured a 2 (independent self-construal: high vs. low) X 3 (social presence: no presence, in-group presence vs. out-group presence) between-subject experimental design. The results demonstrated that for high independents, social presence (in-group and out-group presence combined) versus no social presence had no impact on satisfaction ($F[2, 74] = 1.80, p > .17$). When the service encounter was negative, the presence of out-group members led to lower service satisfaction than no social presence for low independents ($M = 2.97$ versus $3.97$, $t[59] = 2.30, p < .02$). Further, in-group presence resulted in lower satisfaction than no presence for low independents ($M = 3.04$ versus $3.97$, $t[46] = 1.82, p < .04$). However, the difference of low independents’ satisfaction ratings was non-significant between in-group and out-group presence ($p > .41$).

Study 3 examined the interaction effects involving type of social presence and independent self-construal on service satisfaction during a positive service encounter. Similar to study 2, study 3 featured a 2 (independent self-construal prime) X 3 (social presence) between-subject experimental design. The analysis revealed that for high independents, social presence (in-group and out-group presence combined) versus no social presence had no impact on satisfaction ($F[2, 53] = 1.71, p > .31$). When the service was positive, the presence of out-group members led to higher service satisfaction than no social presence for low independents ($M = 5.72$ versus $4.70$, $t[36] = 1.91, p < .04$). In addition, in-group presence resulted in higher satisfaction than no presence for low independents ($M = 6.38$ versus $4.70$, $t[34] = 2.94, p < .01$). In-group presence resulted in higher satisfaction ratings than out-group presence ($M = 6.38$ versus $5.72$), however, the difference was non-significant ($p < .13$).
Overall, these results suggest that social presence effects vary depending on the outcome of the service. Social presence intensifies service satisfaction when the service experience is positive. Our research further examines the interaction between social presence type and independent self-construal. The results show that for low independents, social presence (both in-group and out-group) increases service satisfaction (dissatisfaction) during a positive (negative) service encounter, whereas for high independents, social presence exerts little impact on service satisfaction. These interesting findings offer managers opportunities to manage social presence effects through personnel training and servicescape design.
E-COMMERCIALIZATION IN THE NON-PROFIT SECTOR: ADOPTION OF INCREMENTAL AND RADICAL INNOVATIONS

Patrali Chatterjee, Montclair State University, Upper Montclair

SUMMARY

Most industries are engaged in continuous or periodic innovation and reorientation due to the dynamic nature of most markets (Lee and Grewal 2004; Wu, Mahajan, and Balasubramanian 2003). Despite the importance given to adoption of technological innovations, lack of studies for the non-profit organizations (NPOs) sector has been widely recognized in the literature (Hult and Kertchen 2001; Andreassen and Kotler 2003). Unlike the for-profit sector, innovation decisions in non-profit organizations have to simultaneously address diverging needs and interests of multiple stakeholders (revenue-generating donors, volunteers, revenue-generating and non-revenue-generating beneficiaries) all of whom are critical to the organization’s survival (Arnett, German, and Hunt 2003) and have to evaluated in the context of multiple criteria: growth in donations, increased divestment toward mission-specific activities, increase in advocacy and awareness of cause, etc., making it difficult to extrapolate findings in the for-profit sector.

The adoption rate of Web technologies is relatively low compared to the for-profit sector yet e-philanthropy is a critical innovation in the non-profit sector and can transform the non-profit sector (Bernholz 1999). Drawing on organizational innovation (Tushman and Anderson 1986; Atuahene-Gima and Ko 2001) and resource-based view of the firm (RBV) theory (Pfeffer and Salancik 1978) this study investigates organizational characteristics (resource slack, type and nature of stakeholder dependence, market orientation and entrepreneurial proclivity) associated with adoption of incremental (e-donate) and radical (e-affiliate) technology innovations by non-profit organizations. Empirical analysis of financial data from the national IRS Form 990 database of U.S. based non-profits supplemented with information on incremental and radical e-commerce adoptions through content analysis of 2,457 non-profit websites is used to examine proposed hypotheses.

E-donate technology as an incremental innovation and e-affiliate technology as a radical innovation – are based on the same web-based e-commerce backbone. Hence any results obtained capture the impact of competence-exploiting versus competence-exploration aspect of the innovation, and free of cost effects. E-donate technologies offer an efficient, integrated turnkey solution for all fundraising operations through automated donation solicitation, donor relationship management, funds collection and processing thus replacing the existing inefficient, labor-intensive fundraising process. In contrast, non-profits use e-affiliate technologies to explore alternate revenue-generating sources. By enabling their websites with e-affiliate technological applications, non-profit organizations can participate in cause-based advertising and shopping networks of for-profit firms (e.g., igive.com). Such e-affiliate networks expose non-profits to previously unknown consumer segments at for-profit websites, generates commission or service (rental) income and novel giving opportunities. Unlike e-donate technologies that reduce the costs of serving current donors and clients, e-affiliate technologies serve to generate incremental revenues from new stakeholders in part to serve the needs of current donors and clients. Hence e-affiliate technology represent a radical innovation, a market-based discontinuity (Chandy and Tellis 2000) or diversification to new product-consumer markets by involving new for-profit stakeholders, modifying or adding activities, features and content that may be unrelated to the charitable mission at the non-profit website for online shoppers and merchants (see Borzo 2005).

Unlike the organizational economists’ view of slack as waste, incompetence and lower performance, or the ability to innovate and hence improved performance (Nohria and Gulati 1996), the notion of slack, cash surplus or working capital in the non-profit depends on their relative dependency on stakeholder type. Non-profits in certain mission categories (e.g., human services) lack the ability to meet their existing performance demands, hence may lack the financial resources to seed technology initiatives (Weisbrod 1998). Non-profits with a cash surplus have to choose between investing in technological innovations or use as a buffer to ensure survival of the institution in time of stress. Some may have mandates that require them distribute it toward achieving mission-specific goals (Tuckman and Chang 1996). Hence, two opposing hypotheses apply. Non-profit organizations with relatively higher slack resources are (a) more likely to adopt incremental innovations but less likely to adopt radical innovations if they are highly dependent on non-revenue generating users, (b) more likely to adopt radical and incremental innovations if they are highly dependent on revenue-generating users.

Research on relationship multiplexity between commercial firms show increase in number of different rela-
Results show that multiple stakeholder dependency (previously uninvestigated in the innovation literature) significantly enhances the impact of resource slack on radical innovations but not incremental innovations. Non-profits dependent on revenue-generating service users are more likely to adopt radical innovations than those dependent on revenue-generating non-users. Further, radical innovations can induce entrepreneurial activity among non-profit organizations primarily dependent on revenue-generating non-users. Finally, we show how our framework will enable researchers to better understand and evaluate innovation strategy decision-making in the non-profit sector.

REFERENCES

FIRM-INTERNAL DRIVERS OF NEW PRODUCT PERFORMANCE: THE NEGLECTED ROLE OF INTERNAL ADOPTION AND PERCEIVED NEW PRODUCT DEVELOPMENT UNCERTAINTY

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SUMMARY

A large body of research in innovation management has investigated drivers of new product success. However, despite this extensive research, P&G’s CEO, A.G. Lafley, states that in practice, only 15 percent to 20 percent of new products succeed in the industry (BusinessWeek 2009). Consequently, a critical research question is why so many new products fail and which further – and thus far overlooked – determinants of new product performance are crucial.

Managers in search of an answer to this fundamental question consider firm-internal problems to be a major obstacle, stating that “there’s no shortage of new product concepts. But new ideas themselves are worthless. You need to move from idea to execution, and that is where the majority of companies stumble” (BusinessWeek 2008, p. 12). This major challenge to firms provides a starting point for our study.

We conducted a great quantity of in-depth interviews to gain an idea which factors truly affect new product performance. In particular, we asked our interview partners to specify major challenges during the execution of an NPD project and to identify all major determinants of new product performance. Besides established success drivers, a large majority of our respondents emphasized the importance of internal adoption by NPD members and referred to NPD uncertainty as a major challenge during NPD.

On the basis of these insights, we argue that perceived NPD uncertainty and internal adoption by NPD members are two thus far overlooked antecedents of new product performance which matter over and above traditionally studied success drivers. Thereby, the central premise of our research model is that perceived NPD uncertainty inherent to the NPD process affects new product performance directly and indirectly via internal adoption by NPD members. We conducted a cross-sectional quantitative study to empirically validate these propositions. The analysis of our dataset provides evidence that internal adoption and perceived NPD uncertainty affect new product performance. In detail, perceived NPD uncertainty exerts a negative and internal adoption exerts a positive impact on new product performance. Further, our results provide support for a negative mediating effect of NPD uncertainty on internal adoption.

Finally, we investigated which conditions influence the effects of both new product performance antecedents. Our study yields two important findings in this respect. First, we found a positive moderating effect of product innovativeness on the link of perceived NPD uncertainty and internal adoption. In other words, product innovativeness decreases the negative impact of perceived NPD uncertainty on internal adoption. Second, consistent with extant research on cross-functional integration, our results indicate that new products are more likely to be successful with cross-functional integration under conditions of high NPD uncertainty. This finding is in accordance with our reasoning that a formalized information processing mechanism can reduce the negative effect of perceived NPD uncertainty on new product performance since it contributes to reducing the lack of perfect information about the internal and external environment.

In terms of managerial implications, our findings call attention to the paralyzing power of NPD uncertainty on NPD members’ efficiency as well as to the desirable extra effort NPD members expend during NPD that internal adoption provokes. In addition, our moderating analysis can guide managers as to when and how to deal with these two success factors.

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INNOVATION IN STRATEGIC ALLIANCES: A KNOWLEDGE-BASED VIEW

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SUMMARY

Strategic alliances play a critical role in global innovation. Firms can overcome resource constraints and achieve superior innovative performance not only by using internal resources but also by acquiring knowledge-based capabilities from alliance partners. Alliance learning falls into two categories: within alliances and from alliances (Inkpen 1998). While the former examines how collective learning impacts alliance-based performance, the latter sheds light on how individual firms internalize knowledge from alliance partners to facilitate their own performance. Following the latter stream of research, the authors investigate how knowledge acquired from alliance partners impacts organizational knowledge creation, which in turn leads to firms’ own innovative performance. Figure 1 outlines the conceptual framework.

First, the authors propose that knowledge creation mediates the effect of knowledge acquisition on innovative performance. The knowledge-valuation perspective and resource-based theory further suggest that the knowledge-innovation relationship will be stronger in international alliances than domestic alliances (Barney 1991; Menon and Pfeffer 2003). Finally, extant literature often assumes that alliance learning is based on a cooperative relationship between partner firms. However, due to co-existence of cooperation and competition in interfirm relationships (Lado, Boyd, and Hanlon 1997), the authors argue that both factors impact knowledge acquisition in strategic alliances.

To test the proposed hypotheses, the authors collected data from public sources (e.g., journals, internet, and newspaper) and IHK (the German Chambers of Commerce and Industry) in Germany. Out of 223 firms that agreed to participate in this study, 127 responded the survey, resulting in a high response rate of 57.0 percent. The sampling frame includes 70 domestic alliances and 57 international alliances. Results confirm that knowledge creation mediates the effect of knowledge acquisition on innovative performance, and that international alliances strengthen the effect of knowledge creation on innovative performance. The knowledge acquisition-creation link, however, does not differ in terms of alliance nationality. The authors further divide international alliances into four categories: Germany-EU (16 alliances), Germany-U.S. (12), Germany-Japan (12), and Germany-China (9). Comparing these international alliance types with domestic alliances (Germany-Germany; 70), they suggest that...
knowledge acquired or created by German firms through alliances with firms in the U.S. and Japan tend to draw more attention from top management and therefore exert a stronger effect on the innovation process. Last but not least, results support the notion that both cooperation and competition increase knowledge acquisition in alliances. However, different mechanisms underlie each relationship. While the cooperation-knowledge acquisition association reflects mutual benefits and relationship effectiveness between alliance partners, the competition-knowledge acquisition association reflects firms’ opportunistic desires to learn from their alliance partners in pursuit of private benefits. Thus, findings highlight the need to actively manage the cooperation-competition tension in strategic alliances.

REFERENCES
STRATEGIC ORIENTATION AND INNOVATION: A DECOMPOSITIONAL APPROACH

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SUMMARY

How firms approach and manage their innovation efforts is, to a large extent, determined by the strategic orientation they adopt. Substantial research on strategic orientation’s relationship with innovation exists. In marketing, the literature has focused on market, technology, learning, and entrepreneurial orientations. These studies reveal mixed results. Thus, despite a sizable body of research, the exact nature of the relationship between these strategic orientations and innovation outcomes remains unclear and under investigation. We suggest this is the case for three reasons.

First, comparing the effects of alternative strategic orientations on innovation is difficult, since three out of the four orientations noted are composite, multi-dimensional constructs. Second, few studies explicitly differentiate between incremental and breakthrough innovation when assessing strategic orientation’s impact on innovation, potentially underlying the mixed findings. Third, most of the research has focused on manufactured goods rather than services, with few studies addressing the potentially differing importance of innovation drivers between the two product types. To address these three issues, we take a decompositional approach to strategic orientation’s role in innovation. Our study empirically examines a subset of strategic orientation components, developing a set of hypotheses specifically addressing how strategic orientation components relate to incremental vs. breakthrough innovation outcomes in services vs. manufactured goods companies.

We argue that certain strategic orientation components determine a firm’s strategic focus on one or more core market elements (i.e., customers, competitors, and technology), while others determine a firm’s future-oriented mindset (i.e., proactivity, as a facet of entrepreneurial orientation, and open-mindedness, as a facet of learning orientation). A firm’s strategic focus, in turn, is translated by its future-oriented mindset into product innovation outcomes. Finally, we also link incremental and breakthrough new product outcomes to overall organizational performance. Our model explicitly accounts for product type (services vs. manufactured goods) effects.

Data for this study were collected from 221 executives in Swiss and German companies. Utilizing partial least squares (PLS), we run an overall analysis, as well as separate analyses for service (n=78) vs. manufactured goods (n=143) respondents. Our findings indicate (among others) that a customer orientation influences incremental innovation in service firms only, potentially due to services being dependent on customer for production. Furthermore, a technology orientation has direct effects on breakthrough and incremental innovation, again only for service firms, suggesting that the strategic fostering and use of technology might be a stronger innovation lever for services than manufacturing companies.

In addition, our model indicates that a customer orientation is equally beneficial in both service and manufacturing firms for fostering proactivity, while a competitor orientation supports proactivity only in service firms and a technology orientation does so only in manufacturing firms. Surprisingly, proactivity has no direct relationship to innovation (either incremental or breakthrough), in contrast to prior findings. On the other hand, open-mindedness mediates the relationship between technology orientation and breakthrough innovation efforts in both service and manufacturing firms. Finally, both incremental and breakthrough innovation positively relate to overall organizational performance for all firms, whereas incremental innovation shows a positive impact for manufactured goods only.

This study contributes to research on strategic orientation’s role in innovation and organizational performance in several ways. In taking a decompositional approach to the strategic orientation-product innovation relationship and distinguishing between product and innovation type, we provide additional insights into the specific nature of relationships, resulting in more concrete managerial implications and investment guidelines. Our findings suggest that manufactured goods firms wishing to increase breakthrough innovation output should primarily foster open-mindedness, supporting it with a proactive stance toward market changes and opportunities. For service companies, on the other hand, a combination of open-mindedness and strong technology orientation is more supportive for breakthrough innovation.
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IDENTIFICATION OF FACTORS AFFECTING CUSTOMERS’ PERCEPTION AND ADOPTION OF REMOTE SERVICE TECHNOLOGIES IN A B2B-CONTEXT

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SUMMARY

“The world is becoming characterized by services” (Ostrom et al. 2010, p. 4) during the last decade, services industries were subject to considerable changes with regard to the way services are provided and delivered. Modern information technologies leverage service advances and alter not only the nature of services and their delivery but also the interaction at the interface between service providers and customers. Little empirical research has been done to examine complex and technology demanding remote service technologies that are used and delivered in business-to-business services. Motivated by this existing gap our research focuses on the exploration of remote service technology perception and adoption in business-to-business encounters. In contrast to B2C self-service technologies that are technological interfaces that enable the customer to produce a service independent of direct service employee involvement, B2B remote services are provided in a technology-mediated production process, exclusively allowing the service providers to access and modify the service object over long. The provision of services from a distance complicates customers’ perception of the actual rendered services and the subsequent judgment of quality. Remote services replace the face-to-face exchange and communication between the service organizations and their customers. This new form of technology-mediated interaction characterized by “boundaryless relationships and low-friction transactions, exchanges and business operations” (Ostrom et al. 2010, p. 29) generates unexpected challenges both for the service providers and the customers and might change the relationship especially in a B2B-setting because these interpersonal exchanges are important factors determining services success and give an impression about service quality. Against this background, this research intends to answer the following research questions: How do customers perceive and evaluate remote services? What are their expectations? How will the transformation from close personal contact to technology-mediated interaction affect the relationship between service provider and customer?

Theoretical Background

Remote Services allegorize a particular form of previously researched technology-mediated services and are therefore defined as a unique service type. Remote services are provided in a technology-mediated production process independent of the physical separation of customer and provider. Hereby, the service object is remotely modified via control and feedback devices. In this case we investigate proactive remote services and define them as “proactive remote service are one-directional technology-mediated services enabling the service provider to preventatively monitor, diagnose and repair physically separated service objects ideally without human to human interaction and customer’s collaboration.”

Existing literature has provided a sustainable understanding of face-to-face service encounters, and self-service encounters but not yet of remote service encounters even though their importance for managers and academics has been forecasted. In the last years, service technology received attention from researchers in both disciplines management and marketing. Literature on (self)-service technologies (SST) generally examines factors that determine acceptance. Drivers of usage and satisfaction are examined and predictors of self-service adoption like technology-readiness and technology anxiety are identified. Research from B2C-settings prove that from a consumer’s perspective the technology-mediated service encounter can be both beneficial and challenging. Customers are used to close personal contact in the service encounter and oftentimes prefer personal exchange and interaction.

Interactive services research has identified the service provider representative’s behavior as an important component in service perception. It is evident to analyze how customers evaluate remote service encounters, where customers and employees are no longer physically interacting.

Qualitative Research Design

We have chosen an exploratory research design and in-depth interviews as a method to capture underlying dimensions of how customers perceive the remote service technology. Particularly in industrial settings qualitative research plays an important role when it comes to capture subconscious motives and perceptions of respondents. We have chosen the healthcare industry as unit of analysis.
Results

The interviews are analyzed with a software called GABEK (holistic processing of complexity) that is helpful to deal with a high amount of verbal data. Nine main categories (each consisting of several sub-categories) are identified that form the remote service perception framework: remote service technology, remote service workflow, interaction, economic value, information, individualization, additional services as well as customer and provider characteristics. The results are shown in Figure 1. References are available upon request.

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KEEP IT PERSONAL! NEW SERVICE DEVELOPMENTS AND THEIR IMPACT ON CUSTOMER RELATIONSHIPS

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SUMMARY

Technology-based self-services have profoundly found their way into both business practice and research. Today’s customers are used to scan their items at the grocery store, check-in for their flight at a self check-in kiosk, or conduct banking transactions online. In nowadays’ competitive environment, many firms use self-services to increase their service productivity while reducing the costs of service delivery. In doing so, the costs for an onsite banking transaction can be reduced from 1.15 U.S. dollars to only 2 cents per online transaction (Moon and Frei 2000); the number of passengers processed for a flight can be increased by up to 50 percent via self check-in options (IATA, in SITA 2009); and about 2.5 employees can be replaced for one self-checkout kiosk at the grocery store (The Economist 2009). Forecasts expect this current trend in business practice to continue and predict an annual increase of self-services of 15 percent from 2010 to 2013, especially in the hospitality and health-care sector (The Economist 2009).

Researchers recognize self-services as the most important consequence of advancements in information technology in the service sector (Rust and Huang 2009). Especially with the ongoing endeavor for increased service productivity, it is not surprising to find that most research so far has mainly underlined the importance of self-services from a cost cutting and efficiency perspective (e.g., Lovelock and Young 1979; Prahalad and Ramaswamy 2000; Rust and Huang 2009). Empirical research on self-services hence focuses on aspects of a customer’s acceptance and motivation to use self-services (e.g., Dabholkar 1996; Curran, Meuter, and Surprenant 2003; Weijters et al. 2007) while neglecting the long-term impact of self-services on customer relationships. Only few voices question this enthusiasm for self-services and call for considering their long-term effects (Selnes and Hansen 2001; Dabholkar and Bagozzi 2002; Meuter et al. 2005). To our knowledge, no study has answered this call yet.

In order to understand the true cost-effectiveness of self-services, an investigation of the long-term effects of self-services on customer relationships is important. By drawing from previous insights in relationship marketing and service encounter research, this study sheds light on the impact of the level of self-services versus personal services used on customer defection. The study’s conceptual model is tested on longitudinal data of 7,112 customers of a telematics service in the automotive industry. The service can be contracted for a flat fee, which allows customers to obtain information either through a web search within their navigation system or call a service employee who provides the desired information and sends it directly into the navigation system if applicable (e.g., address of a nearby ATM or restaurant). Industry examples for such services are the roadside assistance programs “OnStar” offered by Chrysler or “Connected Drive” offered by BMW.

Our results demonstrate that the level of self-services versus personal services used, influences the customer’s likelihood to defect at a statistically significant level. In particular, the results show that the level of self-services versus personal services used affects customer defection in a U-shaped manner, where an intermediate self-service proportion is associated with the lowest chance of defection. Accordingly, customers utilizing both personal- and self-services for service delivery are least likely to defect, whereas customers mainly using one mean of service delivery, be it a self-service or personal service, are most likely to defect. Further analyses indicate that important customer and relationship characteristics, such as a customer’s age and technology readiness or the duration with the provider, mitigate this effect. In particular, we show that the balance between self-service usage and personal service usage on customer defection becomes less important for customers who have a long-established relationship with their provider. We also show that especially in self-service settings, where customers need to learn how to produce a service by themselves, the learning or switching costs perceived by customers are higher, the older a customer. We demonstrate the robustness of these results by controlling for a possible selection bias through propensity score matching.

The results of this study give food for thought about the enthusiasm of self-services in current business practice and research. In particular, our results underline the importance of offering various means of service delivery; but even more so, the results underline the remaining
importance of a personal touch in service encounters even in times of ever-increasing technology advancements. Hence, this research shows that it is not advisable to actively migrate customers to self-service channels completely. Instead, just as Rust and Huang (2009) presume, practitioners need to find the optimal balance between service productivity through self-services and service quality through meaningful interactions with service employees.

Overall, the study’s results give both practitioners and researchers a deeper insight into the long-term effectiveness of self-services and the appropriate actions to be taken to improve customer relationships in self-service settings. References are available upon request.
EMPLOYEE, TECHNOLOGY OR BOTH? THE EFFECT OF TECHNOLOGY-BASED SERVICE DESIGN ON CONSUMER EXPERIENCE

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SUMMARY

Recently researchers emphasize on the importance of the customer experience as a company’s performance outcome (Brakus et al. 2009; Verhoef et al. 2009). Companies are increasingly employing innovative technologies in order to transform service delivery and enhance consumer experience (Dabhokar and Bagozzi 2002; Reinders et al. 2008). Therefore, technology-based service (TBS) systems are becoming an integral part of shopping and hence their design a major tool for improving customer experience.

With respect to online service, it has been suggested that the most effective and desirable web sites are those that are challenging to consumers and heighten their arousal level (Hoffman and Novak 2009). However, there is no similar work provide guidance on the design of technology-based services in order to enhance consumer experience. The purpose of the current study is to investigate how different design characteristics of technology-based services affect consumer experience.

Several researchers suggest that there is a distinction between “passive” technology based services – that require from consumers lower levels of interaction with the technology – and “active” technology-based service systems- that require high level of customer interaction with the technology and active participation (Bolton and Saxena-Iyer 2009; Curran and Meuter 2005; Theotokis et al. 2008; Verhoef et al. 2009). In this study, we use a concept that is referred to the “degree or the level of consumer contact with the technology in a service system,” namely service technology Ccontact (Theotokis et al. 2008) in order to distinguish between “passive” (low technology contact) and “active” (high technology contact) services.

The second design characteristic we suggest is the presence of an employee during the service process. Several companies, especially when introducing a new technology-based service, provide “hybrid services” (Curran, Meuter, and Suprenant 2003) that involve the participation of an employee in parallel with the technology. Reinders et al. (2008) suggest the offering of an interaction with “an employee as a fall-back option” as another mode of technology-based services. We distinguis

H1: Technology anxiety will moderate the relationship between technology contact and arousal. There will be a positive relationship between technology contact and arousal for low technology anxious consumers and an inverted-u relationship for high technology anxious consumers.

H2: Participation of employee will strengthen the effect of technology contact on arousal for high technology anxious consumers and will attenuate it for low technology anxious consumers.

H3: Motivational orientation moderates the effect of arousal on pleasantness. Arousal decreases pleasantness for consumers with a task-oriented motivational orientation and increases pleasantness for consumers with a recreational motivational orientation.

H4: Arousal will mediate, at least partially, the effect of employee participation and technology contact on pleasantness.
In order to test research hypotheses we conducted a field experiment. The site for this field experiment was two supermarket stores in Europe. The experimental stimulus was an information kiosk that included an LCD/touch screen attached to a stand located in front of a shelf in a supermarket store. The service concept was a dynamic promotion service that enables consumers to select their gift (among three options) by taking the relevant coupon. The study exploits a 3 (Technology Contact: No vs. Low vs. High) x 2 (Employee Participation: Yes vs. No) between subjects experiment. Totally, 450 grocery store shoppers participated in the study.

We found that technology contact has a significant interaction effect with technology anxiety on arousal (F (2,384) = 7.84, p < .05) and a three-way interaction effect of technology contact, employee participation and technology anxiety (F (2,384) = 3.74, p < .05). Post-hoc analysis confirms H1 and H2. We tested for the indirect effects of service technology contact and employee participation on pleasantness using a mediation test. Results from the examination of alternative models support H3 and H4 and confirm a partial mediation of arousal on the effect of service design characteristics on pleasantness.

The suggested model of the paper connects the design of technology-based service systems with the overall customer experience. Therefore, it provides specific design guidelines for managers. Results, from the field experiment provide guidance on how a technology-based service system should be designed in order to improve the shopping experience depending on important target customer personality traits and situational factors.

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LINKING RELATIONSHIP MARKETING AND TECHNOLOGY ACCEPTANCE VARIABLES TO PREDICT CUSTOMER RETENTION OF SMART SERVICES

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SUMMARY

Many traditional manufacturing companies are adopting service provision as a new path toward profits, growth and increased market share. Because of constant progress in micro and network technologies manufacturers are able to evolve their manufactured goods to new “intelligent products” that contain IT in the form of microchips, software, communication devices, and sensors (Lyytinen and Yoo 2002). The inclusion of embedded information and communication technologies into the tangible goods they produce allows manufacturers to now provide “smart” services (Allmendinger and Lombreglia 2005). This transition from transactional sales of tangible products toward smart service provision confronts manufacturers with new challenges to understand customer usage and retention behavior. By offering such services on a contract basis, manufacturers have the opportunity to develop closer bonds with their customer than previously possible. Smart services are tied to the embedded technology in the products and require an extended understanding of customer retention and the customers’ acceptance of the technology itself.

The present paper sets out to study the drivers of customer usage of and retention for smart services. Specifically, we integrate the IS and marketing literature streams into a coherent framework that helps understanding the different drivers of smart services usage and retention. Drawing on a unique dataset combining survey and behavioral data, we propose a model for explaining smart services usage and retention that incorporates perceptual variables such as perceived usefulness, perceived ease of use, perceived enjoyment and satisfaction as well as behavioral dimensions of customer relationships such as usage intensity or depth of service usage, breadth of service usage and the retention decision, i.e., service contract renewal.

This study achieves (1) a better understanding of retention and usage drivers of a new service type, (2) improved models for predicting and explaining customer retention, (3) an extension and combination of previous research streams from the technology adoption literature, stemming from the IS field, and retention literature, stemming from marketing literature.

We found that a central factor to customer retention is the previous length of the relationships. The retention probability increases substantially for customers that have at least once extended their contracts. Thus, the retention rate of a given customer cohort increases over time, even though neither usage frequency nor usage breadth is higher than that of customers before the first retention decision.

Our model also sheds light on the questions raised in IS literature about what drives “system use” (Burton-Jones and Gallivan 2007). We find that “retention” and “usage” are essentially driven by the same perceptual variables, in particular usefulness and enjoyment. Interestingly, previous relationship length has a statistically significant and negative effect on usage intensity. In combination with its strong positive effect on retention, this suggests that although usage intensity in general is positively related to customer retention, it should not trouble providers if usage decreases over time, as this seems to be quite normal. This can be explained by the customers’ initial curiosity, which might lead to higher usage during the beginning of the service contract. This finding implies that the release of new service features should be synchronized with the renewal periods. Negative interaction effects of the relationship length variable indicate an increasing inertia effect for retention decisions once the relationship has been established long enough.

Managers that offer smart services should keep this in mind as substantial customer churn can only be prevented if the transition from a transactional business model to a service oriented model is successfully managed in the phase directly after the initial purchase of the smart service object. References are available upon request.
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DIFFUSION OF AN INDUSTRIAL TECHNOLOGY INNOVATION:
THE ROLES INFLUENTIAL PEOPLE IN SOCIAL CONTAGION

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SUMMARY

Firms have long tried to exploit social networks to improve their ability to understand, forecast, and manage how new technologies and products diffuse through the marketplace (Van den Bulte and Wuyts 2007). Recently the role of hubs (i.e., people who have a large number of ties to other people) within social networks has attracted great research attention (Delre et al. 2010; Goldenberg et al. 2009). In fact, hubs are present in almost any network of consumers, and their roles and effects in different markets can be both important and different (Delre et al. 2010). Goldenberg et al. (2009) identify two types of hubs (i.e., innovator and follower hubs). They find that the former influences the speed of the adoption of an innovation and the latter affects the number of people who will eventually adopt the innovation.

While the findings of previous studies on social hubs are stimulating, several research areas merit further study. First, the nature of the adopted items in a social network website in past research is relatively unique. Therefore, the findings may not generalize to the diffusion of industrial technological innovations, where the innovations may pose significant perceived risk or ambiguity to potential adopters. Indeed, technological innovations are generally more complex, and relatively more expensive, involving high switching costs. Hence a higher degree of education and learning is required before these innovations get adopted and diffused in a social system (Gatignon and Robertson 1993). As a result, the behavior of different hubs working in the adoption process of industrial technological innovations can be different from that of online virtual household items or consumer durable goods. This is the issue addressed in this research. We examine the roles of hubs in the adoption process of an industrial technological innovation.

In addition, previous research on hubs only considers domestic hubs connecting people mainly from just one country. Therefore, how international hubs differ from domestic hubs in their effects on the diffusion process remains a question unanswered. This is another issue we address in this research, where we distinguish between international and domestic hubs.

Furthermore, past research does not examine how hubs use the adopted products after their adoptions. Therefore, use intensity and use innovativeness of hubs remain an issue unexplored. Nevertheless, such an investigation into post-adoptive behavior of hubs in diffusion is important for industrial technological innovations. Connectivity of hubs studied in previous research is only one part of the diffusion process, as a result the post-adoptive activities of hubs need to be examined to complete the unfinished diffusion story. Evidently few studies have empirically examined innovativeness in terms of innovation usage. The current study responds to this call. Using a panel data, this work provides a sharper understanding of the role of influential people in the adoption process of industrial technology innovations. Furthermore, the findings can help firms to influence consumer social networks to accelerate market acceptance of their new technologies and products. References are available upon request.

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ENHANCING USEFULNESS OF NEW PRODUCT IDEAS THROUGH TEAM LEVEL FACTORS

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SUMMARY

Existing research on new product success acknowledges that to succeed, new products must be perceived as novel and different from others (Angelmar 1990; Cooper and Kleinschmidt 1987). However, mere novelty, however extreme and radical it might be, is not enough to ensure the success of new products. It must also deliver something useful to customers. The importance of usefulness in new product adoption has been well accepted in the new product development (NPD) literature (Dahl, Chattopadhyay, and Gorn 1999; see also Baxter 1995; Pugh 1996) and the literature on Technology Adoption Model – TAM (Davis 1989). Usefulness is also alluded to in literature on innovation attribution and adoption (Rogers 1995) as well as NPD literature (e.g., Amabile 1983; Cooper 1979; Im and Workman, Jr. 2004). Successful products are a result of useful product ideas (Goldenberg, Lehmann, and Mazursky 2001; Goldenberg, Mazursky, and Solomon 1999). However, despite being acknowledged as a critical determinant of innovation adoption by consumers and new product success, little research attention has been devoted to the question – “How can firms enhance the usefulness of their new product ideas?”

This study focuses on the usefulness dimension of new products ideas and its determinants. Specifically, using the idea generation stage of new product development as the research context, this study investigates the effects of ideation team level factors on the usefulness dimension of new product ideas. In terms of research context, this study examines the ideation stage or the front end of the NPD process. Of all the NPD-related activities, new product ideation is indeed a critical step in the sense that it could direct other activities in the following development and commercialization stages (Calantone, Di Benedetto, and Schmidt 1999; Coates, Cook, and Robinson 1997; Toubia 2006). The critical nature of the ideation stage and the dearth of empirical research with a focus on this crucial ideation stage have been highlighted recently by Alam (2006).

Prior NPD studies highlight the fact that NPD teams are often multifunctional made up of members representing diverse disciplines (Keller 2001; Nakata and Im 2010; Troy, Hirunyawipada, and Paswan 2008). Central to the thesis of a cross-functional approach is the integration of members with diverse identities (e.g., functions, disciplines, knowledge, skills, etc.) into a new team with specific purpose congruent to its organization values and/or goals. The members further reconcile their individual identity within the larger organized identity such as team and between their newly formed team and its organization. In this setting, identity could play critical roles in team performance. Two apparent aspects of identification in ideation team include (1) team member identification (diverse identities within a team) and (2) the identification of the newly formed team within its organization (incongruity between the team and its organization).

Adopting the social identification theory in organization (Ashforth and Mael 1989; Ashforth et al. 2008), we hold that employees from different functions may classify themselves according to their apparent characteristics (i.e., their different home functions, expertise in their disciplines, knowledge, and skills – team functional diversity). When they are assigned to an ideation team, a new team setting can also activate joint identification. Given a unique structure of cross-functional approach, team members will need to negotiate/compromise the disparate efficacy of the social identities to the new setting. The effective resolution of identification conflict could significantly affect team integration outcome, especially cooperation among its members (see Ashforth and Mael 1989). In the same vein, this cooperative mindset and efforts could allow team members to essentially access each others’ domain of expertise to generate more ideas, exchanges their diverse views toward new product ideas, and reexamine each other provisional creations to generate and select the ideas that most relevant to the target market. In addition, the identification of newly formed ideation team with its organization could influence its performance (see Kagan 1958, as cited in O’Reilly III and Jennifer Chatman 1986). Specifically, identification with the value of the organization could play an important role (see O’Reilly III and Jennifer Chatman 1986). A newly formed ideation team could have its value that is incongruent with its organization value (team value incongruity). This incongruity could negatively affect its performance.

The integration of multiple identities inevitably includes a relational aspect. The individuals’ relationship with co-workers is somehow (affected by) the extension
of their identities (Ashforth et al. 2008). A critical aspect of functional integration within a team involves the process in which diverse experts are socially connected to other team members (Hirunyawipada et al. 2010). Teams are like any social organization and require relational competent members to perform. Intensive collaboration could facilitate kinship among cross-functional team members (Hoegl and Gemuenden 2001). The member relational attributes could be even more important when team functional diversity increases. Thus, we include two salient relational attributes of team members – social competency (team members’ ability to communicate cooperatively and supportively with other members: Kauffeld 2006; Stevens and Campion 1994) and social cohesiveness (tendency to maintain interpersonal relationship within a team: Carless and De Paola 2000) – in the empirical framework.

Using the data collected from NPD practitioners, our findings show that team functional diversity enhances the usefulness of product ideas while the team’s value incongruity negatively affects idea usefulness. However, the interaction between team functional diversity and value congruity has positive impact on idea usefulness. Team relational factors affect the outcomes of new product ideation in different ways. Team members’ social competency positively correlates with idea usefulness while social cohesiveness reduces the usefulness of product ideas and enhances the negative relation between value incongruity and idea usefulness.

These findings suggest that a major consideration for the success in new product ideation is the proper management of the diversity, team identifications, and the relational aspects of multifunctional diverse team. More specifically, this study contributes to the marketing literature by testing how different aspects of identification (within an ideation team and between the team and its organization) influence the ideation outcome. Further, while team members’ social competency can enhance usefulness dimension, the perceived “we-ness” among the team members (social cohesiveness) can only reduce the usefulness of product ideas while escalating the negative impact of value incongruity on idea usefulness. References are available upon request.
INCORPORATING TIME LAGS IN DETERMINING THE EFFECTIVENESS OF DIFFERENT TYPES OF ONLINE ADVERTISING CHANNELS

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SUMMARY

Advertising effectiveness and accountability are topics of continuous interest to marketing researchers and practitioners (e.g., Clark 1999; Rust et al. 2004). Researchers have shown that traditional advertising media, such as TV, radio, and print, have both short-term and long-term effects (Vakratsas and Ma 2005; Naik and Raman 2003) and that long-term effects vary by type of advertising medium and can continue, as in the case of newspapers, for more than a week (Berkowitz et al. 2001a).

With the advent of the internet and its growing importance as a place to do business, online advertising has become a topic of increasing interest to academic research (Ha 2008; Kim and McMillan 2008). In the past decade, internet advertising has grown beyond simple banner advertising to include new advertising models and online channels (e.g., on-demand advertising like search engine advertising and price comparison website advertising) that make better use of the internet’s unique potential for interaction between consumer and advertiser (Rappaport 2007). However, research on the effectiveness of these particular online advertising channels is still rare; even though online shops are available 24/7 and users are just a click away from online advertisements, it is not clear whether online advertising channels lead to immediate purchases or have an effect only in the long run. By incorporating the time lags of online advertising into marketing-effectiveness models, researchers and practitioners can improve the timing of the elements of an advertising campaign to ensure that the maximum ad impact occurs during and/or shortly before the advertised event.

Therefore, the present study addresses the following questions: What are the long-term and short-term effects of different online advertising channels on sales? For how long can different online advertising channels create buying behavior?

We look at the sales effect of email, banner, and price-comparison advertising (PCA) using a sample of 2.8 million purchases and over 1.1 million individual costumers. The data spans a period of 365 days and was obtained from the .com-website of a leading online-platform for used and antiquarian books. Based on the established elaboration likelihood model and a framework from Vakratsas and Ma (2005) we develop our hypotheses.

H1: Emails have the longest carryover effect, followed by banners and PCA.
H2: PCA has the strongest positive short-term effect followed by banner and emails.
H3: Emails have the strongest positive long-term effect followed by PCA and banner.

The model used to estimate carryover effects of advertising is based on the direct aggregation approach derived from Srinivasan and Weir (1988) and works as described in Herrington and Dempsey (2005). It delivers a separate λ-values for the carryover effect of each advertising channel and is complemented by model (1). Three advertising channels (EA, BA, PCA) as well as two seasonal dummies (D1, D2) are part of model (1), which is estimated using GLS and Stata 11.

\[
S_t = a + \beta_1E_A + \beta_2B_A + \beta_3PC_A + \beta_4D_1 + \beta_5D_2 + u_t
\]

The estimation results support H1 since email advertising has the longest carryover effect and PCA the shortest. The 90 percent duration interval (Leone 1995) of email advertising is 44.9 days. In other words, 90 percent of the cumulative effect of a unit impulse of email (banner, PCA) advertising takes place within 44.9 (2.2, 0.8) days.

Examination of the intensity of the advertising effect reveals that, even though email advertising has a weak positive short-term impact (6.02 versus 9.88 for banner advertising and 22.66 for PCA), its long-term impact is the strongest (120.4 versus 15.20 for banner advertising and 23.85 for PCA). Therefore, H2 and H3 are supported.

The effect of PCA shows the importance of incorporating time lags and carryover effects of advertising when analyzing the impact of advertising on sales: The short-term (i.e., same day) impact of PCA is strong and increases by 5 percent when sales effects are taken into account that happen after the day of advertising (22.66 → 23.85). For banner advertising the difference is even larger, because its effect increases by 54 percent. A model
that did not consider those long-term effects would have identified the wrong advertising channel as the most effective.

To make use of our results, future researchers should, first, include long-term sales effects in empirical models that estimate the impact and effectiveness of online advertising. Second, they should use a direct aggregation approach with separate $\lambda$-values for each advertising channel. Traditional marketing research can also profit from our results because online advertising has become a full member of the marketing mix, and only by accounting for its unique potential for interactivity and its long-term effects can optimal marketing mix decisions be made. Our approach can also be applied to traditional marketing research because besides for online advertising it can be used for offline and mixed offline/online environments. Also practitioners can profit from the results because they can use the described approach to optimize the composition of their advertising channels. References are available upon request.

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IS THERE STILL A PLACE FOR THE MARKETING DEPARTMENT IN THE OPEN INNOVATION ERA? THE ROLE OF MARKETING’S INNOVATIVE CAPABILITIES

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SUMMARY

The changing market place dynamics has led to an increase in interest in the “open innovation” paradigm. The basic premise of open innovation is that useful knowledge is widely distributed, and that even the most capable R&D organizations must identify, connect to, and leverage external knowledge sources as a core process in innovation (Chesbrough 2005, 2006). Successful products, like Pringles Prints, Bounce, Swiffer, or the SpinBrush, were introduced by P&G but were invented (and in some cases also fully developed) elsewhere. Spurred on by the dual attraction of sustaining high levels of top-line growth at reduced costs, several corporations worldwide are increasingly complementing, though not yet replacing, their closed, proprietary R&D processes with open innovation. An OECD study of 59 companies in a dozen countries found that most firms are actively involved in open innovation practices: 51 percent of the companies allocate up to 5 percent of their R&D budgets to research in other companies, while 31 percent allocate more than 10 percent outside.

While the use of open innovation (OI) has gained importance in the last decade, empirical evidence about its effects is largely anecdotal. Particularly how OI interacts with a firm’s new product (NPD) capabilities is not clear. While an absorptive capacity perspective leads us to believe that only firms with good innovative capabilities can benefit from OI; the Non-Invented-Here Syndrome literature suggests that OI is more useful for firms with poor innovative capabilities.

The authors contend that the effect of OI in fact depends on the interaction of innovative capabilities with the nature of input acquired via OI. They identify three types of OI practices: ideas-centric; technology-centric and product-centric. Ideas-centric open innovation refers to the acquisition of new ideas through collaboration with external actors. Technology-centric open innovation refers to the acquisition of technological knowledge through collaboration with external actors. Product-centric open innovation aims at acquiring ready-to-go products.

Their empirical analysis combines primary data from a survey of 239 Italian firms with secondary data on innovation and financial outcomes from proprietary databases. They demonstrate that the effect of OI on innovation rate is indeed contingent upon the level of a firm’s innovative capabilities and differs according to the type of OI. Theoretical and managerial implications are provided.

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COMPARING APPLES AND APPLES: ESTIMATING THE CAUSAL EFFECT OF SURVEY PARTICIPATION ON CUSTOMER LOYALTY

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SUMMARY

A growing body of research on the question-behavior effect (Sprott et al. 2006) or the mere-measurement effect (Morwitz, Johnson, and Schmittlein 1993) has consistently demonstrated that surveying customers influences their subsequent behavior. In both field and lab settings and in various industries, previous empirical studies on mere-measurement effects (MME) have revealed a positive effect of survey participation on behavioral and attitudinal variables (e.g., Borle et al. 2007; Dholakia, Morwitz, and Westbrook 2004; Dholakia and Morwitz 2002; Fitzsimons and Morwitz 1996). For example, Borle et al. (2007) report a positive effect of survey participation on redeemed promotions, the number of services purchased, and the amount of money spent. Their study also reveals that survey participation decreases customers’ interpurchase time. Moreover, Dholakia and Morwitz (2002) find that survey participation improves customer profitability and reduces customer defection. The relevance of MME is evidenced by a continued stream of empirical research and review articles being published in top marketing journals (see Dholakia 2010 for an extensive review). The focus of recent studies has shifted from an investigation of the main effect of survey participation to an exploration of the mechanisms underlying MME (Chapman 2001; Fitzsimons and Williams 2000; Janiszewski and Chandon 2007; Morwitz and Fitzsimons 2004), the effect’s boundary conditions (Ofir and Simonson 2001, 2009; Williams, Fitzsimons, and Block 2004), and moderators of the effect (Levav and Fitzsimons 2006).

The present investigation has three main contributions. First, a methodological review of prior MME studies reveals that customers’ “noncompliance” with the survey request (i.e., at least some customers do not respond to the survey) has not been considered sufficiently. More specifically, the causal effect of survey participation is typically estimated by randomly assigning a set of customers to a treatment group (i.e., they are invited to respond to a survey) or a control group (i.e., they are not invited). In the treatment group, some customers decide to participate in the survey (so-called “compliers”). The remaining customers are nonrespondents (so-called “noncompliers”). Due to the self-selection process in the treatment group, the difference in mean outcomes (e.g., repurchases) between compliers and control group members does not estimate the causal effect of survey participation. However, our literature review identifies several MME studies that make use of this approach and interpret the difference in mean outcomes between compliers and control group members as the causal effect of survey participation.

Second, we propose a new methodological framework which explicitly models the customers’ self-selection process in the treatment group and thus generates more reliable estimates of MME. More specifically, we apply the logic of local average causal effect estimation (Angrist, Imbens, and Rubin 1996; Imbens and Angrist 1994) and principal stratification (Frangakis and Rubin 2002) based on “Rubin’s Causal Model” (Holland 1986) to estimate control group members’ propensity to respond to the survey if they had been assigned to the treatment group. Control group members with a high probability of being a complier are called “potential compliers.” It can be shown that the causal effect of survey participation is the difference in mean outcomes between compliers and potential compliers – our estimator of the mere-measurement effect.

Third, we apply the proposed methodology to data from a large-scale field experiment in the automotive industry (N = 3520). A customer satisfaction survey served as the independent variable of interest. Customers of a car manufacturer were randomly assigned to the treatment group (i.e., they were invited to respond to the survey) or the control group (i.e., they were not invited). The dependent variable of interest was repurchase behavior after the survey. This variable was obtained from the company’s CRM database for all participants in the experiment over a time period of two years. Furthermore, the compliance status of the treatment group members was recorded in a separate database (the response rate was 44.8%). Finally, the information on treatment assignment, compliance status, and behavioral customer responses was matched by a third party blind to the aim of the investigation. Our model reveals a positive and significant causal effect of survey participation on repurchase probability (the repurchase probability increased by...
Furthermore, the effect estimate is robust against the inclusion of different covariates which further supports the reliability of our findings. References are available upon request.

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LOW STABILITY OF BRAND ASSOCIATIONS: ARE METHOD AND CONTEXT TO BLAME?

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ABSTRACT

We discuss reasons for low brand association stability: (1) Feature lists cannot uncover brand-specific attributes. (2) What a brand evokes is subject to circumstance. We experimentally test whether brand-attribute associations are more stable when retrieved by free association (not feature lists) and when consumers think about a brand within context.

INTRODUCTION

Lately scholars have reported low stability of brand-attribute associations in free choice affirmative binary rating tasks (“yes”-option, ticked or not, regarding a specific attribute). A multi-brand meta-analysis by Rungie, Laurent, Dall’Olmo Riley, Morrison, and Roy (2005) reports stability levels of 49 percent over a period of three months; another by Dolnicar and Rossiter (2008) an average of 53 percent for 20 brands with a one-week interval between two measurements. The conclusion that brand-attribute associations “show remarkably low stability” (Dolnicar and Rossiter 2008, p. 104) may stem from the call for high stability in much of the branding literature. For example, Keller and Lehmann (2006) recommend to investigate the stability of attribute-brand associations. Authors even define brand equity as an enduring construct built with a long-term mindset (e.g., Aaker 1991; Farquar 1991), and the associations strong brands evoke are assumed to be stable (Balmer and Gray 2003). Dolnicar and Rossiter (2008) provide a set of methodological recommendations to attain higher levels of stability. For example, they call for shorter questionnaires, samples that only contain category users and brand aware respondents, and a brand-prompted (“does the brand have attribute A, attribute B, etc.?”) instead of an attribute-prompted (“is this an attribute you associate with Brand A, with Brand B, etc.?”) procedure. Following these recommendations, stability levels in their experiment reach 66 percent (vs. 53% without).

We focus on two more potential sources of low stability of brand-attribute association. First, we propose that brand-attribute association measurement via feature lists may be responsible for low stability levels. The inherent logic of these lists is to expose the informant to a set of category-typical attributes and to link each one with a brand or not. Such a procedure neglects the core idea of branding which calls for the creation of unique brand-specific associations in order to achieve differentiation. Omitting such unique associations from the feature list leaves the respondent with a set of options of which none may be top-of-mind regarding the brand. Hence the answers may be the result of temporary constructions only.

Second, besides this methodological source of instability, we propose that what a brand evokes may be context-dependent. Think, for example, of encountering Red Bull sponsoring a Formula 1 race versus purchasing a can of Red Bull at 11:00 p.m. to stay awake for another 100 miles on the road. It is unlikely that the associations evoked by the brand in each context are stable (Boatwright, Cagan, Kapur, and Saltiel 2009). Studying brand-attribute associations ignoring contexts assumes, too optimistic in our opinion, that informants retrieve the brand in the same contextual mind frame for each task. Therefore, low stability reported in many studies may be due to context instability rather than brand-attribute association instability.

In the empirical part, we conduct an experiment where we test for the effect of these two potential sources of brand-attribute association instability. We contrast stability levels of feature lists presented without context (the common procedure) with (a) the stability of free associations evoked by the brand and (b) the stability of feature lists within a stable context.

The next chapter discusses the two key issues highlighted – method and context – in more detail. Chapter 3 introduces our empirical study, followed by the results and concludes in chapter 5 with conclusions for branding science and practice.

BACKGROUND

Feature Lists versus Free Associations

Research reporting stability levels of brand-attribute associations relies on (1) feature lists as the preferred method and (2) on the existence of established brand associations (Kapferer 2004; Park, Jaworski, and MacInnis 1986) to be retrieved from memory. These two assumptions are at odds. Feature lists typically contain a limited number of attributes derived from pre-studies in which respondents, stimulated by the category in question, elicit
brands and attributes (Dolnicar and Rossiter 2008). The attributes then included in the feature list of the actual study are the ones that are most frequently elicited (note that Dolnicar and Rossiter (2008) also include low frequency attributes in their study which show similar stability levels). Therefore, the chances of an attribute to be on the feature list increases if it is a category-prototypical attribute elicited by many respondents.

Brand managers, in contrast, aim to link brands with unique characteristics (and potentially target a limited segment of the market only). For example, Keller, Sterntal, and Tibout (2002) suggest that “points of parity” (to link the brand to a category) as well as “points of difference” (to differentiate them from other offers in the category) are key to building strong brands. Such uniqueness is the cornerstone of the positioning idea (Clancy and Trout 2002; Ries and Trout 1999) by allowing the brand to capture a distinct place in consumers’ minds (Albert and Whetten 1993; Broniarczyk and Alba 1994; Keller 1993). If a brand is successful in establishing unique brand associations in the marketplace, it is unlikely that all (or even most of) these unique attributes will be on the feature list. Brand-specific attributes by definition are not quickly elicited when thinking of the category – which is the typical task rendering the set of attributes included on the feature list.

Our conclusion from the Dolnicar et al. (2008) and Rungie et al. (2005) findings is not that brand-attribute associations are necessarily unstable. The associations provided may simply not be important enough for the brands under investigation to be strongly linked in consumers’ minds. Imagine a study of car brands that links Volvo and Porsche with category-typical attributes like luxurious, comfortable, high quality, or fuel efficient. None of these attributes may rank among the top five attributes elicited by most consumers when thinking of these two brands. Such (for each brand) irrelevant attributes may be linked to the category under specific circumstances (see next section), but are unlikely to exhibit high stability. We therefore propose to test the stability of attributes applying techniques that retrieve the most eminent attributes.

The Impact of Context

“It depends upon the situation” is a common reply respondents provide when being asked for certain issues, behaviors or decisions. People think, act and behave differently across situations since their cognitive activities and behaviors depend on contextual factors. In line with Belk (1974a) Barsalou (1988, 2003) identifies the following six dimensions characterizing a situation or context: (1) place or location (at home, outdoor); (2) temporary aspects (daily, in the morning); (3) activities a person pursues to achieve a certain goal (doing sports to reduce weight); (4) antecedents states like the current mood (happy) or physical conditions (exhausted); (5) other persons (members of sport teams, friends) and (6) objects present in the situation (running shoes, mp3-player). Consequently, situation or context is an aggregated construct including the above dimensions that influence individuals’ cognitive and behavioral activities (Barsalou 1999, 2003; Damasio 1994; Schwarz 2006). A large body of findings in psychology indicates that human cognitive processes like knowledge acquisition and retrieval are responsive to the immediate context (e.g., Barsalou 1999; Gollwitzer 1999; Hassan, Uleman, and Bargh 2005; Higgins 1996; Schwarz 2006). Situation-sensitive cognition allows people to flexibly and dynamically acquire, assess and reproduce information that is relevant in a certain situation (Barsalou 1999, 2003; Schwarz 2006). Thus, people focus only on information that is highly relevant in a given situation. Damasio (1994) attributes this cognitive characteristic to “somatic markers” – shortcuts of human brains - that guide cognition in specific situations and inform humans on things to pursue or to avoid.

Prior research in the field of consumer behavior and branding shows that contexts or situations are explaining factors for unexpected outcomes with respect to product decisions (Belk 1974b; Desai and Hoyer 2000); evaluations and judgments (Adaval and Monroe 2002; Graeff 1997), brand extensions (Dawar 1991; Schmitt and Dubé 1992; Wänke, Bles, and Schwarz 1998), brand image beliefs (Batra and Homer 2004) and product and brand meaning (Kleine and Kernan 1991; Kreuzer 2010). For example, in a choice scenario including different situations, Belk (1974b) shows that consumer decisions for snack food and meat depend on consumption or purchase decision. Ratneshwar and Shocker (1991) also support the context-dependency of consumer judgment with respect to snack-food and show that the “prototypical snack food” differs from “snacks that people eat at Friday evening party while drinking beer.”

Several studies focus on context effects in the area of branding. For example, research on brand extension demonstrates that the perceived fit of the brand with the target product or category depends on contextual factors (e.g., Dawar 1996; Wänke, Bles, and Schwarz 1998). Dawar (1991) shows how contextual cues influence product associations retrieved and thus the evaluation of the fit between brand and the extended product. With respect to context effects on brand evaluations Graeff (1997) confronted respondents with different social usage situations (boss situation vs. friend situation) and then measured brand attitudes and purchase intentions for two beer brands (Budweiser and Heineken). The results show that respondents had more positive attitudes and a higher
purchase intention for Budweiser in the friend situation and Heineken in the boss situation. Batra and Homer (2004) test the influence of brand image beliefs on several outcome variables (e.g., brand attitudes, purchase intention) in different situations. The authors evoke two social contexts with either low or high social consequences (going to a party vs. hosting a party) during an ad-experiment including different celebrity endorsers. The results show that brand image beliefs triggered through ads impact brand purchase intention more in the context leading to high social consequences. Kline and Kernan (1991) highlight contextual influences (kind and amount of context) on meanings people ascribe to consumption objects. The authors found variability along two dimensions including performance (what the product “is for”) and meaning (what the object “is”). With respect to brand meaning, Kreuzer (2010) shows how different brand usage situations influence brand interpretation on an individual level.

The above results provide evidence that situations influence brand-related outcomes such as attitudes or purchase intentions as well as the retrieved brand knowledge and the related meaning. Thus, it is important that brand research considers possible context effects in research designs to fully understand the meaning of a brand. Furthermore, in controlling for context effects possible instabilities of brand knowledge associations might be explained.

THE EMPIRICAL STUDY

Our study follows the design by Dolnicar and Rossiter (2008) and incorporates their suggestions to increase brand-attribute association stability: the sample consists of category users, the survey is short, only answers of informants who know the brand are considered, respondents are natives, for the feature list we omit instruction to guess if informants don’t know about an association, and associations are brand-prompted, not attribute-prompted.

Questionnaire

We select the product category sport shoes because of its high penetration and the existence of multiple prominent brands. A pre-study with 40 students helps to identify important brands (5) and attributes (6) – following the Dolnicar and Rossiter (2008) parameters for a short questionnaire. Each of these five brands has an unaided recall of 60 percent or more in the pre-study (the sixth-ranked brand dropped to 15%). Informants then fill in one of three randomly assigned questionnaires in two waves, separated by a period of one week.

Q1 (Feature List, No Context) is our base case and mirrors the Dolnicar and Rossiter (2008) questionnaire. Informants check on a feature list whether each of the five brands (randomly ordered) associates with each given attribute (randomly ordered). Q2 (Free Association, No Context) uses the free-association method. Respondents get exposed to one of five brands randomly (and in text form only) and write down up to eight associations they elicit with these brands in predefined text fields. Q3 (Feature List, Context) again employs the feature list methodology, but provides a context primed through displaying a picture of a specific usage situation (in this case a person running, the brand of the shoe is not visible).

In week two two informants receive the same questionnaire. Q1 and Q3 again display a randomized set of brands and attributes, Q2 displays the brand the informant responded to in week one.

Sample

Our sample consists of Austrians in the age group of 20–50 who are users of sport shoes. The informants are members of a commercial online survey panel. Even though the number of informants was identical in week one (n = 140), response rates in week two differed (non-response likely due to the start of school holidays). The final sample sizes for each questionnaire were 95, 74, and 81 respectively. Informants receive a small cash amount for participation.

Measures

Stability of associations for Q1 and Q3 follows the logic of Dolnicar and Rossiter (2008) who calculate the percentage as $11/(01+10+11)*100$ percent. Therefore the numerator consists of associations that are ticked in either week (11). The denominator also contains those associations that are ticked in one week only (10 – ticked in week one, not in week two; 01 – ticked in week two, not in week one).

For Q2, a codebook based on the answers of all respondents provides the foundation for two coders to independently code each association, starting with all answers from week one followed by all answers from week two to avoid potential carry-over effects that may occur when subsequently coding the same informant’s associations given in week one and week two. Intercopter agreement is more than 92 percent with the remainder of the answers coded through joint discussion. In general, the stability measure applies the logic of Q1 and Q3: Any associations elicited in both weeks are stable, whereas associations elicited in one week only are considered unstable. For example, the degree of stability of an informant with associations of A, C, D, and F in week one and B, C, D, E, in week two is 33 percent (2 stable associations C, D, divided by six associations elicited in total). More specifically, however, assessing stability of free associations is less straightforward for two reasons:
First, the level of detail applied in the codebook impacts stability. For example, if a respondent elicits “Michael Jordan” in week one and “LeBron James” in week two, the association is stable if the most fitting code is “celebrity endorser,” but unstable if each of these celebrities receives a separate code. Comparable to intercoder reliability (Srnka and Koeszegi 2007), stability levels are likely to suffer from more detailed category schemes. We therefore assess stability by applying the codebook in its original form (60 codes) and in a more condensed format following the Keller (1993) categorization of brand associations into, for example, user imagery, products or behavior (13 codes).

Second, respondents may elicit multiple associations within a single code (“celebrity endorser”) in one week (Michael Jordan and LeBron James), but one association only in the other week (Michael Jordan). One may argue that stability exists (“celebrity endorser” is present each week), but also claim instability (the second association is not repeated). The same problem occurs if in one week a respondent provides two associations within a category, but none in the other: Are two associations unstable (both are not present) or just one (the category is not present)? Again, we provide results for both lines of thinking.

These stability measures therefore are association-based by showing the percentage of associations elicited/ticked in either week divided by all associations elicited/ticked. However, the nature of the measure also allows its calculation for each informant, each brand and, slightly refined, for each association (percentage of respondents eliciting/ticking it in either week divided by all respondents eliciting/ticking it). In addition, respondents answer questions regarding category involvement and brand equity for each brand (recommendation, usage) to allow for better understanding of brand-specific differences.

RESULTS

Table 1 shows the level of brand stability for each experimental condition. The table provides information on an aggregated level (all brands), by brand, for the favorite brand of respondents and split-half results for category involvement. The level of stability between the three conditions does not differ as expected: For the base case Feature List, No Context the brand-attribute associations show a stability of 47 percent, in line with other comparable studies (Dolnicar et al. 2008; Rungie et al. 2005). Interestingly, if a stable context is provided, the stability level drops slightly to 44 percent (difference n.s. at a 95% confidence level), not furthering higher stability levels as expected. With regard to free associations, the stability levels based on the detailed codebook reaches 31 percent, substantially below the level of the feature list. Given the average number of associations elicited by each respondent (4.98), this translates into 1.5 on average to be re-elicited one week later. Whether the remaining associations are in fact temporary constructions only, or drawn from a stable, but larger pool that is not retrievable via our method, remains to be answered. Reducing the coding scheme to 13 elements only increases the stability rate to 38 percent. If the focus is not on the number of associations but rather on whether each element is mentioned in

| TABLE 1 | Stability of Brand-Attribute Associations (%) (Associations Ticked/Elicited in Both Weeks Divided by All Associations Ticked/Elicited) |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sample Size    | 95               | 81               | 74               | 74               | 74               |
| Total          | 47%             | 43%             | 31%             | 38%             | 47%             |
| Adidas         | 55%             | 45%             | 39%             | 46%             | 57%             |
| Asics          | 31%             | 39%             | 29%             | 30%             | 38%             |
| Nike           | 50%             | 48%             | 30%             | 32%             | 43%             |
| Puma           | 49%             | 39%             | 27%             | 42%             | 49%             |
| Reebok         | 44%             | 45%             | 29%             | 38%             | 49%             |
| Involvement**  | High / Low      | 47% / 47%       | 46% / 39%       | 33% / 29%       | 37% / 38%       | 47% / 47%       |
| Favorite Brand** | 55%             | 51%             | 31%             | 47%             | 51%             |

* ignores number of associations elicited by category in stability calculation
** association stability of sub-samples:
  high-low median split for category involvement; stability for favorite brand only
one or both weeks, stability goes up to 47 percent. This means that a respondent eliciting associations from four different categories in week one, will elicit associations in only two of these categories a week later. We agree with other scholars that these levels are surprisingly low.

Table 1 also shows interesting differences between brands: First, some brands tend to have more stable brand-attribute associations than others (ranging from 31 percent to 55 percent in the feature list). Providing a stable context reduces the feature list stability for some brands, but increases the stability for others. The stability levels also differ for the free association tasks ranging from 30 percent to 46 percent. Interestingly, condensing the number of categories affects stability levels differently, indicating varying diversity of associations by brand. For example, some brands tend to elicit similar association (e.g., mostly user imagery for Puma) which drives up the stability levels when condensing the categorization scheme.

Category involvement is not related to brand-attribute association stability, as shown by the median-split comparisons in Table 1. Typically stability levels of high- and low-involvement informants do not differ except for the context feature list – possibly an indication that highly involved informants can relate more easily to the provided context. Finally, whether the brand is the informant's favorite brand or not matters: Stability levels for one’s favorite brand are higher, with the exception of the detailed categorization scheme. It appears that respondents have more permanent mental constructions of brands they like most as opposed to other brands where associations appear to be more temporarily constructed.

CONCLUSIONS

Our study compares the stability levels for brand associations elicited via feature lists (no context and stable context) and via free associations (no context) respectively. We assumed that respondents provide more stable brand-attribute associations via feature lists when provided with the same context in both weeks. The stability levels for the feature list tasks without contexts and the feature list task with a stable context are similar (47% vs. 44%). This finding is coherent with Schmitt and Dubé (1992) who question whether feature lists can account for contextual variations since “feature list representations face problems explaining sensitivity to context” (Schmitt and Dubé 1992, p. 123).

Additionally, our results show that a stable context reduces stability levels for (in this sample) more familiar brands like Adidas and Puma and increases these levels for less familiar brands like Asics and Reebok. One explanation might be that the context exhibits a stronger impact on respondents’ mindsets when being confronted with the less familiar brand. Hence context may have more effect on respondents’ answers for less familiar brands as the context helps to activate specific knowledge.

For the free association task we found substantial differences in the stability levels depending on the scope of the coding categories. When coding the data in detail (60 categories) we found a lower stability level (31%) compared to a coarser coding scheme including 13 categories (47%). Here the stability levels are comparable to eliciting brand associations via feature lists. Even though feature lists represent critical aspects of knowledge, other knowledge is omitted that might be (more) important for additional insights since it prohibits additional information not contained in its elements (Barsalou 1993; Schmitt and Dubé 1992).

Our study has several implications for brand measurement: First, we recommend studying the sensitivity of brand-attribute association stability to contexts. It is important to understand which types of associations are temporarily and permanently elicited in different contexts. While stability levels are similar for measurement with and without context we found preliminary evidence that stability comes from different associations. Which associations are more or less closely linked to brands in different contexts can be helpful in planning as well as in monitoring branding activities. Second, while stability levels of free associations are lower than those of feature lists, we advocate not relying on the latter alone. The breadth of associations elicited with free associations allows a better understanding of unique (and potentially enduring) brand associations that may again be more helpful in developing and monitoring branding strategies. We are aware of the additional resources that such techniques require in comparison to analyzing feature list surveys. However, the importance of thorough investigation of mindset metrics for understanding effective branding (Srinivasan, Vahnhuele, and Pauwels 2010) warrants the additional effort. Finally, investigating differences in (the stability of) associations between consumer segments (not only regional or socio-economic differences, but also segments differing in brand patronage, brand attitude and brand attachments) may provide the foundation to better reach so far untapped consumer segments.

Future research should assess the impact of the context on stability levels in the free association tasks. In this respect Wu and Barsalou (2009) found situation-specific information in respondents’ data of free associations tasks. The authors argue that people do not think of objects like product or brands in isolation but always frame them according to a certain situation (Wu and Barsalou 2009). Thus, future research on brand-attribute associations should investigate if a stable context increases the stability level in free associations tasks and if different contexts lead to varying answers and thus to a lower stability level.
Our study demonstrates stability on an aggregate respondent level. Future research should probe for individual differences like brand familiarity, usage and brand patronage impacting stability of free associations and feature lists. Furthermore, future research can identify stability levels across associations to figure out which types of associations are more stable and which ones are more dynamic across contexts. Future research should also investigate stability levels of brand associations in different product categories.

REFERENCES


TESTING THE EQUALITY OF INDEPENDENT CORRELATION MATRICES USING STRUCTURAL EQUATION MODELING: A MONTE CARLO ANALYSIS

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SUMMARY

Statistical theory and procedures for comparing covariance matrices are well established (He, Merz, and Alden 2008; Hult et al. 2008; Steenkamp and Baumgartner 1998). However, in some cases researchers may want to compare correlation matrices rather than covariance matrices. Their theories may be explicitly correlational (Bentler 2007), or available secondary data may be reported as correlations and cannot be converted to covariances (e.g., in meta-analytic applications; see Cheung and Chan 2004), or variances may not be comparable across different data sets (e.g., with surveys using different versions of an established measure). In these cases, applying procedures designed for covariance matrices may give misleading results.

Researchers have suggested numerous tests for the equality of independent correlation matrices (e.g., Browne 1978; Cole 1968; Jennrich 1970; Krzanowski 1993; Lartnz and Perlman 1985; Modarres and Jernigan 1993; Satorra and Neudecker 1997; Schott 1996; Steiger 1980). Most of these procedures require original programming that is not provided in standard software, so that they are not easy to use. Many researchers are likely to prefer a test approach that is simple to implement using widely-available software for structural equation modeling (SEM) (Cheung and Chan 2004; Green 1992; Preacher 2006; Werts et al. 1976). The purpose of this study is to examine the performance of this test, with and without an adjustment factor that improves accuracy when testing the equality of covariance matrices (Greenstreet and Connor 1974).

To compare correlation matrices using SEM, LISREL syntax specifies (lambda), the loadings of the observed variables x on the latent variables, as a freely-estimated diagonal matrix. The diagonal elements of (phi), the covariance matrix of the latent variables, are fixed equal to 1, so that equals the correlations between the observed variables. Then, constraining the corresponding elements of to be equal across groups tests the null hypothesis of equal correlation matrices. If the chi-square value from the constrained analysis is significant, the null hypothesis is rejected and the correlation matrices are interpreted as representing samples from distinct underlying populations. Syntax examples are presented in Cheung and Chan (2004) and Preacher (2006).

To assess the performance of the test procedure with and without the adjustment factor discussed by Greenstreet and Connor (1974), we conduct two Monte Carlo analyses using LISREL. The first and broader analysis focuses on comparing two independent correlation matrices with different numbers of variables (2, 3, 4, 5, 7, 9, and 12) and sample sizes (100, 250, and 500). For each combination, we generate 25,000 pairs of correlation matrices, drawn from populations of uncorrelated normally-distributed variables, and then test the equality of the correlation matrices using LISREL.

The second and narrower analysis examines one sample size (100) and number of variables (7) across multiple numbers of groups (2 to 10). We generate 60,000 correlation matrices using sample size of 100 and 7 variables. We then conduct multi-group analyses with 2 to 10 groups. For every condition, we examine p-values of the minimum-fit-function chi-square and weighted-least-squares chi-square with and without applying the adjustment factor. Because the null hypothesis of equal correlation matrices is true in the population, 5% of the comparisons across samples should be significant at the alpha = .05 level.

A key finding of the Monte Carlo analyses is that the weighted-least-squares chi-square test gives the best control of Type I errors in overall comparisons of correlation matrices. An adjustment factor previously shown to improve the performance of tests comparing covariance matrices also improves the performance of the minimum-fit-function chi-square test, but leads to acceptable results only in the two-group case.

Applying the test procedure to compare correlations from a bicultural comparison (Baldauf, Cravens, and Grant 2002) indicates that the choice of test statistic influences the substantive conclusion that would be drawn. Thus, researchers who apply the SEM test procedure should use the weighted-least-squares chi-square to test the equality of correlation matrices.

Future research can build on this study in several ways. Different programs for SEM may not report identical chi-square statistic for a given analysis, so Monte Carlo simulations with alternatives to LISREL would be useful. Future Monte Carlo simulations could also inves-
tigate the effects of non-normality. Because this study’s simulations use normally-distributed data, such tests may be inaccurate if the data are not normally distributed. Finally, given that the present study focuses on the Type I errors that occur when a test rejects a true null hypothesis, future research could examine the converse problem, the ability of tests to avoid making Type II errors when the null hypothesis is false. References are available upon request.

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SUMMARY

Corporate social responsibility (CSR) has become a popular subject area in the marketing literature (Maignan and Ferrell 2004). Scholars have primarily examined consumer responses to CSR initiatives in terms of purchase behavior and product perceptions (e.g., Sen and Bhattacharya 2001; Singh, Salomones Sanchez, and Bosque 2008). Other studies have focused on the ethical perspectives and decision-making process of marketers as well as the CSR implications on environmental, charitable, and social marketing (e.g., Blodgett et al. 2001; Menon and Menon 1997; Singhapakdi et al. 1996).

For all of its breadth, the extant CSR literature, for the most part, offers a static picture of the consequences of engaging in socially responsible behavior. The vast majority of studies, either implicitly or explicitly, assume that a CSR initiative is adopted and/or promoted by only one or a few firms within a particular industry, which may exaggerate the expected strategic benefits of using CSR. Clearly missing from this research is a temporal perspective that examines the possible changes in the effects of CSR as CSR initiatives becomes widely adopted.

This paper proposes a dynamic view of CSR which simultaneously takes into account the roles of firms, consumers and industry. It addresses the following questions: first, how might a firm’s CSR-related competitive advantage be affected as more businesses in an industry adopt a particular CSR initiative? Second, how might consumer responses to CSR change as more firms continuously promote their initiatives? Third, for an industry as a whole, what is the outcome of aggregated CSR behavior from firms that continuously promote their CSR initiatives to consumers?

Extant strategic management literature on CSR is integrated with theory on consumer expectations and desensitization in an attempt to explain the simultaneous interactions amongst the levels. Examples within the context of the tourism industry are used to illustrate these interactions. The special nature of the tourism industry predisposes businesses to the adoption of CSR given its ability to influence the local society, economy, culture and environment.

In this model, it is hypothesized that as more businesses promote CSR activities on an ongoing basis, the initial marketing advantages associated with those activities will eventually diminish. Consumer responses to CSR will evolve such that they no longer reward companies for their CSR initiatives, but rather, penalize businesses for the lack of it due to the concurrent processes of heightened expectations and desensitization. Finally, interfirm imitation of certain CSR initiatives is the precursor to wide-scale adoption of those CSR initiatives leading to standardization in the entire industry.

Overall, this paper focuses on the dynamic process of CSR from a tri-level marketing standpoint. Nonetheless, firms can engage in CSR behaviors for strategic decisions above-and-beyond marketing advantages. Following this conceptual study, the next logical step would be to empirically validate the proposed model. Several research questions are proposed to help stimulate future research on CSR from a marketing perspective. Finally, this model considers the impact of individual firm-specific CSR initiatives on consumers as well as on industry as a whole. In today’s society, businesses must embrace CSR initiatives and adapt to changes in their industry in an effort to attract consumers and secure support from other socially responsible businesses in their supply chains.

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THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON CONSUMERS’ EMOTIONAL REACTIONS IN PRODUCT-HARM CRISIS

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ABSTRACT

This study seeks to investigate the role of Corporate Social Responsibility (CSR) on consumers’ emotions in product-harm crisis. The results of this experimental study indicate that positive prior CSR leads to higher sympathy and lower anger and schadenfreude toward the company, than negative prior CSR or lack of CSR information. The role of CSR importance, ascribed by the consumers and their moderating effect on the relationship between company’s CSR and consumers’ emotions was also pointed out.

INTRODUCTION

It goes without saying that Corporate Social Responsibility (CSR) has emerged in recent years, as both an important academic construct and a pressing corporate agenda item. A number of researchers have emphasized in the crucial role of CSR initiatives in providing the companies with a series of benefits, from higher profits to higher brand evaluation and repurchase intentions. The focus of this study is to explore the role of CSR in crisis situation as a specific, unexpected, non-routine event, which threatens the company’s high-priority goals. More precisely, the purpose of this study is to illuminate the effect of CSR on consumers’ emotions toward the company in product-harm crisis, considering at the same time the moderation effect of importance of CSR ascribed by the consumers. The study begins with a review of the existing literature, which is relevant to product-harm crisis, and continues with emphasizing the role of CSR and emotions in crisis situations. Then, the experimental design to test for possible effects of CSR on consumers’ emotions and results of this experimental research are explained. Finally, the implications of CSR and their effects on consumers’ emotions in product-harm crisis are unpacked.

CONCEPTUAL BACKGROUND

Product-Harm Crisis and CSR

One of the worst nightmares of a firm is a product-harm crisis, defined as “well-publicized occurrences where in products are found to be defective or dangerous” (Dawar and Pilluta 2000, p. 215). Product-harm crises and product recalls can result in negative outcomes, such as negative publicity, threat to the company’s reputation and image (Dean 2004). Moreover, from a marketing perspective, a firm may experience (i) loss in baseline sales, (ii) reduced own effectiveness for its marketing instruments, (iii) increased cross sensitivity to rival firms’ marketing-mix activities, and (iv) decreased cross impact of its marketing-mix instruments on the sales of competing, unaffected brands (Van Heerde et al. 2007).

One of the major strategic tools in crisis management is the reputation of the company and according to literature, it has a significant role in crisis situations. For example, Coombs and Holladay (2006) identify that the prior reputation can create a halo effect that protects an organization during the crisis. Additionally, Laufer and Coombs (2006) suggest that managers are able to assess how differently consumers can react to a product-harm crisis, based on the reputation that the company had. In general, the good reputation of a company is an important means of protection against product-harm crises, since it has been found to positively affect consumers’ reactions and there are numerous researches that support the above statement (Mowen 1980; Siomkos and Kurzbard 1994; Klein and Dawar 2004; Cleeren et al. 2007). For example, the findings of the study of Siomkos and Kurzbard (1994) indicate that after a product-harm crisis, consumers will consider the product involved as less dangerous and will possibly repurchase them if the company has a favorable reputation.

In this framework, one of the main associations of good reputation is the social responsibility. CSR has been proved to generate numerous benefits for the companies that engage in socially responsible actions. From a marketing perspective, these benefits had been stated in many forms such as consumers’ positive product and brand evaluations, enhancement in brand image and personality, store attractiveness, brand choice, brand loyalty and commitment, brand identification, brand recommendations and firm market value (Brown and Dacin 1997; Drumwright 1994; Handelman and Arnold 1999; Osterhus 1997; Sen and Bhattacharya 2001; Oppewal et al. 2005; Sen et al. 2006; Du et al. 2007).
However, the value of CSR is challenged during non-routine situations, like product-harm crisis. For some researchers, socially responsible initiatives are interpreted as an effective strategic tool for controlling and minimizing the danger of losing the good reputation among stakeholders (Fombrun et al. 2000). Empirical evidence for this approach is presented in a pioneering study of Klein and Dawar (2004) which provides the first support for the premise that CSR affects consumers’ attributions of blame, brand evaluations and through those the purchase intentions in product-harm crises. Another supportive result for the role of CSR is found in product recall literature, where the perceived level of the company’s CSR helps companies to have less damage (Mowen et al. 1981; De Matos and Rossi 2007).

Although researchers conclude that a positive relationship exists between CSR actions and consumer attitudes toward a company (Sen and Bhattacharya 2001; Du et al. 2007; Wigley 2008), consumers are found to be more sensitive to negative CSR (Creyer and Ross 1997; Sen and Bhattacharya 2001; Mohr and Webb 2005). Therefore, it is more likely that consumers wish to punish irresponsible companies than support the social responsible ones with their repurchase choices (Bhattacharya and Sen 2004). Despite the importance of positive or negative CSR, our insights of how consumers’ emotions are affected by CSR is limited. Literature needs more in-depth studies related to factors, such as emotions, that play a large part between CSR initiatives and consumers’ reactions, so as to understand their relation in crisis situations more accurately, something which is also emphasized by Klein and Dawar (2004). They mention the significant role of emotional process and point out the issue of how consumers’ emotions might affect or be affected by prior CSR perceptions as a promising future research issue.

Product-Harm Crisis and Consumers’ Emotions

A crisis can be characterized as perfect stimulus for attribution because of its unexpected and negative elements (Coombs and Holladay 2005). But the perception of crisis in consumer’s mind is not rigorously a result of the crisis stimulus itself (Jin 2009), since emotions have a role in the interpretation process of crisis as well. Weiner (1985, 1986) claims that people try to explore the causes of unexpected, negative events and that results in emotions that lead to actions. In crisis situation, this interaction starts with the crisis; particular emotions and cognitions lead the way and finally, behavioral intentions flow from these emotions and cognitions. Although there is a significant amount of researches investigating crisis, only a limited number of them examines emotions toward the company after the crisis.

Emotions can be defined as the mental state of readiness that arises from cognitive appraisals of events or thoughts (Bagozzi, Gopinath, and Nyer 1999). In this framework, appraisal is the evaluative judgment and interpretation of circumstances, that others or oneself experiences (Bagozzi, Gopinath, and Nyer 1999) and appraisal theorists regard cognitive elements as an integral part of emotions and define them as the result of cognitive evaluation of different situations (Deir, Sadeh, and Dalli 2009). Moreover, previous studies support the inference that appraisal also has causal significance in the quality and intensity of emotions (Lazarus 1991).

In the literature of crisis management, the mostly investigated emotions are anger and sympathy (Coombs and Holladay 2005; Jin 2009; Jorgensen 1994; Jorgensen 1996; Lee 2004). Moreover, the feelings of schandenfreude (taking joy from the pain of the organization) (Coombs and Holladay 2005) and degree of consumer punitiveness (feeling that the company should be pardoned and/or punished for a mishap) (Jorgensen 1996), sadness, fright, and anxiety (Jin 2009) were also taken into consideration.

Researches, which associate the emotions with crisis management, focus on Weiner’s three casual dimensions of attribution (locus, stability, and controllability), crisis types and crisis response strategies. For example, Jorgensen’s (1996) reveals that the degree of controllability and the responsibility of the crisis are highly linked to negative emotions. Anger toward the company is higher and sympathy is lower when the company is considered to be highly responsible for the crisis. Jin (2009) finds that highly predictable and highly controllable crisis situations lead to the anger of the participants. This study also supports that different emotions are induced as primary emotion in crisis situation according to crisis’s predictability and controllability. Furthermore, Coombs and Holladay (2005) concentrate on the crisis types and emotions. Their study shows that different clusters of crisis types can be identified, based on emotional response and that different crisis communication strategies can be generated according to these clusters.

PURPOSE OF THE STUDY AND HYPOTHESES

The present study partly uses the idea of Klein and Dawar (2004) for the halo affects of CSR, although it focuses on the consumers’ emotional responses in product-harm crisis instead consumer attributions. Anger, sympathy, and schandenfreude were chosen as emotional responses and it was investigated how consumers emotions are affected by prior CSR perceptions in product-harm crisis. The hypotheses of this study derived from the aforementioned research, which indicates the favorable effects of positive CSR or the unfavorable effects of negative CSR. In general, our main hypothesis is that the positive CSR will have a positive effect on the consumers’ emotions after product-harm crisis. More precisely, our hypotheses are formulated as follows:
The results of previous researches indicate that the importance that is ascribed to CSR by consumers is a significant moderator of consumers’ reactions for different CSR initiatives (Sen and Bhattacharya 2001). The same result is found in Klein and Dawar’s research (2004) in product-harm crisis situations, where the perceived general CSR importance of companies moderates the relationship between the attribution of blame and prior CSR. In accordance with these findings, our general hypothesis is that the importance of CSR that is ascribed by the consumers will moderate every aspect between the CSR of the company and consumers’ emotional reactions. This is in agreement with the appraisal theory, according to which goal relevance and goal congruence shape emotional response. Appraisal theory maintains that goal congruence leads to positive emotions; goal incongruence leads to negative ones (Lazarus 1991). Moreover, the perceived CSR importance level can be accepted as a factor that is congruent or not with negative or positive CSR conditions. Therefore, the hypotheses formed for each emotion are the following:

H₁: The CSR importance level ascribed by the consumers will moderate the sympathy toward the company. CSR will not have an effect on sympathy in the low importance CSR group, though it will provoke sympathy in the high importance group.

H₂: The CSR importance level ascribed by the consumers will moderate the anger toward the company. CSR will not provoke anger in the low importance CSR group, though it will provoke anger in the high importance group.

H₃: The CSR importance level ascribed by the consumers will moderate the schadenfreude toward the company. CSR will not have an effect on schadenfreude in the low importance CSR group, though it will have an effect on schadenfreude in the high importance group.

**DESIGN AND MEASURES**

For the aforementioned purposes the experimental design consists of three between-subjects conditions. These conditions are chosen as the positive CSR, the negative CSR and no CSR information as a control condition. In this framework, three different scenarios were designed. A fictitious company and crisis situation were used in order to minimize subject bias (Siomkos 1999). A fictitious company was used under the name of “Company A” that specializes in the production of margarine. The selection of this product is explained by the fact that all consumers are familiar with margarine products, they use them almost every day and it is also an alimentary product that may create more likely a perception of risk and danger for them. First of all, background information about the company was presented to respondents, a part that was the same in all three scenarios.

Afterwards, positive or negative CSR conditions related to “Company A,” or no information at all were presented to the respondents. In positive CSR condition, Company A was defined as 1st among the major food companies on corporate social responsibility index, very socially responsible and it was indicated that it has been placed at the top of similar rankings in the past, it has environmental friendly manufacturing plant and it makes donations to charitable organizations. In negative CSR condition, “Company A” had been ranked as last of 14 major food companies on corporate social responsibility index. It was specified that “Company A” is not viewed as socially responsible, it has been placed at the bottom of similar responsibility rankings in the past, it hasn’t environmental friendly manufacturing plants and it didn’t contribute to the one social campaign.

After reading these scenarios, respondents were asked to respond to manipulation checks regarding the corporate social responsibility level of the “Company A” in the context of environmental responsibility, contribution to the welfare of society and contribution to CSR campaigns by making donations.

The respondents’ perceived CSR level of the company was assessed with five questions based on the scale of Klein and Dawar (2004) and Brown and Dacin (1997). These questions were also used as manipulation questions. In this study, due to fact that the CSR of “Company A” was manipulated in the context of environmental responsibility, contribution the welfare of the society and contribution to the CSR campaigns by donations, the scale of perceived CSR level of company was designed to comprise with this framework. While three items, which are “Company A is socially responsible,” “Company A harms to the environment” and “Company A is less socially responsible than the other companies,” were used from Klein and Dawar’s (2004) study, asking whether “Company A contribute the welfare of the society” was taken from Brown and Dacin (1997). Moreover, one question was added as “Company A contribute to donations programs” in order to cover the CSR content.
One to Seven-point scale (from strongly disagree to strongly agree) was used for the above questions. The reliability analysis result of the all five items was .672 (Cronbach’s α). But after deleting the question of “Company A is less socially responsible than the other companies,” internal consistency improved to 0.816 (Cronbach’s α).

Before reading the information about the product-harm crisis, the respondents answered three questions that measure general level of CSR importance for the enterprises. General CSR importance scale was comprised by the three items and designed by using the framework of CSR concept in Sen and Bhattacharya’s (2001) study. These were “In general, how important is it for the enterprises to be environmentally responsible?” “In general, how important is it for the enterprises to contribute to the welfare of the society?” and “In general, how important is it for the enterprises to donate?” The reliability analysis of this scale yielded favorable result (Cronbach’s α = .894).

In the second part of the questionnaire, respondents were confronted with the fictitious product-harm crisis situation. The crisis was printed and presented like short news which is published in national and highly circulated newspaper of the Greece with the following headline “Company A’s Margarine Brand Tied to Listeria Monocytogenes Infections.” A real margarine crisis depending on a Listeria Monocytogenes infection in the USA was taken into consideration during the writing process of the presented scenario.

Company A’s Margarine Brand Tied to Listeria Monocytogenes Infections

There have been several hundred reports of severe infections by Listeria Monocytogenes linked to a well-known margarine brand of “Company A.” The Listeria Monocytogenes is an organism which can cause serious and sometimes fatal infection to young children, frail or elderly people, and others with weakened immune systems, although healthy individuals may suffer from only short term symptoms such as high fever, severe headaches, stiffness, nausea, abdominal pain, and diarrhea. Listeria infection can also cause miscarriages and stillbirths among pregnant women. The “Company A” spokesperson said yesterday, “There is no problem with the margarine if it is sold by stores that refrigerate the margarine products promptly. All of the Listeria monocytogenes infections encountered can be tied to a national retailer store chain that didn’t store the margarine products promptly.”

After reading the news about product-harm crisis, respondents answered questions for their emotions toward the company. Emotional responses toward the company over the crisis incident were measured under three dimensions. These were anger, sympathy and schadenfreude. Sympathy of consumers toward the company was evaluated by using a four-item scale. The scale derived from the study of Lee (2004). The four questions were “I am frustrated at Company A,” “I think Company A should be punished,” “I feel like reprimanding Company A” and “I am sympathetic to Company A.” Respondents were asked to describe their anger toward the company on two questions: “After the Listeria Monocytogenes infection your emotions for “Company A” are very annoyed – not at all annoyed; very angry – not at all angry.” One to Seven-point semantic scale was used for these questions. The third emotional reaction, schadenfreude, was assessed with one-item (“I actually feel a little happy that something bad happened to Company A, the company deserves it”) from Coombs and Holladay’s (2005) study. Cronbach’s alphas for the sympathy and anger scales were .877 and .866 respectively.

Since the study was conducted in Greece, the questionnaire required translation. The translation of questionnaires was initially done by the author who is fluent in both Greek and English. After that, back-translation method was used to assure the accuracy of the translation, comparing the translated to the original English version and the final translated questionnaire was pre-tested. Based on reviews, final corrections were made.

RESPONDENTS AND PROCEDURE

Due to the fact that consumers are one of the most important company stakeholders and understanding their reactions to corporate crisis is a fundamental issue in crisis management, they were selected as the target group to apply the study. Convenience sampling was used in the study and all respondents were volunteers selected outside of four supermarkets in Athens. The questionnaires were designed to be filled without external guidance from the distributor. The administration of questionnaire required approximately 15–20 minutes.

Two hundred twenty respondents from Greece participated in this study. After eliminating the invalid questionnaires 203 valid questionnaires were analyzed. The respondents were assigned to the three treatment groups. Each scenario had over 50 respondents (Positive CSR Scenario was applied to 77, negative CSR was applied to 56, and no CSR information scenario was applied to 70 respondents) Special care was taken to provide precise balance between male-female and four age group respondents.

Of the respondents, 42.3 percent were female and 57.7 percent were female; 28.1 percent were between 18 and 25; 32 percent were between 26 and 35; 13.3 percent between 36 and 45; and 26.6 percent were above the age
of 46. Forty-four point seven percent of the respondents were married and 36.7 percent of them have children. Forty-eight point eight percent had at least a high school degree, 29.6 percent of the sample had a bachelor degree and 21.7 percent had a master degree. Most of the respondents (78%) identified that they were in middle income level.

RESULTS

Manipulations Checks

Five manipulation questions were used to clarify whether the manipulations worked as intended or not. According to findings, manipulations worked as intended. Respondents in the negative CSR condition rated Company A as less environmentally social responsible (m = 3.50), as more harmful for the environment (m = 4.15), worse than other companies (m = 3.66), as making less contribution to social welfare (3.43) and as making less contribution to donations programs (m = 2.64) than those in the positive CSR condition [m = 4.70, m = 2.92, m = 3.08, m = 4.83, m = 5.37, respectively; F(10,826), p < 0.001, F(13,255), p < 0.001, F(4,144), p < 0.05, F(17,111), p < 0.001]. [ANOVA for all three conditions, F(7,570), p < 0.001; contrast for positive vs. negative t = -3.06, p < 0.01].

Hypotheses Test

The analyses of variance (ANOVA) used to analyze respondents’ emotional reactions (sympathy, anger, schadenfreude) regarding to the company’s prior CSR initiative in product-harm crisis. As predicted in H1, respondents in the positive CSR condition generated higher amount of sympathy (m = 3.66) than those in the negative condition (m = 2.57). On the other hand, control subjects made similar judgments regarding sympathy to those in the negative condition (m = 2.99). [ANOVA for all three conditions, F(7,570), p < 0.001; contrast for positive vs. negative t = 3.86, p < 0.001].

For the H2, it is expected that in the positive CSR condition the respondents would be less angry than those in the negative CSR condition. As revealed by the analysis of variance, the respondents in the positive condition expressed less anger against “Company A” (m = 4.34) than the respondents in the negative CSR condition (m = 5.58), while the control condition ranged in between (m = 5.08). [ANOVA for all three conditions, F(8,459), p < 0.001; contrast for positive vs. negative t = -4.35, p < 0.001].

H3 predicts that respondents in the positive CSR condition will generate less amount of schadenfreude against the company, than the respondents in the negative CSR condition. A significant difference regarding the feeling of schadenfreude was found in accordance with different CSR initiative conditions. In the positive CSR condition the level of schadenfreude (m = 2.71) was less than it was in the negative CSR condition (m = 3.79), while respondents had similar levels of schadenfreude in the control condition with those in the negative condition (m = 3.31). [ANOVA for all three conditions, F(4,671), p < 0.01; contrast for positive vs. negative t = -3.06, p < 0.01].

Hypotheses four, five and six predicts that the impact of CSR on sympathy, anger and schadenfreude is moderated by the CSR importance level ascribed by the consumers. In order to test this moderation effect of CSR importance, the sample control group excluded from the sample and then, the sample was divided into two groups according their score on the CSR importance scale (environment, social welfare and donations). Most of the respondents have high scores on these questions. That’s why, a relative high CSR importance level (less or equal to 5.5) was selected in order to have a reasonable number of cases in the low importance group. Finally, the subjects in the low importance CSR group were 23 and in the high importance CSR group were 110.

A series of regression analysis were conducted in order to determine if there are moderation effects of CSR importance on emotions toward the company. H4 supports that the impact of “Company A’s” CSR initiative on sympathy will be moderated by the consumers’ perception of CSR importance level. Social responsibility predicted the level of sympathy toward the company like in the high importance CSR group for the low importance CSR group. As a result, the H4 is marginally rejected because of the significant level in the low importance group is p < 0.05. On the other hand, the H5 is supported because the social responsibility didn’t predict the significant effect on the level of anger against the company in the low importance CSR group (p = .168), while CSR initiative had a significant negative impact on anger in the high importance CSR group (β = -0.410, p < .000) Finally, like the previous hypothesis, the H6 is supported because any significant relationship is not observed between CSR and schadenfreude for the low importance CSR group (p = .909) while this is found for the high importance group (β = -0.257, p < 0.001).

DISCUSSION, LIMITATION AND FURTHER RESEARCHES

This research examines the effects of CSR initiatives on consumers’ emotions in product-harm crisis. The results of the experimental research reveal that the consumers’ emotions are affected by the prior CSR perception of the company in product-harm crisis. This is in line with the prior CSR researches in marketing which suggest that CSR initiatives affect consumers’ reactions in product-
harm crisis. Our findings add to this growing body of research by suggesting that a company’s CSR affects also the non-cognitive reactions of consumers, like the emotional reactions of sympathy, anger and schadenfreude.

As expected, the findings of this study reveal that there is a significant difference between positive and negative CSR conditions, related to consumers’ emotional reactions. Positive CSR condition leads to greater sympathy and less anger and schadenfreude, after product-harm crisis, than the negative CSR or the no CSR information condition (control). However, the prior positive company’s CSR does not create favorable emotions for the company that faces a product-harm crisis, as explained by the low sympathy levels for all CSR conditions. In contrast, this result may not necessarily generalize to every case, especially when we refer to crisis where the company is not responsible for the negative event or is the victim of the crisis, like in cases of product tampering (Stockmyer 1996; Coombs and Holladay 2005). This is why positive CSR conditions can only be accepted as initiative action and potential ability of the company in a crisis situation, although it should be supported by the effective crisis communication and accommodative (Coombs 1998) or super-effort (Siomkos and Kurzbard 1994) response strategies. During the crisis response, the positive CSR performance of the company can also be used to support crisis response strategy of the company.

The CSR as strategic tool in crisis situations has limitations. According to Sen and Bhatllacharya (2001) in routine situations and Klein and Dawar (2004) in non-routine situations like product-harm crisis, the CSR importance ascribed by the consumers will moderate the consumers’ reactions. The results of this study lend support to this moderation effects of CSR importance for the emotions of anger and schadenfreude. Contrary to expectations, the effect of Company CSR on sympathy was significant for both CSR importance groups. A number of possible reasons for that result can be suggested, but the most predominant one is that sympathy is a positive emotion while anger and schadenfreude are negative. This means that, in product-harm crisis the CSR works only for CSR sensitive consumers by preventing the negative emotions, while it works in creating an amount of positive emotions, regardless of consumers’ CSR importance level.

A key take-away from this paper is that not only is CSR important in attribution of blame and brand evaluation but it also contributes to the creation of an amount of positive emotions, like sympathy, but most importantly it generates lower negative emotions for the positive CSR company. This paper is the first that examines how consumers’ emotions are affected by prior CSR perceptions in product-harm crisis and suggests that the higher emphasis is to be given to consumers’ emotional reactions, especially in negative situations.

Among the research limitations, is the simultaneous act of reading about a company’s CSR actions and judging it about a defect product. In the real world situation consumers tend to evaluate a company’s CSR initiatives over time and use this evaluation when and if a crisis takes place. Another limitation is the implementation of convenience sampling. Due to the application of convenience sampling, generalization of the results is narrow. Finally, under the particular circumstances of the crisis situation presented in this study, the CSR had a positive effect on emotions. However, this result could be different in other crisis situations, other product categories or other corporate associations, like corporate ability.

The research presented here still leaves a number of questions unanswered. Some questions that suggest the need for further research are how emotions affects the attribution of blame, the brand evaluation, buying intentions and other supporting or not behaviors, such as word of mouth in crisis situations. Additionally, real crisis situations and real companies or brands should be used to further examine the extended validity of the findings. We believe that further empirical testing in other crisis situations with different responsibility and severity characteristics will contribute to the understanding of emotional reactions and the role of CSR. Interesting results can be revealed through the simultaneous examination of different corporate associations. Last but not least, another potential research avenue may be the examination of different emotional reactions between final consumers and organizational buyers in product-harm crisis.

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PHARMACEUTICAL INDUSTRY COMPLIANCE WITH INDUSTRY
GUIDING PRINCIPLES FOR DIRECT-TO-CONSUMER
ADVERTISING

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James L. Oakley, University of North Carolina at Charlotte

SUMMARY

Since 1997 the U.S. Food and Drug Administration has permitted direct-to-consumer prescription pharmaceutical advertising via television commercials. The pharmaceutical industry has argued that direct-to-consumer advertising is an effective means to educate consumers about diseases and appropriate treatments. In contrast, direct-to-consumer television advertising has been criticized for the level of information provided and for undermining physician patient relationships.

In response to such criticism, the Pharmaceutical Research and Manufacturers of America (PhRMA) has utilized a set of industry guidelines for self-regulating these advertising messages directed to consumers since 2006. Since companies pledge to adhere to the PhRMA Guiding Principles, and since the Guiding Principles may be regarded as a substitute for new federal regulation of direct-to-consumer advertising, it is important to know whether or not individual pharmaceutical company practices are actually in compliance with the Guiding Principles.

This study assesses compliance with the PhRMA guidelines for pharmaceuticals intended for the treatment of erectile dysfunction. In order to assess company compliance with the original and revised Guiding Principles we selected principles for which publicly available information suitable for determining compliance could be acquired and undertook multi-dimensional data collection and analysis. Utilizing data from TNS Media and AC Nielsen, in addition to content analysis, readability analysis, and primary viewer surveys, compliance with eleven of the fifteen PhRMA guidelines is assessed over four years, from 2006–2009.

Our data illustrates that while total pharmaceutical industry spending on direct-to-consumer media has declined slightly since 2007, annual spending on direct-to-consumer erectile dysfunction media during the period in which the PhRMA guidelines have been in effect has increased to $313.4 million in 2009 from $200.3 million in 2006. Over the four-year period of our study, nearly 100,000 television advertisements aired for erectile dysfunction drugs, and our data indicates that viewers regard direct-to-consumer advertising for erectile dysfunction drugs as manipulative and coaxing rather than educational and instructive.

The findings from our study suggest that instead of facilitating a balancing of interests, the self-regulation efforts of the pharmaceutical industry through PhRMA and its associated guidelines are serving the interests of pharmaceutical companies at the expense of public health education and welfare. References are available upon request.

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THE IMPACT OF FINANCIAL ATTITUDES AND BEHAVIORS ON CHARITABLE GIVING

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ABSTRACT

Charitable contributions in recent years have reduced due to the diminishing financial support and lessening voluntary participation from contributors. Using the 2004 Survey of Consumer Finances, this study investigates the effects of planning horizon, risk tolerance, and saving habits on the charitable contribution of both money and time to charities.

INTRODUCTION

Individual giving constitutes one of the largest forms of charitable contributions in the United States today (Giving USA Foundation 2006) and remains a significant income source for several nonprofit organizations (Salamon 2006). In years leading up to the 2004 Indian Ocean Tsunami and the 2005 Hurricane Katrina, reports revealed that the rate of individual charitable giving appeared to have decreased (The Center on Philanthropy at Indiana University 2006). This decrease was blamed on a reduction in financial support from charitable givers (Bendapudi et al. 1996) and lessening voluntary participation from individual contributors. In spite of the diminishing financial support charities received from many of their donors, the demand for their services and the overall cost of conducting business increased (Bendapudi et al. 1996). Consequently, several of these charities were forced to close down or reduce the amount of services they offered.

In an attempt to understand what motivates people to contribute to charitable organizations, researchers over the past three decades have primarily focused on the impact of demographic and socio-economic variables on charitable giving. Of the many predictors that trigger giving behaviors, income is found to be the most important factor leading families and individuals to contribute to charities (e.g., Anaza and DeVaney 2008; Andreoni et al. 1996; Smith and Beik 1982). Though income is relevant to the research on giving, researchers find that people’s attitudes and beliefs toward their investment risk and financial future are just as important as their income, especially when behavioral tendencies such as charitable giving is the outcome (Roszkowski and Snellbecker 1988). Other researchers observe weakening support for the relationship between income and charitable contributions, particularly in light of the emerging psychographic and attitudinal motivations reportedly seen as promising profiling techniques fundraising managers and marketers can use in differentiating charitable givers from non givers (Harvey 1990; Todd and Lawson 1999). Consequently, it is evident that when people decide to give to charitable organizations, deeper attitudinal components concerning their financial behavior compels them to give (Edmondson 1986; Halfpenny 1990; Yavas and Riecken 1993; Yavas et al. 1993).

Although there is growing interest in the area, there is limited research pertaining to psychographic and attitudinal characteristics of givers. In response to these shortcomings, the present study examines how these variables, strictly from a financial perspective motivate individuals to give both their time and money to charitable organizations. Though giving time and money are typically valued and examined differently, some researchers find that people who volunteer time are more likely to give and that these volunteers give more than contributors that do not volunteer (Van Slyke and Johnson 2006). In other words, the charitable notion of donating money and giving time usually move in tandem and thus requires more research attention. However, little, if any, empirical research exists that explores the likelihood of households contributing both money and time. Understanding additional characteristics of households who give both money and time will help nonprofits that want to improve both revenue and volunteer support.

Based on this, the primary purpose of this article is to explore how people’s attitudinal perception toward risk, planning horizon, and saving habits impact their decision to volunteer their time and donate their money to charitable organizations. Though these variables have been found to influence people decision/choice making potential (Dowling 1986), they are yet to be systematically examined as variables at the core of giving behaviors. Saving habits, planning horizon and risk tolerance are variables typically at the forefront of household financial behavior, which make them important constructs to evaluate in reference to giving behavior. In conjunction with other variables like income and net worth, these constructs dictate household consumption rate, expenditure level, quality of life and rate of giving. Therefore to realize the study’s objectives, the rest of the article is structured as follows: The next section begins with a literary review of the relationship between financial behaviors and charitable giving. Then, the methodological process used in accessing the data and analyzing the results are described. This is followed by a discussion of the findings, implications and future research avenues.
LITERATURE REVIEW

Variables Impacting Charitable Giving Behaviors

A person’s decision to give surpasses the need to be altruistic or the desire to do good (Andreoni 1990). In several instances, the act of being philanthropic is influenced by intrinsic and extrinsic determinants (Lee and Chang 2008). Extrinsic determinants include demographic and socio-economic variables, while intrinsic determinants comprise of psychographic and attitudinal-based factors (Lee and Chang 2008). Intrinsically-based characteristics are congruent with variables such as people’s level of perceived risk in the context of charitable giving behavior (Yavas and Riecken 1993). Perceived risk likened to risk tolerance is defined as “the maximum amount of uncertainty that someone is willing to accept when making financial decisions” (Grable 2000, p. 625).

Outlined in Yavas et al. (1993), a person’s level of perceived monetary risk is significantly associated with his or her donating behavior. They found that people with increased perceived monetary risk were less likely to donate to churches and educational institution. On the other hand, individuals with perceived time risk were less inclined to volunteer at churches, political parties, and educational institutions. Evidence from their results demonstrates that individuals respond to giving their time and money to organizations in similar fashions when risk is the determining factor. This supports comments by Van Slyke and Johnson (2006) that a linkage does exist between individual volunteering and donating behavior. Therefore, in a similar frame of thought with both studies, the present study agrees and expands on their findings that a person’s level of risk will affect the likelihood of contributing both money or time to charitable organizations. Though, aversion to risk can be classified in terms of risk affinity, described as a general tendency to avoid risk, risk tolerance is seen as a person’s tendency to tolerate risk (Conchar et al. 2004). This study observes both.

Another relevant financial psychometric characteristic found to affect charitable contribution is an individual’s perceived financial security (Halfpenny 1990; Schlegelmilch et al. 1997a, 1997b). Driven by peoples saving habits and planning horizon, researchers find that positive perceptions of financial security led to increases in charitable sponsorships and event attendance (Schlegelmilch et al. 1997a, 1997b). Planning horizon relates to consumers time preference for spending and saving. An important aspect of this relationship as supported by previous studies (e.g., Anaza and DeVaney 2008; Edmondson 1986) is the fact that individuals who perceive themselves as financially sound give more money, time, or both to charitable organizations. In being financially sound, individuals are known to set aside discre-tionary income, save regularly, plan for unseen circumstances, and engage frequently in credit management (Hilgert et al. 2003; Thoits and Hewitt 2001).

Specifically, researchers have found that households whose spending equaled their income were 23 percent less likely to contribute both money and time to charitable organizations than households whose spending were less than their income (Anaza and DeVaney 2008). This suggests a direct association between households spending behavior and their charitable contribution of money and time. The Independent Sector (1999, 2008), an organization known to support and promote philanthropic engagement, awareness, and participation through research-based instruction and public policy revealed that charitable donations and volunteering were influenced by a household’s future perception of money. They found that individuals who were not concerned about having enough wealth in the future contributed a higher percentage of their money to charities. Their results also suggested that individuals who were not concerned about money in the future were households with better investments plans, tolerant in taking sensible risk, financially secure, and saved regularly. Based on the argument presented above, the following three hypotheses are proposed:

H1: Household heads with longer planning horizon compared to household heads with shorter planning horizon are more likely to contribute both money and time to charitable organizations.

H2: Risk tolerant heads compared to risk averse heads are more likely to contribute both money and time to charitable organizations.

H3: Household heads who save regularly compared to household heads that do not save regularly are more likely to contribute both money and time to charitable organizations.

Control Variables Impacting Charitable Giving Behaviors

Identifying attitudinal and psychographic characteristics of givers go hand-in-hand with extrinsic determinants of giving behaviors (Lee and Chang 2008; Yavas and Riecken 1993). Quite a number of variables including an individual’s age, race, marital status, household size, educational level, and income have been posited and found by researchers to be extrinsic determinants of charitable contribution. Readers are referred to Table I for a review of previous studies found to predict charitable giving. To control for the effects of demographic and socio-economic characteristics, these variables are introduced as un-hypothesized direct predictors of giving behaviors.
METHODOLOGY

Data and Sample

Data for this study was obtained from the 2004 Survey of Consumer Finances (SCF). The SCF is a comprehensive cross sectional dataset conducted by the Federal Reserve Board. It is collected triennially by the National Organization for Research at the University of Chicago through the use of interviews. Interview questions were posed to 4,519 participants using computer-assisted personal interviewing systems (CAPI). Questions included topics concerning household financial behavior, assets, income, business ownership, health status, charitable behavior and demographic characteristics. Of the 4,519 households, 1,203 made charitable donations of both money and time to charitable organizations. The remaining 3,316 heads contributed either money (n = 1,143), time (n = 315) or neither (1,858) to charities.

Dependent Variables

Two questions from the SCF were combined to estimate the dependent variable. In the first question, participants responded to a question that asked, “during 2003, did you make charitable contributions of money or property totaling $500 or more” excluding political contributions? The second question asked, “during 2003, did you volunteer an average of one hour or more a week to any charitable organizations?” The actual outcome variable was dummy coded as one for respondents who had contributed both money and time to charitable organizations and zero otherwise.

Independent Variables

The predictor variables included planning horizon for saving and spending, level of risk tolerance, and saving behavior. In accessing household heads planning horizon for saving and spending, respondents were asked to evaluate the time period most important to them. Responses were anchored as planning horizon “longer than 10 years,” “5 to 10 years,” “a few years,” or “a year or a few months.”

The level of financial risk a household head was willing to take when making household investment decisions was coded into two categories consisting of risk tolerant or averse heads. Risk tolerant household heads were willing to take substantial or above average risk in hopes of receiving substantial or above average returns, while risk averse household heads were classified as those unwilling to take any risk or simply willing to take average financial risk.

Saving behavior was assessed as a function of individual spending habit. Spending habit was categorized into three groups: households with spending exceeding their family income, households whose spending equaled their income or households who spent less than their family income. The reference groups for the predictor variables were heads with planning horizons in the next year or the next few months, risk averse heads and household heads who spent less than the household income.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Previous Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Anaza and DeVaney 2008; Gallagher 1994; Mesch et al. 2006</td>
</tr>
<tr>
<td>Race</td>
<td>Mesch et al. 2006; Wilson 2000</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Anaza and DeVaney 2008; Mesch et al. 2006; Schlegelmilch and Tynan 1989</td>
</tr>
<tr>
<td>Education</td>
<td>Edmondson 1986; Mesch 2006; Schlegelmilch and Tynan 1989; Wilson and Musick 1998</td>
</tr>
<tr>
<td>Household Size</td>
<td>Anaza and DeVaney 2008; Andreoni, Gale, and Scholz 1996; Vincent and DeVaney 2003</td>
</tr>
<tr>
<td>Income</td>
<td>Edmondson 1986; Mesch et al. 2006; Schlegelmilch and Tynan 1989; Smith and Beik 1982</td>
</tr>
</tbody>
</table>

Note: The list is not exhaustive.
Control Variables

Income and household size were measured as continuous variables. Negative income was converted to zero. Age was classified into household heads 35 years and younger (young), between 35 and 55 years (middle aged), and 55 and above (older adults). Race was coded as Whites and non-Whites. Household heads belonging to the non-White ethnicity were African American, Hispanic or Latino, Asian, American Indian, Alaska native, Native Hawaiian, Pacific Islanders, and others. Marital status was categorized as married and single. Single household heads included divorced, widowed, never married and separated individuals. Education was coded into household heads with less than 12 years, 12 years, between 12 and 16 years, and over 16 years of schooling.

Procedure of Data Analysis

Binomial logistic regression was used to analyze the data. Logistic regression was deemed the most appropriate statistical technique for the current analysis due to the binomial nature of the dependent measure (i.e., volunteering and monetary donation) (Hair et al. 2006; Lewis 2007). Specifically, proc logistic in SAS version 9.1 with effect coding parameterization was the SAS statement and coding technique employed.1

Results of the Descriptive Statistics for the Entire Sample

Descriptive statistics for the entire sample are summarized on Table 2.2 About 17 percent of household heads in the total sample contributed both money and time to charitable organizations. Thirteen percent of the sample engaged in a planning horizon longer than ten years, 26 percent held a five to ten years planning horizon, over one-fourths (27.82%) of the respondents had a planning horizon within a few years and 33.29 percent had a year or less planning horizon.

When taking financial risk, 19.14 percent of household heads were willing to take substantial or above average financial risk in return for substantial or above average gain. About four-fifth (80.86%) of the respondents were unwilling to take any financial risk or were simply willing to take average financial risk. In regards to spending habits, 19 percent of household heads spent more than their income, 39 percent spent equal to their income and 42 percent spent less than their income. A typical household head had an average age of 49 years. About one-quarter of these heads (22.8%) held a college degree, 31.95 percent had a graduate degree, 29.11 percent were high school graduates and 16.14 percent had some high school education.

Nearly seventy two percent of the samples were male household heads, which was far greater than the 28.14 percent female heads of household. The average household income was $67,804. Three-quarters (73.55%) of household heads were White. One-half (50.67%) of household heads were married. The average number of people in a household was between two and three people.

Results of the Logistic Regression

As shown on Table 3, planning horizon had a significant effect on household heads charitable contribution of money and time to charities. The results showed that household heads with the longest planning horizon for saving and spending were more likely to contribute both money and time to charitable organizations than household heads with shorter planning horizon.

Household heads with a ten or more years planning horizon were about twice more likely to contribute both money and time to charitable organizations than heads with a year or less planning horizon (β = 0.291, p < .05). There was no significant relationship between household heads with a five to ten years planning horizon and contributing money and time to charitable organizations (p > .05). Contrary to the hypothesized relationship, household heads with a few years or less planning horizon were less likely than heads with a year or less planning horizon to donate their money and volunteer their time to charitable organizations (β = -0.185, p < .05). The results provide partial support for hypothesis 1.

Support is found for the proposition that hypothesized that risk tolerant heads have a higher likelihood of contributing both money and time to charitable organizations than household heads unwilling to take any risk or simply willing to take average risk (β = 0.144, p < .05). Risk tolerant heads were 32% more prone to volunteer their time and donate their money to charities than risk averse heads. As a result, full support is found for hypothesis 2.

Hypothesis 3 examines the relationship between saving behavior and charitable contribution. The findings demonstrate that household heads with better saving habits are more likely to give both money and time to charities than household heads with poor saving habits. Compared to households who spent less than their income, those whose spending equaled to their income were 78 percent less likely to contribute both money and time to charitable organizations (b = -0.160, p < .05). The results indicated no significant relationship between household heads spending in excess of their income and the charitable contribution of money and time (p > .05).

OVERALL DISCUSSIONS

The recognition that attitudinal and psychographic variables possess predictive powers that help in determin-
TABLE 2
Weighted Descriptive Statistics for Households in the 2004 SCF (N = 4,519)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency %</th>
<th>Mean</th>
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</thead>
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<tr>
<td><strong>Dependent Variable</strong></td>
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<td></td>
</tr>
<tr>
<td>Contributes money and time</td>
<td>17.24</td>
<td>–</td>
</tr>
<tr>
<td>Did not contribute money and time</td>
<td>82.76</td>
<td>–</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning Horizons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Longer than 10 years</td>
<td>13.24</td>
<td>–</td>
</tr>
<tr>
<td>Next 5–10 years</td>
<td>25.65</td>
<td>–</td>
</tr>
<tr>
<td>Next few years</td>
<td>27.82</td>
<td>–</td>
</tr>
<tr>
<td>Next year and next few months</td>
<td>33.29</td>
<td>–</td>
</tr>
<tr>
<td>Risk Tolerance</td>
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<td></td>
</tr>
<tr>
<td>Risk tolerant</td>
<td>19.14</td>
<td>–</td>
</tr>
<tr>
<td>Risk aversion</td>
<td>80.86</td>
<td>–</td>
</tr>
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<td>Spending Behavior</td>
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<td></td>
</tr>
<tr>
<td>Spending exceeded income</td>
<td>19.09</td>
<td>–</td>
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<td>–</td>
</tr>
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<td>–</td>
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<td>Between 35 and 55</td>
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</tr>
<tr>
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<tr>
<td>White</td>
<td>73.55</td>
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Note: Dash means “not applicable”

ing a person’s decision to give has altered the way charities appeal to donors (Yavas et al. 1980; Yavas and Riecken 1993). The results from this study contribute to previous discussions pertaining to new ways of identifying potential donors using psychographic and attitudinal profiles. The ability to segment charitable givers using attitudinal information provided by psychographic profiles gives charitable organizations streamlined approaches and fresh insights to targeting potential donors and marketing to the right audience (Lee and Chang 2008; Schlegelmilch and Tynan 1989; Yavas et al. 1980). Consistent with previous findings, several implications emerge from the results presented in this study surrounding the likelihood to give.
Though not significant in all three time variations (lengths), the findings clearly illustrate that individuals with generally longer household financial planning horizon for saving and spending are more disposed to volunteer their time and donate their money to charitable organizations. This relationship was strongest for families with a ten or more years planning horizon when compared to families with a year or less planning horizon.

Attitudinal and psychographic determinants of charitable givers, such as planning horizon, are more difficult to observe than demographic or socio-economic predictors of giving behaviors. Given the fact that the results reveal that demographic variables align with attitudinal characteristics, household heads with a ten or more years planning horizon can be segmented out as older adults, fifty years and above, planning and saving for retirement or already retired. In the case of retired adults, many of them see it as part of their social responsibility to give back to the society through financial pledges and voluntary participation made possible since they do not have the obligation of caring for a young family (Myers 2005). Household heads with a longer planning horizon can also be segmented out as middle-aged adults. These adults are at the peak of their careers. They have the financial resources and educational literacy to embark upon longer termed household fiscal budgeting (Hilgert et al. 2003).

This relationship between planning horizon and charitable contribution emphasizes the importance of having to give. An individual with a structured long-term financial plan possesses the financial preparedness to donate and time availability to volunteer in times of immediate global crises and in times of no emergent crises. Proper planning of household spending and saving ensures that household heads have adequate future cash flow, cash on

<table>
<thead>
<tr>
<th>Predictors of Giving</th>
<th>Coef.</th>
<th>S.E.</th>
<th>Pr &lt; ChiSq</th>
<th>Odds Ratio</th>
<th>Support</th>
</tr>
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<tr>
<td>Planning Horizon</td>
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<td></td>
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<tr>
<td>Longer than 10 years</td>
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<td>0.069</td>
<td>.0001</td>
<td>1.663</td>
<td>Supported</td>
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<tr>
<td>Next 5–10 years</td>
<td>0.110</td>
<td>0.069</td>
<td>0.0686</td>
<td>1.387</td>
<td>Not Supported</td>
</tr>
<tr>
<td>Next few years</td>
<td>-0.185**</td>
<td>0.068</td>
<td>0.0063</td>
<td>1.032</td>
<td>Partially Supported</td>
</tr>
<tr>
<td>Next year and next few months (reference group)</td>
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<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Risk Tolerance</td>
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<td></td>
</tr>
<tr>
<td>Risk tolerance</td>
<td>0.144**</td>
<td>0.042</td>
<td>0.0007</td>
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<td>Supported</td>
</tr>
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<td>–</td>
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<td>Spending Behavior</td>
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</tr>
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<td>Age</td>
<td></td>
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<td></td>
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<tr>
<td>Household income</td>
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<td>1.67E-08</td>
<td>.0001</td>
<td>1.000</td>
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<td>0.088</td>
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<td>0.085</td>
<td>0.0225</td>
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<td>0.906</td>
<td>.0001</td>
<td>5.240</td>
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<td>–</td>
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<td>–</td>
<td>–</td>
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<tr>
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<tr>
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<td>0.104</td>
<td>.0001</td>
<td>2.020</td>
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<td>Race</td>
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<td>0.111</td>
<td>0.036</td>
<td>1.569</td>
<td>–</td>
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</tbody>
</table>

Note: *p < 0.01, ***p < 0.001
Dash means “not applicable”
hand, and cash to spend. The availability of this cash guarantees the increased likelihood that household heads will donate to charitable organizations. The question then becomes how can charitable organizations appeal to families with more structured financial prospective? Similar to the way they appeal to higher income earners, fundraising managers are encouraged to work closely with financial planners to target household heads that seek to embark upon a longer termed planning horizon. In the long run, these household heads are better fit to contribute money and offer up their time to charitable organizations.

The results also demonstrate significant support for the association linking financial risk tolerance to volunteering and donating. Risk tolerant heads were more likely to contribute both money and time to charitable organizations than risk averse heads. An explanation for this relationship rest with the belief that compared to risk averse heads, risk tolerant heads are more homogenous in character (Roszkowski and Snelbecker 1988). They are more likely to be wealthy and successful in life (Roszkowski and Snelbecker 1988). They are also more likely to seek the thrill of new experiences that involve volunteering for rare scientific experiments (Roszkowski and Snelbecker 1988).

Akin to heads with a longer-term planning horizon, risk tolerant heads are rationale beings that weigh, assess and evaluate the outcomes of their attitudes and behavioral tendencies (Conchar et al. 2004). An individual who is more tolerant of financial risk is more likely to weigh the importance and end-result of giving. For this reason, charitable organizers must be cognizant of the marketing technique used to appeal to risk tolerant individuals. In marketing to these individuals, direct or cause marketing strategies that stresses a donor’s traits as risk tolerant, financially sound and rationale must be employed.

Finally, the findings uncover the effect of spending habits on contributing both money and time to charitable organizations. Compared to household heads that spent less than their income, household heads whose spending equaled their income were less likely to contribute to charitable causes. When individuals spend as much as they earn, they are left with little to no disposable income to expend on giving. In many instances, it is important that charitable organizations comprehend a person’s financial capability before soliciting help. Although, an individual with poor spending habits is less likely to give to charities, they should be approached and encouraged to give because they may possess a higher tendency of impulsiveness than household heads who are more rationale and cognizant of their spending habits. For families that spent more than their income, their spending habit had no significant effect on charitable giving.

LIMITATIONS AND CONCLUSION

Several limitations are present in this study. One of such limitations relates to the lack of other financial attitudinal determinants of giving behaviors due to the restrictions associated with using the SCF. Unfortunately, the SCF does not ask many psychographic questions, such as people’s level of generosity or behavioral questions that get at the root of giving motivations. The use of a secondary data source also presented an added limitation to the way the study was conducted. Due to its cross sectional layout, any insight into longitudinal developments were restricted. In the future, researchers are encouraged to examine the impact of planning horizon, risk tolerance and spending habits on giving money in comparison to giving time to charitable organizations. Interesting distinctions between time and money may contribute in further explaining giving behavior.

In conclusion, this study clearly confirms that financial planning behaviors and attitudes significantly affect household heads likelihood of contributing both money and time to charitable organizations. Charitable organizations are encouraged to work closely with financial planners to identify household heads with a longer-term planning horizon, risk tolerant, and save regularly. The identification of these household heads showcases individuals who are more willing to contribute both money and time to charities.


Conchar, Margy P., George M. Zinkhan, Cara Peters, and

Conchar, Margy P., George M. Zinkhan, Cara Peters, and

Giving USA Foundation (2006), Giving USA 2006: The

Giving USA Foundation (2006), Giving USA 2006: The


Dowling, Grahame R. (1986), “Perceived Risk: The Con-

Dowling, Grahame R. (1986), “Perceived Risk: The Con-

Andreoni, James, William G. Gale, and John K. Scholz


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CONSUMER SUSPICION AS AMBIGUITY IN PERSUASION: PROCESS AND TRIGGERS

Nicole Kirpalani, LIM College, New York

SUMMARY

Following the Persuasion Knowledge Model (Friestad and Wright 1994), an increasingly rich literature has examined consumers’ persuasion knowledge in buyer-seller contexts. Extant research has shown that consumers have considerable persuasion knowledge, that they expect that buyer-seller interactions will be characterized by persuasion, and that they frequently act as persuasion sentries when dealing with salespeople (Kirmani and Campbell 2004). Not surprisingly then, consumers are frequently suspicious of salespeople’s motives (e.g., Campbell and Kirmani 2000; DeCarlo 2005). Findings regarding negative biases in personal selling situations highlight the need to study consumer suspicion in marketplace interactions that are not automatically categorized as sales interactions. Value co-creation situations, which are becoming increasingly important in today’s marketplace (Prahalad and Ramaswamy 2000, 2004) exemplify such interactions.

Suspicion is defined as a state in which people suspend judgment and entertain multiple competing hypotheses, actively engaging in attributional thinking regarding potential ulterior motives (Fein 1996). When suspicion is triggered, consumers deliberatively process situational factors that they might otherwise ignore (Fein 1996; Main, Dahl, and Darke 2007). Understanding consumers’ suspicion has practical implications, since suspicion can affect, among others, consumer’s willingness to process argument content systematically (Echebarria-Echaba 2010) and satisfaction with negotiation outcomes (Oza, Srivastava, and Koukova 2010).

The main goal of the present research is to examine the roles of prior expectations and actual agent behavior on suspicion in the co-creation context. In line with previous work in the social psychology literature, the present research assumes a process-based notion of suspicion (Marchand and Vonk 2005). Marchand and Vonk (2005) recognized that, to the extent that suspicion entails a deliberative attributional process in which people consider multiple hypotheses, it is unlikely to occur instantaneously. By presenting study participants with a series of cues and eliciting responses after each cue in a scenario, Marchand and Vonk (2005) found that suspicion builds as a person is presented with incremental bits of information and ultimately resolves as she/he concludes that another either possessed an ulterior motive or did not. Moreover, the gradual increase in suspicion, followed by a decrease and resolution, occurred even though the incremental bits of information were all carefully pretested to be equivalent and only moderately informative.

In the context of co-creation it was hypothesized that suspicion will be higher when a consumer’s prior expectations are sales oriented rather than customer oriented, when the consumer’s perception of actual agent behavior is sales oriented rather than customer oriented, and when there is a mismatch between prior expectations and agent behavior.

Following an exploratory study designed to shed light on the process of suspicion in the co-creation context, the main study was conducted. This study manipulated prior expectations (customer oriented versus sales oriented) in the background information of the scenario, and agent behavior (customer oriented versus sales oriented) in the cues of a co-creation scenario.

One hundred and one participants (72%) showed suspicion of ulterior motives during the co-creation interaction (suspicion mean M > 1.00). Results showed
significant main effects for levels of suspicion in the sales oriented versus customer oriented expectations versions, and the sales oriented versus customer oriented agent behavior versions. Average suspicion levels were higher in the sales expectations condition ($M_{se} = 1.21$) as opposed to the customer oriented expectations condition ($M_{ce} = 1.15$; $t(138) = -1.992$, $p = .048$). There was also a significant difference in suspicion levels in the customer oriented versus sales oriented agent behavior conditions: $M_{su} = 1.22$ for the sales oriented agent behavior and $M_{cu} = 1.15$ for customer oriented agent behavior ($t(138) = -2.377$, $p = .019$). The main effect hypotheses were supported. However, the differences between match and mismatch conditions were not significant.

Results showed that suspicion is likely to be triggered in a co-creation interaction, but resolves itself as the interaction between the consumer and the co-creation agent comes to a close. The main study found that both prior expectations and actual agent behavior were good predictors of suspicion. When prior expectations were sales oriented rather than customer oriented, participants showed a higher level of suspicion overall. Similarly, when the agent behavior was perceived as sales oriented rather than customer oriented, participants showed higher levels of suspicion. In conclusion, consumers seem to carefully weigh cues they get from sales agents. If the agent’s behavior is sales oriented, suspicion is likely to be triggered in a co-creation interaction. References are available upon request.

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MANAGING CONSUMER FAIRNESS PERCEPTIONS TO INCREASE LIFETIME CUSTOMER VALUE

Sooyeon Nikki Lee-Wingate, Fairfield University

ABSTRACT

The current research presents a conceptual framework for consumer perceptions of fairness. It highlights three components of consumer fairness judgments (comparison focus, comparison referent, and guiding principle) and states corresponding propositions to be tested in future research and utilized in practice. The conceptualization offers suggestions for marketers to better manage consumer perceptions of fairness to increase lifetime customer value.

INTRODUCTION

Consider the following consumer experiences: Consumers going through a lot of hassle to terminate a contract with a company they perceive as unfair. Consumers investing time and effort to bad-mouth certain companies that treated them unfairly to anyone who would listen, such as posting complaints on public websites, building websites themselves to discourage anyone else from making the same mistake (Ward and Ostrom 2006), or encouraging public boycotts (Kahneman, Knetsch, and Thaler 1986a). These behaviors may seem spiteful, but they are not uncommon. Obviously, these behaviors will not only decrease a firm’s immediate sales, but also may drastically deteriorate the firm’s reputation and long-term equity.

What prompts these consumers to this sort of spiteful behavior? The answer to the question is the focus of the current research. I argue that consumers’ perception of fairness is the main driver and delve into how it is formed and what may influence it. The objective of the current research is two-fold. First is to delineate how consumers construct such judgments of fairness in a conceptual framework based on a review of relevant literatures. Second is to suggest practical implications and research directions by considering each component of the framework and offering propositions that can be tested in future research.

Firms wishing to maximize lifetime customer value must consider how fair their consumers perceive them to be, in order to satisfy current customers and attract new customers. Why are fairness perceptions important? Every experience of fairness, and often more importantly unfairness, has important attitudinal, affective, and behavioral consequences for any consumers (Tyler and Smith 1998; Xia et al. 2004). Key dependent variables influenced by fairness concerns include satisfaction (e.g., Austin, McGinn, and Susmilch 1980; Goodwin and Ross 1992; Messick and Sentis 1983; Swan and Oliver 1991; Szymanski and Henard 2001), shopping intentions (Campbell 1999), and willingness to pay (Ajzen, Rosenthal, and Brown 2000), to name a few. At the most abstract level, fairness perceptions influence happiness and satisfaction; thus comprising a crucial portion of consumers’ well-being.

Consistent with the previously discussed examples, behavioral evidence on the influence of fairness is abundant. Consumers are readily motivated to restore equity if they find themselves in an unfair situation, sometimes by stealing (Greenberg 1993). Alternatively, fairness concerns motivate people to act unselfishly because of justice concerns (Montada 1991; Smith and Tyler 1996; De Dreu, Lualhati, and McCusker 1994; Loewenstein, Thompson, and Bazerman 1989; Rabin 1993). Some consumers not only reject potential non-zero income, but go beyond it by expending more of their resources of money or time, to retaliate, or engage in vengeful behaviors (Bonifield and Cole 2007). As such, fairness concerns have an independent utility for individuals to consume and value, much like other commodities (Eckel and Grossman 1997). Knowing that consumer’s perception of fairness acts as a strong driver for their behaviors, firms are compelled to focus on “fair” practices (Piron and Fernandez 1995), to prevent bad reputations, lost business, or public boycotts (Kahneman et al. 1986a).

The current research makes both conceptual and practical contributions. From the theoretical perspective, this work contributes by presenting a higher-order and parsimonious framework of consumer fairness perceptions. It is as an alternative to being restricted by substantive areas relying on deductive reasoning such as price fairness or service fairness. Such a framework, based on a multidisciplinary review, may offer more creative solutions and stimulate future research questions. Additionally, the propositions listed in this work not only encourage future research, but also may guide practitioners in improving consumers’ fairness perceptions.

The rest of the paper is organized as follows. Components of consumers’ fairness perceptions within the presented framework are described and several related propositions are stated. Discussions on conceptual and managerial contributions conclude the paper.
COMPONENTS OF CONSUMER FAIRNESS PERCEPTIONS

The research on fairness began with studies of equity theory (Adams 1965) and relative deprivation theory (Crosby 1982), both of which agree on the idea that fairness judgments are based on a comparison process. In this process, the outcomes of the perceiver are contrasted with the outcomes received by a comparative referent (e.g., Martin and Murray 1983; Xia, Monroe, and Cox 2004; Stitka 2009). Such comparison is then evaluated by a rule to determine the valence of the outcome. Likewise, the formation of fairness perceptions begins with a comparison between the comparison focus and the comparison referent, yielding the comparison result, which then is evaluated by a guiding principle to finally produce the fairness perception.

Consider the following example. A consumer may assess the fairness of a certain retailer from whom she purchased an item of interest. The treatment she received from a salesperson during the purchase may be the comparison focus. She would proceed by comparing it to a comparison referent, one of which could be the treatment her friend received during the purchase of the same item at the same retailer (who may or may not have had the same salesperson). Then she may arrive at the comparison result that states that her treatment was worse (or better). This comparison result is then evaluated by a guiding principle, such as equality rule, which dictates that everyone should have been treated in the same manner. According to this guiding principle, the consumer’s fairness perception of the retailer is then determined as more unfair than fair.

In this case, the nature of the each component influences the resulting perceptions of fairness: (a) whether the comparison focus is the distributed outcomes (e.g., the treatment she received) or the procedure through which the outcomes were obtained (e.g., how the salesperson was assigned or how the retailer trained their sales force); (b) whether comparison referent is internal (e.g., her own past experience with salespeople), external (e.g., how someone else was treated by salespeople), or counterfactual (e.g., how else could she have been treated by salespeople); and (c) whether the employed guiding principle to evaluate the comparison result is equality (e.g., everyone should be treated the same way) or equity (e.g., VIP customers get special treatments whereas non-VIP customers do not). Figure 1 outlines the framework. Each component of the framework and related propositions are now discussed more in depth.

Comparison Focus

Comparison focus is defined as the central object in a comparison process receiving attention of consumers who evaluate fairness. Comparison focus can be either distributive or procedural. A distributive comparison focus is an outcome one received from some sort of allocation decisions, which involve the distribution of the conditions and goods that affect individual well-being (Deutsch 1985; Cook and Hegtvedt 1983; Oliver 1993; Oliver and Swan 1989a, 1989b). A procedural comparison focus is the relative manner and procedures through which outcomes are delivered (Thibaut and Walker 1978; Lind and Tyler 1988). This is related to the perception of how much control people are endowed in the process to reach and actual rendering of the decision (Thibaut and Walker 1975). In the literatures of price fairness and service fairness it has been found that outcomes and procedures do interact and fair process sometimes has more influence than the outcomes themselves. While a firm may not be able to or wish to enforce equal distributive outcomes, it may be able to emphasize the importance of the fair procedures, suggesting customers to use the procedural comparison focus for evaluating fairness. Take, for example, the cases of firms wishing to enforce some sort of loyalty or reward program for the more valued customers by sending them discounts and coupons that are not available to other customers. It will be more successful if the firm emphasizes the procedural aspect (e.g., how the reward program works, and how these loyal customers have worked hard to deserve the discounts) as the comparison focus instead of the distributive aspect (e.g., how these “special” customers are receiving lower prices than the “regular” customers). This also applies to the handling of customer complaints as well. Rather than directing consumers to focus on the unequal outcomes they are complaining about, firms may wish to lead consumers to pay attention to the fair grievance procedures that are provided. Thus, the following proposition is offered:

P1: Given unequal (vs. equal) outcomes, emphasizing the procedural aspect (vs. distributive) as the comparison focus will improve consumer perceptions of fairness.

There are a number of suggestions for enhancing fairness perceptions via procedural comparison focus. For example, the procedure must be implemented (a) consistently, (b) on the basis of accurate information, (c) with opportunities to correct the decision, and (d) following moral and ethical standards (Leventhal, Allen, and Kemelgor 1969; Tyler et al. 1997). Another way to direct consumers’ attention to the procedural comparison focus rather than the distributive comparison focus is to emphasize that consumers have a voice in the procedure (Lind and Tyler 1988). Various auction mechanisms and eBay, for example, are grounded on this proposition. eBay customers do not complain of the price unfairness despite all paying different prices for a similar or the same item, because they had the participatory voice in bidding their own prices. Similarly, consumers value the mere presence
of the participative pricing mechanism (Chandran and Morwitz 2005) and may evaluate fairness more favorably because of it.

A third way to utilize this proposition to promote procedural comparison focus is via polite, caring, sensitive communication (Greenberg 1993). This is consistent with heightening interational fairness as discussed in the services marketing and organizational literatures (e.g., Bies and Shapiro 1987; Greenberg 1993; Oliver 2000). Interactional fairness as a subset of procedural fairness is defined as the relative manner in which the consumer is treated in terms of respect, politeness, and dignity (Bies and Shapiro 1987). A fourth way is via improving informational fairness by offering a thorough explanation, in situations such as reorganization (Kernan and Hanges 2002). Firms may wish to thoroughly and carefully explain the high vendor costs or inflation to help consumers’ fairness perceptions (Bolton et al. 2003; Nunes et al. 2004; Bolton and Alba 2006). Thus, the following propositions are offered:

P2: Emphasizing the presence of a voice in the procedural comparison focus will enhance fairness perceptions.

P3: Emphasizing the respect consumers receive during relevant procedures will enhance fairness perceptions.
P4: Emphasizing the thoroughness of explanations offered to consumers will enhance fairness perceptions.

**Comparison Referent**

The comparison referent is someone whose comparison focus is being actively utilized as the gauge with which the focal consumer compares his/her own comparison focus. A variety of expectancy models in the literature (e.g., Helson 1963)’s adaptation level theory and the expectation – disconfirmation model in the satisfaction literature (e.g., Oliver 1993, 2000) support this notion that individuals will favorably evaluate fairness with the comparison focus that equal or exceed the comparison referent and unfavorably evaluate fairness with the comparison focus below the comparison referent. Not only is it important to consider what will be the comparison focus, it is also crucial to consider what will be compared against the focus of the comparison. Overall, it is generally true that if the inferior comparison referent is chosen then the comparison result will be favorable for consumers’ fairness perceptions. Thus,

P5: Directing consumers to utilize inferior comparison referent will benefit fairness perceptions.

The question is that directing consumers to utilize inferior comparison referent can take three different forms of external, internal (Messé and Watts 1983), or counterfactual (Olson, Buhrmann, and Roese 2000) comparison referents. Even with the same information on the comparison focus, different comparison referents are often employed when fairness judgments are formed (Austin 1977). Each comparison referent has differential impact. Firms must therefore carefully predict which comparison referent will be chosen by the consumers to evaluate fairness.

Internal comparison referent is the comparison referent formulated from one’s own expectancies or aspiration. Internal comparison referent includes past experiences, in general prototypes or as specific exemplars (Kahneman and Miller 1986) and an established or experimentally induced sense of own equity (Messé and Watts 1983). Consumers may only focus on the internal comparison referent. Only when one experiences gains, external comparison referents may be additionally considered. In the case of losses, the outcomes of others have little influence over fairness perceptions (deDreu et al. 1994), except for when expectations are substantially violated (Messe and Watts 1983). Which may be why firms remind consumers of the past experiences of bad quality (bad treatments, higher prices, and worse services they may have had elsewhere). It is to set the internal comparison referent lower than the current offering that serves as the comparison focus.

External comparison referent is the comparison referent gathered from comparable others. It is also known as social comparison referent, as fairness perceptions are known to inherently involve social comparisons (Adams 1965; Tyler 1994; Walster, Berscheid, and Walster 1976). Consumers evaluate how fair their situation is by appraising the situation of another who is similar to us in most relevant aspects (Austin 1977), after interacting with the common firm (Adams 1965; Feinberg et al. 2002; Homans 1961; Walster et al. 1976). When information on multiple social comparison referents is available, people may separately compare their comparison focus with the comparison focus of each comparison referent (Ordonez, Connolly, and Coughlan 2000), or with the most superior or the most inferior comparison focus (Fehr and Schmidt 1999), rather than taking on the task of integrating all available comparison referents. This brings us to the next proposition. This proposition may be more influential as social comparison referent often impact fairness perceptions more strongly than internal comparison referent (Corfman and Lehmann 1993; Loewenstein et al. 1989; van den Bos, Lind, Vermunt, and Wilke 1997).

Next is the counterfactual comparison referent. It is an imaginary comparison referent consisting of a simulated image of what could have happened (Folger 1987; Olson et al. 2000; Folger and Kass 2000; Kahneman and Tversky 1982). The mental image can be either post-hoc or a priori, and may concern an image of a generalized other or “mythical men” (Wood, Taylor, and Lichtman 1985). Interestingly, a consumer can easily fabricate a counterfactual comparison referent in order to serve whatever goal he/she has in mind through what is called a constructive social comparison process (Goethals 1986; Goethals, Messick, and Allison 1991). Rather than dealing with actual comparison data, many consumers self-generate a variety of counterfactual comparison referents about what others are like, how they might perform, and what they might think (Goethals and Klein 2000; Suls 1986). For example, cancer patients often imagine “how things could be a lot worse” to deliberately make themselves feel better and cope with their given situation (Taylor, Wood, and Lichtman 1983).

The choice of the comparison referent depends on the salience of the information in a particular situation (Austin et al. 1980) and/or the goal of the perceiver. Consumers will select whichever comparison referent whose information is most salient. Salience may be determined based on both accessibility and diagnosticity (Feldman and Lynch 1988). If one piece of information is immediately accessible and perceived to be diagnostic, then this information will be more likely to be used to form a frame of reference (comparison referent) to evaluate fairness of the situation. If the consumer has a specific goal in mind for the fairness perception formation process, then
counterfactual comparison referent can be utilized, instead. Thus, examining the following propositions may be helpful.

P6: Influencing the salience of different comparison referent will affect consumers’ fairness perceptions.

P7: Influencing the goal mindset of consumers will affect consumers’ fairness perceptions.

The profitability of the firms may depend on which comparison referents are selected and utilized by their customers. Consumers may not have sufficient cognitive resources to digest and process multiple comparison referents and would rather use a heuristic or a cue suggested by the marketer. Firms may wish to stress how each consumer’s situation is unique, rendering the choice of external comparison referent inappropriate, and thereby encourage the selection of the internal comparison referents. Alternatively, it might be beneficial to suggest choosing the external comparison referents by communicating how everyone is behaving in the similar way, or apply the literature on context effects (e.g., attraction or compromise effect (Simonson 1989) to suggest one or more specific external comparison referent(s). Or, the firm may make it more salient to consumers to think of counterfactual comparison referents thereby helping their own offering appear better than what could have been. It may be worthwhile to suggest a counterfactual comparison referent instead, at the point-of-purchase, or in the post-purchase period via communication with consumer blogs. Advertisements that show how things could have been worse provide counterfactual comparison referents for consumers to evaluate their comparison focus in a better way.

Guiding Principle

Guiding principle is the rule used to evaluate the comparison result of comparing the comparison focus with the comparison referent. There are two prominent principles of fairness: equality and equity (Deutsch 1975). The simplest principle is equality: everyone gets the same. It ignores the inputs of the participants, and thus often used in friendships and other solidarity relationships (Deutsch 1985) and experimental economics settings (e.g., Loewenstein et al. 1989; Messick and Sentis 1983). On the other hand, the equity principle requires the equivalence of the output/input ratios of all parties involved in the exchange, usually employed in impersonal, economic relations (Deutsch 1985). Equity involves notions of exchange, arising whenever two or more persons exchange valued resources (Adams 1965; Homan 1961; Blau 1964). When possible, people prefer equity (Adams 1965; Walster, Walster, and Berscheid 1978). However, it is not always feasible to correctly calculate equity ratios, as required information for calculation is often unavailable. Even with sufficient information about the inputs, the information may be multi-dimensional and require complex rules for integrating the information to judge fairness (Cook and Yamagishi 1983). To make it even more challenging, the way that inputs and outcomes are defined is subjective and often controversial (Tyler et al. 1997). Thus, the complexity of available information about some attributes (such as status or investments) and contributions (inputs) may overwhelm cognitive resources. Inevitably, the selection and utilization of expectations of fairness involve compromise for efficiency’s sake (Mitchell et al. 1993). This is especially the case for consumers who compare their outcome to those of other consumers, expecting “equal” treatment, as the example in the opening vignette illustrated. With ambiguous or insufficient information, or with limited cognitive resources, it is more likely for the equality principle to overrule the equity principle (Deutsch 1985). The important question is for the firms to determine whether they prefer equality or equity, and try to influence the selection of the guiding principle. If the company is offering a standard uniform deal to everyone, consumers’ fairness perceptions will be high if the equality rule is chosen. Alternatively, if the company offers unequal offerings, equity rule is preferred, and consequently marketing communications should emphasize the benefits of customized tailoring to suit each consumer’s taste. Therefore, the following propositions are stated:

P8: Increasing (vs. decreasing) the ambiguity of the information surrounding a situation will lead to the equality (vs. equity) rule to be chosen as the guiding principle.

P9: Decreasing (vs. increasing) consumers’ cognitive resources will prompt the equality (vs. equity) rule to be chosen as the guiding principle.

In such cases, there might be possibilities for a firm to suggest usage of equity principle to consumers to justify differential outcomes or treatments. For example, the usage of frequent mileage or reward programs may foster adoption of equity principle (Lacey and Sneath 2006) which indicates to customers that some consumers may receive preferential treatment because of their “effort” (or input, using the equity theory terminology). On the other hand, firms may want to foster the usage of the equality rule, as Dell advertised with the slogan “We love all our customers,” in response to Best Buy’s announcement about their strategic segmentation and the consequent tailoring of their stores (New York Times, November 17, 2004).

In contrast, when the specifics of the situations are clear, the nature of the relationship between parties involved in a situation determines which rule will be used (Mikula, Petri, and Tanzer 1990). Under task, non-personal, short-
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<tr>
<th>Component</th>
<th>Proposition</th>
<th>Practical Example</th>
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<tbody>
<tr>
<td><strong>Comparison Focus</strong></td>
<td>P1: Given unequal (vs. equal) outcomes, emphasizing the procedural aspect (vs. distributive) as the comparison focus will improve consumer perceptions of fairness.</td>
<td>• Auction sites such as eBay or reservation sites as Priceline emphasize how consumers have control in setting their own price. In turn, consumers readily accept the fact that they may pay different prices for the same item.</td>
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<td>P2: Emphasizing the presence of a voice in the procedural comparison focus will enhance fairness perceptions.</td>
<td>• Firms emphasize that consumers have an active say in evaluating the quality of the offerings via customer satisfaction surveys.</td>
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<td>P3: Emphasizing the respect consumers receive during relevant procedures will enhance fairness perceptions.</td>
<td>• Firms train service personnel to display respect during customer encounters via established protocols.</td>
</tr>
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<td>P4: Emphasizing the thoroughness of explanations offered to consumers will enhance fairness perceptions.</td>
<td>• FDA regulates pharmaceutical companies to provide complete and thorough explanations regarding contraindications including side effects.</td>
</tr>
<tr>
<td><strong>Comparison Referent</strong></td>
<td>P5: Directing consumers to utilize inferior comparison referent will benefit fairness perceptions.</td>
<td>• Firms remind consumers’ past experiences that may have been bad with a competitor as internal comparison referent and promise for better performance this time with them.</td>
</tr>
<tr>
<td></td>
<td>P6: Influencing the salience of different comparison referent will affect consumers’ fairness perceptions.</td>
<td>• Comparative advertising is employed to present the inferior competitor as the external comparison referent.</td>
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<td>• Many ads help generate “it could have been worse” scenarios to emphasize inferior counterfactual referent.</td>
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<td>• Sales or promotional signs serve as salient cues to help utilize internal comparison referents or compare external comparison referents.</td>
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<td>• Comparative ad campaigns increase salience of competitors, as external comparison referents.</td>
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<td>• Ad campaigns emphasize popularity and trendiness to make external comparison referent more salient.</td>
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<td>• Ad campaigns emphasize the uniqueness of each customer to render external comparison referents ineffective.</td>
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term, dissimilar, competitive, unequal-power, task, formal, and distant relationship circumstances with the goal of self-interest pursuit, equity rule is preferred. Under relational, personal, long-term, similar, cooperative, equal-power, socioemotional, informal, and close relationship circumstances without the goal of self-interest pursuit, equality rule is preferred (Austin et al. 1980; Loewenstein et al. 1989; Tyler 1994).

Factors typically related to interpersonal attraction processes such as similarity, proximity, and degree of self-disclosure can further help predict which principle may be employed by consumers (Cook and Hegvetd 1983). When similarity or proximity (usually defined as the perceived probability of future interaction) is high, equality is preferred over equity (Greenberg 1978). Despite the initial beginnings, both the emotional quality and duration of the relationship also play a role. Even in business situations, when the relationship becomes more personalized (with higher liking), and long-term oriented (with longer history and higher likelihood of future interactions), people care more for equality (Corfman and Lehmann 1993). Specific to the consumer context, the following proposition can be tested.

P10: In short-term (vs. long-term) relationships with firms that appear non-personal (vs. personal), consumers will use equity (vs. equality) rule as the guiding principle to evaluate the comparison result.

Some of these propositions seem to be already in practice. Many firms attempt communicating that they wish to maintain their customers over long-term and to personalize their materials for their customers. Many firms emphasize their “good” intentions over a long term and such communications make a difference on how fair consumers perceive the firms (Campbell 1999; Rabin 1993). Alternatively, sometimes firms that wish to emphasize the non-personal nature of the relationship may utilize non-human sources to deliver information (Campbell 2007).

DISCUSSIONS

Summary

This work examined the construction process of consumer fairness perceptions as a comparison process with three main components: comparison focus, compari-
son referent, and guiding principle. The purpose was to provide benefits for those wishing to influence fairness perceptions by providing propositions for practitioners to utilize and for researchers to further test. The presented framework is based on the multidisciplinary incorporation of relevant insights. The conceptualization of fairness perceptions is premised on the notion of a comparison process, with comparison focus (distributive or proce-

dural), comparison referent (internal, external, or counterfactual), and guiding principle (equality or equity).

The components, and corresponding propositions, and practical examples are summarized in Table 1.

Contributions

This work contributes both conceptually and practically. From the conceptual point of view, the presented framework makes contributions by considering consumer fairness in a parsimonious framework of a comparison process, with the three components of comparison focus, comparison referent, and guiding principle. This way of higher-order theorizing does not constrain readers by specific substantive areas (e.g., price fairness, service fairness, etc.) but frees them to consider out-of-the-box solutions in devising means to influence consumer perceptions.

From the practical perspective, the current work makes contributions by suggesting many potential applications. Examples have been suggested in each section and summarized in Table 1. Marketers can utilize the listed propositions in order to nudge their customers to a desired default toward enhanced fairness perceptions and consequently achieve maximum lifetime value of customers. In this manner, each component outlined in the framework of the current research can yield strategic implications for enhancing consumers’ fairness perceptions. Recognizing the importance of consumer fairness perceptions is the first step.

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TRANSPARENCY AS A MECHANISM FOR REDUCING CONSUMER SKEPTICISM

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Anand Kumar, University of South Florida, Tampa

SUMMARY

Over the past two decades consumers have become increasingly skeptical and “on guard” against firms’ persuasion attempts (Darke and Ritchie 2007). Practitioners and managers seem to agree that, in general, consumers tend to be skeptical of overt persuasion attempts. This can be seen by the large amounts of academic research into covert marketing (Ashley and Leonard 2009; Wei, Fischer, and Main 2008) and also by the prevalence of these tactics in the marketplace (Kaikati and Kaikati 2004). However, these types of techniques seem to be perceived as underhanded and tend to backfire unexpectedly (Kaikati and Kaikati 2004) causing a decrease in: brand trust (Ashley and Leonard 2009), brand commitment (Ashley and Leonard 2009), emotional attachment (Ashley and Leonard 2009), attitude toward the brand (Cowley and Barron 2008; Wei et al. 2008), and purchase intention (Ashley and Leonard 2009). As a result, it is necessary to explore alternate marketing approaches to reducing consumer skepticism which are ultimately more favorable to the firm. An alternative to covert marketing is firm transparency in which firms are open and forthright with stakeholders. Formally, transparency is defined here as: the extent to which a stakeholder perceives a firm’s conduct is forthright and open regarding matters relevant to the stakeholder (Dapko 2010 unpublished manuscript).

In this research we empirically investigate the importance of transparency perceptions by testing the impact of transparency on consumer attitudes toward and evaluations of firms. Specifically, the variables of interest proposed to be influenced by transparency are consumer skepticism, perceptions of firm honesty, and purchase intention. We predicted that transparency would have direct effects on consumer skepticism and perceived firm honesty, and indirect effects on purchase intention mediated by perceived honesty. We further proposed one way that firms can enhance perceptions of transparency is to provide information that is of “value” to stakeholders.

The hypotheses were tested through a scenario-based, quasi-experimental, between-subjects design conducted online. An online survey was distributed to undergraduate marketing students at a large university in the southeast. We chose eight websites representing six different types of products and services as the stimuli for this study. Live websites selling real products and services were used which included auto repair, tax preparation and accounting, air conditioning repair, credit union banking, wedding and party planning, and natural home cleaning products. These products and services were chosen primarily based on their complexity which we hoped would help participants easily identify specific information of which to learn more about on the websites. We purposefully chose websites which provided varied levels of information so that we could test the predictions on the proposed driver of transparency. OLS regression was utilized to test the hypotheses. All relationships were statistically significant at the $p < .001$ level: information value positively affected perceptions of transparency ($0.64, p < 0.001$), transparency decreased consumer skepticism ($-0.53, p < 0.001$), transparency increased perceptions of honesty ($0.85, p < 0.001$), and transparency increased purchase intention ($0.65, p < 0.001$) but this relationship had non-significant effects ($0.16, p < 0.12$) when honesty ($0.58, p < 0.001$) was also included in the equation.

The results of this study provided several insights. First, perceptions of transparency are capable of reducing consumer skepticism as well as increasing perceptions of firm honesty. It seems that transparency and skepticism both have their effects on purchase intention through perceived honesty. Even after accounting for the effects of skepticism on purchase intention, there is still something else about perceptions of honesty that is not accounted for. One possible explanation is that skepticism is about disbelief, doubting the firm, its motives, etc. It is a negative element. As skepticism is removed or reduced, the negative element is removed or minimized and you do not doubt the firm’s honesty as much. However, there may be a positive element to honesty perceptions that is provided by transparency. The positive element makes you feel the firm is honest as opposed to “I don’t have reasons to disbelieve this firm” as is with the case with reduced consumer skepticism. Transparency may be a positive driving force. It is possibly a way to override skepticism by disguising persuasion attempts. Second, one way firms can manage perceptions of transparency is by providing information that is perceived as valuable by stakeholders. In particular, firms can provide information evaluated as useful, understandable, and sufficient. References are available upon request.
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PERCEIVED FAIRNESS OF CUSTOMER PRIORITIZATION AND CUSTOMER DIVESTMENT: HOW U.S. AND GERMAN CONSUMERS DIFFER

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Florian von Wangenheim, Technische Universität München, Germany

SUMMARY

Consistent with the idea of relationship marketing to focus on successful relational exchanges (Morgan and Hunt 1994), more and more service providers treat their customers according to their profitability. The terms customer prioritization (CP) and customer divestment (CD) have been used to denote differential treatment of more or less profitable customers and firm-initiated termination of service to unprofitable customers (Homburg, Droll, and Totzek 2008; Mittal and Sarkees 2006; Mittal, Sarkees, and Murshed 2008).

Although there is evidence from the U.S. (Selden and Colvin 2003) and Germany (Homburg et al. 2008) that companies which focus on their top-tier customers achieve better financial performance, this approach is not without controversy. Among the prevalent arguments against CP and CD is the danger of negative word of mouth if service differentiation is perceived as unfair (Brady 2000). Yet, research on this topic is surprisingly rare. Apart from first theoretical ideas (e.g., Boulding et al. 2005), we know of no empirical research on the fairness of CP and CD.

Since many service providers operate internationally, it is important to know whether consumers in different countries perceive differential customer treatment as similarly fair or unfair. In this paper, we examine this question in two important service economies, the U.S. and Germany. As unfairness perceptions can produce vengeful customer reactions (Seiders and Berry 1998), this research may help service providers to avoid fairness issues when it comes to decisions on CP and CD.

Drawing on the fairness literature (e.g., Adams 1963; Hochschild 1981) – in particular the distinction between the principles of equity and equality in the context of distributive justice – we have developed hypotheses and tested them by conducting general consumer online surveys in Germany and in the U.S. (N_{DE} = 271 and N_{US} = 260; samples stratified by gender, age, and education). We assessed consumers’ fairness perceptions of CP and CD using four pretested industry vignettes (telecommunications services, financial services, airlines, and health services) in random order. We also assessed how consumers would react in terms of affect, loyalty intentions, and word of mouth if (non-)preferred by the respective service provider. To control for common method bias, we assessed a further central construct – consumers’ preference for the principle of equity to equality in economic exchanges – for a second time in a survey to a subsample of the same groups ten days after the first assessment (n_{DE} = 134 and n_{US} = 127).

We found – within both countries and across industries – that consumers’ equity preference predicted their fairness perceptions of CP and CD to a substantial amount (that was only slightly reduced when using the data from the second survey). Although U.S. consumers did not report a higher equity preference than German consumers, U.S. consumers perceived CP and CD as less unfair than German consumers in all investigated industries except health services. Accordingly, we also found that U.S. consumers reported to react less negatively than German consumers when non-preferred in the context of telecommunications, banking, and air travel. Although German consumers perceived CP and CD as more unfair, they surprisingly reported to react more positively than U.S. consumers when preferred in all four investigated industries.

Taken together, our research clearly shows that international service providers should consider that German consumers are generally more critical toward CP and CD than U.S. consumers. Yet, German consumers seem to be not highly principled in this context. Although they rather dislike CP and CD, they enjoy preferential treatment more than their U.S. counterparts.

Overall, the present study is a first step in understanding the consumer perspective on differential customer treatment. At this stage, we used a descriptive research design that entails some limitations. Firstly, we cannot rule out common method bias completely. In addition, we can only present consumers’ reaction intentions. Ideally, future research should not only involve experimental designs, but also the analysis of company data on consumers’ reactions to CP measures. Apart from these methodological aspects, future research should identify further variables that explain differences in fairness perceptions. Although we have evidence that equity preference is a relevant construct in explaining unfairness perceptions of CP and CD in general, it seems to be not relevant in explaining country differences. That is, we have shown
that and how U.S. consumers and German consumers differ, but we could not explain yet why they differ. In future research, we plan to assess consumers’ attributions to explain country differences. All in all, this line of research will support a consumer-beneficial decision-making when it comes to fairness issues in the context of differential customer treatment. References are available upon request.

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AN INVESTIGATION OF CUSTOMIZATION ON MOBILE COUPON REDEMPTION

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SUMMARY

Despite the mobile phone emerging as a viable marketing communications medium, consumers are hesitant to allow commercial promotions to be disseminated through these devices (eMarketer 2010; Peters, Amato, and Hollenbeck 2007). The enticing possibilities that marketers envision with this newer medium are tempered by consumers who perceive their mobile phone to be a highly personal medium. Of concern to consumers is the perceived risks associated with how their personal information will be used by marketers and if commercial messages received through this medium could potentially turn into non-relevant, unwanted spam (Barwise and Strong 2002; Dickinger and Kleijnen 2008). The primary purpose of this research is to investigate if the use of customization can be a viable risk reducing strategy in mobile marketing text message campaigns, while a secondary purpose is to examine the causal chain of consumer attitudes that ultimately influence the intention to use commercial text messages.

Literature Review

The popularity of mobile phone text messages used by consumers has prompted the growth of marketers to disseminate mobile coupons (m-coupons) as a promotional strategy. M-coupons are defined as a digital coupon in the form of text, pictures, or video distributed to consumers’ mobile phones, the most popular of which is a text message (Dickinger and Kleijnen 2008; Shankar and Balasubramanian 2009). Even though mobile phones are highly personalized objects that consumers often customize with accessories (Peters, Amato, and Hollenbeck 2007), surprisingly no research has examined customization as a strategy to influence consumers’ attitude toward and intention to redeem m-coupons. Customization is defined as the consumer participating in at least one decisional activity prior to the usage of a good or service (Etgar 2008). Mobile literature refers to the mobile medium being highly personal with benefits of customization; however the customized benefits often allude to the fact that the consumer must grant permission ahead of time (Barwise and Strong 2002; Shankar and Balasubramanian 2009). In this sense, a tongue in cheek argument could be made that television commercials are customizable because the consumer has to choose when and what station they prefer to watch. No studies have investigated allowing the consumer to customize some characteristic of the m-coupon itself. This is surprising owing to customization being a risk reducing technique (Etgar 2008; Ha 2006; Lee and Allaway 2002) and eliciting favorable outcomes, responses, and attitudes from consumers (Ansari and Mela 2003; Montgomery and Smith 2009; Shen and Ball 2009; Wind and Rangaswamy 2001). This study hypothesizes that customization of m-coupons may attenuate consumers’ perceived risk attributed to m-coupons and ultimately increase positive attitude toward and usage intentions. The authors investigate the customization of the delivery time of the text message, due to the importance of time in mobile marketing campaigns as one of the core strengths of the mobile medium (Balasubramanian, Petersen, and Jarvenpaa 2002; Peters, Amato, and Hollenbeck 2007).

In addition to customization, the authors also examine the causal chain of consumer attitudes. To help aid in the relevance of m-coupons, several countries’ laws require that consumers grant permission to the firm to opt-in to mobile promotions prior to receiving m-coupons (Barwise and Strong 2002). Due to the opt-in requirement, consumers may need to have a favorable opinion of or trust a company prior to granting permission for mobile promotions. Extant research suggests that attitude toward an advertisement with a promotional message will lead to attitude toward the brand, product, or company (Homer 1990; MacKenzie, Lutz, and Belch 1986; Mitchell 1986). This study suggests that this causal chain of attitudes work in reverse order: attitude toward the company leads to attitude toward the ad (the m-coupon), while being moderated by attitude toward the product. This hypothesized causal chain addresses the need to have a favorable attitude toward a company before granting permission, as well as m-coupons needing to be relevant to consumers’ interests (Barwise and Strong 2002; Shankar, Venkatesh, Hofacker, and Nadik 2010).

Study

To investigate how customization and attitudes influence m-coupon redemption intention, an online questionnaire was completed by 398 respondents. Participants
were given a definition of an m-coupon and a description of the need to grant permission to the firm prior to receiving these messages. A description of a fictitious restaurant, the menu, and prices were given to all participants, followed by screenshots of the opt-in m-coupon permission form on the restaurant’s web site. To maximize the variance in the customization construct some respondents viewed an opt-in form that allowed for them to indicate what day and time they preferred to receive their m-coupons, while the other participants did not have these delivery time and date options displayed.

Findings

Results of the structural equation model show statistical support for the hypothesized relationships. Customization lowered the perceived risk associated with an m-coupon, and this lowered risk led to a more positive attitude toward the m-coupon. In addition, the proposed causal chain for attitude toward the company leading to a more positive attitude toward the m-coupon was supported, while being strengthened by a more positive attitude toward the product.

This study is the first that the authors are aware of that examines the customization of time – in this case the delivery time of an m-coupon. Mobile has been recognized as a time-sensitive medium for marketing messages and the addition of the firm allowing the consumer to customize time to lower perceived risk is a worthwhile finding. In practice managers can easily implement such a feature using mobile aggregator consultants and their software. The finding that the causal chain of consumer attitudes toward the promotional message extends attitude theory. Extant attitude theory may have been based on consumers first learning about companies, brands, and products solely through advertising. This may have been before media became advanced with hundreds of cable and satellite stations, around the clock news, and the birth of the Internet. Thus, the findings illustrate that extant theory needs to be re-evaluated with the mobile medium.

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CAN CONSUMERS FORGO THE NEED TO TOUCH THE PRODUCTS?
AN EXAMINATION OF THE ROLE OF ONLINE PRICE PROMOTIONS

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SUMMARY

Touch is an important source of information for consumers. With the growth of various forms of non-touch media (e.g., catalog and Internet shopping), individual differences in need for haptic information and the consequences of an inability to touch the products on product evaluations are important to conceptualize and measure. Moreover, understanding mechanisms for compensating the inability to touch the products could have important contributions for non-touch media sales since currently haptic information cannot be reproduced in these media, making traditional retail shopping preferable to online retail settings, at least for some customers.

This research was an attempt to examine individual and situational factors that enhance or impair the effect of need for touch on purchase intentions of consumers. More specifically, the purpose of this study was to explore the role of price promotions on haptically motivated consumers’ purchase intentions over the Internet.

Conceptual Background

Need for touch (NFT) is conceptually defined as a preference for extracting and utilizing information through the haptic system (Peck and Childers 2003a). The need to examine products haptically can be driven by motivations associated with the desire to solve problems (instrumental NFT) or to seek fun, fantasy, arousal, sensory stimulation, and enjoyment (autotelic NFT) (Peck and Childers 2003a). Several factors may affect the extent to which individuals assess products’ material properties by directly experiencing the products through touch. Products possessing more salient material properties require greater use of haptic information during product evaluation. Individual differences in terms of preference for haptic information are also influential (Peck and Childers 2003a). Moreover, situational factors may influence the salience of material properties and the need to touch the products (Peck and Childers 2003b). For instance, Internet, catalog, or television shopping situations impair or eliminate the opportunity to touch the product before purchase. Therefore, when touch is not available, compensational strategies would contribute to the success of retailers specifically those doing business via non-touch media.

Price promotion may be considered as a non-haptic compositional tactic. Price promotions are special low-price offers initiated by manufacturers or distributors to stimulate demand (Gerstner and Hess 1991). Price promotions can have an impact on when, what, and how much to buy. Presenting a price promotion can affect consumers’ perceptions of the purchase outcomes and contingencies associated with a particular choice, and consequently alter their decision making (Chen et al. 1998). According to Schindler (1989), price promotions activate consumers’ smart shopper feeling (i.e., an ego-expressive aspect of a price resulting from the excitement of getting a price-off). Paying a low price for a particular item might lead a consumer to feel proud, smart, or competent (Holbrook et al. 1984). Therefore, price promotions may encourage consumers to forgo their need to touch the products and perceive less financial risk in their purchase decision and thus, act as a compensational strategy.

Study Design

A 2 (NFT: low vs. high) x (online price promotion: price promotion vs. no-price promotion) between-subjects factorial design was employed. One hundred two undergraduate students at a large Southwestern university participated in the study in exchange for extra credit. Participants were randomly assigned to read one of the two scenarios (presence or absence of 20% online price promotion for the target product). Sweater was chosen as the target product since previous research has indicated sweater as a product possessing salient haptic information (Peck and Childers 2003a; Peck and Childers 2003b; Peck and Wiggins 2006).

Results

Results indicated that price promotion manipulation was successful. To control for the effect of the deal proneness and previous online shopping experience of the respondents, these two variables were incorporated as covariates in all tests for the hypotheses. The results revealed that deal proneness was not a significant covariate while prior online purchase experience showed significant influence. Thus, deal proneness was removed from the analyses. A 2 (NFT) x 2 (Price promotion) ANCOVA showed significant main effects of need for touch ($F(1, 97) = 4.992, p < .05$) and online price promotion ($F(1, 97) = 6.626, p < .05$) on purchase intention. Moreover, the interaction effect of NFT and price promotion was marginally significant ($F(1, 97) = 3.889, p = .051$). In the
condition that participants were offered online price promotion, there was no significant difference in the purchase intention of the individuals with high NFT (M = 5.525) and low NFT (M = 5.711); \( F(1,49) = .705, p > .1 \), whereas under condition of no-price promotion, the purchase intention of individuals with high NFT (M = 4.763) was significantly different from the purchase intention of those with low NFT (M = 5.550); \( F(1,49) = 8.604, p < .05 \).

**Discussion**

As Hornik (1992) pointed out, the role of touch in consumer behavior is more important than the present state of the art in consumer research would seem to indicate. This research provided additional insights into the nature of product touch in marketing as the first examination of non-haptic compensational tactics in online shopping situations. The results revealed that online price promotions influence the purchase intention of high-NFT consumers as a non-haptic compensational mechanism. Low-NFT consumers do not rely on obtaining haptic information about products prior to purchase. Thus, they may be considered as regular online shoppers. Compared to this group of consumers, high-NFT individuals have lower purchase intentions over the Internet. But when price promotions are available, the utility of the perceived savings via the price-off and the ego-expressive feeling of being a smart shopper can affect the purchase intention of these consumers and enhance their intentions to purchase products from the Websites even though the touch experience is not accessible. The results of this study have considerable theoretical and practical implications.

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ONLINE ADGAMES: ARE THEY USEFUL TO INFLUENCE PLAYERS’ ATTITUDES AND BEHAVIOR?

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SUMMARY

As a specific form of below the line communication, online adgames have emerged as one recent method of branded entertainment. In contrast to in-game advertising, defined as the placement of advertising messages, products or brands in computer games, adgames are developed or adapted by the company itself. While the purpose of in-game advertising is merely entertainment and fun, adgames further serve as a means to publish the advertising message. The potential of advertising with computer games becomes apparent from the growth rates of this industry. Internet advertising and the video game market are the two fastest-growing segments of entertainment and media, ahead of TV subscriptions. Furthermore, there is an increasing number of companies that are using games to support their brands, e.g., by placing adgames on their homepage or by providing adgames for mobile web applications. Given the potential for using games as advertisement, the lack of research available is remarkable. Empirical studies in this field of research are few and mainly limited to the analysis of the product placement within computer games. While research on in-game-advertising is still limited, there is even less research that focuses specifically on the advertising effects of adgames. Therefore, the aim of our study is to fill these gaps in empirical research and to investigate how playing an adgame is able to influence the consumers’ evaluations and attitudes toward a brand, brand loyalty, and buying behavior. Especially, the seldom-researched topic of flow within adgames, which means to be completely absorbed in the adgame, and its influence on the outcome of adgames are investigated by this study (see Figure 1 for the conceptual framework).

Flow is defined as an intrinsic motivation or enjoyment in an activity. It is specifically computer games that are regarded as means with a high propensity to evoke a status of flow. This could result in stronger effects of the adgame because of the increased processing of peripheral messages by the experience of enjoyment with the advertisement. Based on excitation transfer theory we assume that flow experiences positively influence both the evaluation of the adgame as well as the evaluation of the advertised brand. Previous studies have shown that brands placed within a game are perceived more positively than

![FIGURE 1
Conceptual Framework](image-url)
brands which are not included in the game. Based on the dual mediation hypothesis we therefore assume that there is a positive influence of the evaluation of the adgame on brand evaluation. Beyond positive evaluations of the adgame, classical conditioning mechanisms trigger positive brand attitudes by the game player. Furthermore, findings of previous studies have shown a positive influence of brand evaluation on brand attitude. Positive attitudes influence loyalty and also – indirectly – have a positive impact on buying behavior. Beyond that, there is a direct impact of attitude on buying behavior.

Flow experience was conceptualized as a two-dimensional construct. We chose a reflective measurement approach for both dimensions of intrinsic enjoyment and escapism. We conceptualized brand attitude and loyalty as reflective constructs based on previous studies, as the use of established scales is advisable. Since the evaluation of game and brand reflect a composite of particular indicators across different, unique attributes, it is expedient to operationalize them effectively in a formative rather than reflective way.

To test our model, an online game placed on the homepage of a large European brewery during the Christmas season was used as object for our research. The game players had to find out in which city Santa Claus was resided. The city would be changed every day and the participants got information about the city. If they were successful, they could take part in a lottery. Using a standardized questionnaire, we conducted an online survey among consumers who played this game.

A total of 5,522 usable questionnaires remained for the investigation. To test our hypotheses, we conducted PLS regression. The results show that flow has a significant and high positive impact on the evaluation of the adgame and a significant but lower effect on the evaluation of the brand. Our results show a significant and high positive effect of evaluation of the adgame on brand evaluation, but only a small positive effect of evaluation of the brand on brand attitude. The positive influence of evaluation of the brand on attitude toward the brand is confirmed based on the empirical analysis. Thus, brand attitude is indirectly affected by the evaluation of the adgame through the evaluation of the brand. The effect of game evaluation on brand evaluation is relatively strong, which has a high impact on the attitude toward the brand in return. Furthermore, our results show a significant and high positive effect of brand attitude on loyalty. Moreover, the influence of both loyalty and brand attitude on buying behavior is highly significant.

Our study points to high relevance of online adgames as an instrument for an effective advertising strategy by showing that playing an adgame has a positive impact on brand attitude, loyalty, and buying behavior. The relatively low effect of game evaluation on brand attitude might be explained by the high profile of the brand by the participants. We were able to show that enjoyment and interactivity are important attributes of an adgame because this results in a positive evaluation of the game. Flow experience increases players’ enjoyment of the adgame which causes in an enhanced processing of the peripheral advertising message. The experience of flow that the player is experiencing when playing has the effect that the game player’s awareness of the commercial character of the adgame is fading into the background. Therefore, we assume that in contrast to classical advertising, adgames are able to convey the advertising message subconsciously which increase the effect of them. These findings imply consequences for managerial practice as well as for future research. References are available upon request.

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THE ROLE OF PRODUCT CATEGORIZATION IN SELECTING
OPTIMAL MARKETING COMMUNICATIONS
MODALITIES ONLINE

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SUMMARY

In the Internet space, consumers rely on verbal messages that confirm or deny advertising claims. Compared to paid online advertising (banner, text, and search), using such third-party-attributed communications sources as publicity, blogs, social networks, or other content-rich online media may offer higher message credibility and provide narrow targeting opportunities (Johnson et al. 2007). This study addressed two important issues in designing and employing online marketing communications:

1. Which of the existing product categorizations/taxonomies work better for the purposes of designing online communications?

2. How do different product categories affect selection of optimal online communications mixes?

This research compares the effects of isolated paid advertising (banner ad) to the influence of "news article – plus – banner ad" electronic communications mix on attitude toward the brand in the context of different product categorization approaches. This combination may not be optimal for all products or all audiences due to inherent differences in product characteristics, as well as consumer levels of involvement in a product category.

The authors utilize both the economics of information theory (Nelson 1974) and the Elaboration Likelihood Model (Petty and Cacioppo 1981) to test the mechanism through which different electronic communications modes impact consumers’ attitude toward the brand for various product categories. The economics of information theory classifies goods as search and experience ones, depending on the extent of information search consumers go to when examining those goods. The ELM-driven product classification examines goods by the level of consumer involvement.

A 2 (experimental condition, between-subjects) × 4 (product, within-subjects) mixed-design experiment was designed to assess the differences among two exposure conditions to a new brand on the Internet, using either banner advertising alone or in combination with publicity as objective news. The four conditions of purchase situation involved websites advertising candy (low involvement, experience good), sports shoes (moderate involvement, experience good), and websites advertising technical products: an MP3 player and a DVD player (high involvement, search goods). Ads and news articles were created for each of four fictitious brands. A professional computer programmer created the experimental web sites, which underwent usability testing before being made accessible online. Subjects were 478 students from a large Midwestern U.S. university.

The findings support the ELM-driven product classification by the level of consumer involvement as a basis for developing online marketing communications mixes.

In particular, under high involvement conditions, argument credibility interacted with the amount of marketing communications messages in affecting attitude toward the brand. Consumers exposed to both banner ad and news article expressed stronger positive attitude toward the brand compared to those exposed to banner ad alone only if the news story arguments were perceived to be strong (credible).

Under low involvement conditions (e.g., routine re-purchase, low price, or lack of interest), the mere quantity of marketing communications targeted at consumers may directly affect purchase intentions (serving as a peripheral cue). For product categories that do not present risk or high relevance to consumers, and do not activate high elaboration activity, peripheral cues (e.g., number of exposures) that indicate advantage in a symbolic way appear to be sufficient for attitude change.

Under moderate involvement conditions, both central and peripheral routes appear to operate simultaneously. This finding echoes the Combined Influence Hypothesis (Lord, Lee, and Sauer 1995) that posits simultaneous consumer response to both message arguments and peripheral cues that has been widely supported in the advertising context.

The division of products using the search/experience classification does not present a useful tool in regards to online communications. In this study, participants pro-
cessed the articles on experience goods more attentively, with the synergistic news-ad exposure condition yielding more positive brand attitudes. The same was not true for search goods, whereas exposure to banner ads only produced similar attitudes toward the brand compared to the exposure to both banner ads and news articles. It may be that (close to) full product information gathering is possible in the online environment and hence experience goods can be “virtually” experienced.

The fact that the new Internet environment allows such virtual experiences may have motivated consumers to search for even more information about products that traditionally had to be purchased to be “experienced.” This is one possible explanation why the article-ad exposure condition turned out to be more effective for products traditionally considered experience goods.

This exploratory study has provided important insights into the applicability of existing product classification taxonomies to online marketing communications strategies. In particular, the study supports the role of degree of product involvement in predicting the amount and quality of information consumers would require in order to form an attitude toward the advertised brand. Using different product typologies for designing other types of online marketing communications in future research may support or disprove the results of this study. References are available upon request.

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DRIVERS OF CHANNEL EQUITY: LINKING STRATEGIC MARKETING DECISIONS TO MARKET PERFORMANCE

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SUMMARY

Firms that strive toward a greater understanding of working partnerships with their key channel partners are better able to focus their firms’ overall marketing and positioning strategy (Anderson and Narus 1990; Anderson and Weitz 1992; Brodie, Glynn, and Durme 2002). From a resource-based theoretical perspective channel relationships contribute to a firm’s competitive advantage as firm’s key channel relationships are those market-based assets that are socially complex, rare, valuable and inimitable (Srivastava et al. 1998). Although it is realized that channel members contribute to creation of equity (Brodie, Glynn, and Durme 2002), very little attention has been accorded to channel equity in the literature. From the Street Status Report provided by the MASB of the Marketing Accountability Foundation (2008) it is clear that financial analysts are keen to have a metric that can tie marketing efforts to the firm’s bottom line. In this perspective, firm’s financial strategy can be best viewed in terms of augmenting the channel equity of the firm considering that the wholesale industry is remarkably growing at a much faster rate than the overall U.S. economy (naw.org, 2009). The growth and profitability of the wholesale distribution industry is a great opportunity for firms to link marketing strategies pertinent to intangible channel assets with a tangible channel metric.

The concept of channel equity was introduced as one of the components of marketplace equity (Anderson and Narus 1999). Srivastava et al. (1998) conceptualized channel equity as an outcome of relational bond between the firm and its key channel members. We propose channel equity as a metric that represents the value a firm derives from its key successful and long-term channel relationships and the extent of favorable response that a channel member elicits from another channel member. Though the existence of channel equity of the firm is recognized but adequate attention has not been accorded to the explication of the channel equity construct, and its antecedents. Thus, a proper framework of channel equity is highly critical and desirable for any firm to enhance its performance. We propose a conceptual framework which reveals the key drivers necessary for increasing the channel equity.

The paper contributes in many ways. Prior research is extended to explore and establish the concept of channel equity. Thus, an effort is made to adequately address the concept of channel equity utilizing the existing broad-spectrum research on channels and by determining the drivers of channel equity. Further, the research develops a framework to explicitly link channel equity to market performance. Also, the proposed conceptual framework would enable the top managers to choose those marketing strategies that enhance a firm’s market performance through channel equity. Hence, our contribution is not only in explicating and using channel equity to focus marketing strategy but also in expanding the role of marketing from channel equity to market performance.

Five key drivers of channel equity – communication, trust and commitment, satisfaction, dependence, and inter-firm market orientation are proposed. Relationship-specific investments lead to improvements in drivers of channel equity. The proposed framework emphasizes the significance of drivers of channel equity in a marketing channel partnership and their contribution in improving market performance of the firm as moderated by factors such as conflict, external uncertainty, market-sensing capability, and relational norms. With the aim to calculate Channel Equity through Channel Lifetime Value (ChLV), a model of ChLV is proposed which includes modeling of switching matrix for each channel member. The return on relationship-specific investment is used to assess the market performance.

Driver channel equity is important for managers as they are better able to create brand knowledge, develop marketing capability, and enhance the shareholder value of the firm. Channel equity and drivers of channel equity assume greater significance for those brands whose existing brand associations or responses are deficient in some way and require the leveraging of secondary brand knowledge to create strong, favorable, and uniquely positive associations. Transferring of store image associations can be enhanced through channel equity, and can be leveraged for creating positive associations for a brand. By building and maintaining channel equity, firms are better able to develop their marketing capability, as channel equity metric can direct the focus on value creating relationships and on marketing strategies that enhance market performance through channel equity. Further, channel equity-a tangible metric, demonstrates asset value of market channels, which can be capitalized by the firms. By enhancing channel equity, firms can bridge the chasm between marketing investments and shareholder value creation.
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THE IMPACT OF A LUXURY BRAND’S PRICING PROCESS ON ITS DREAM VALUE AND FINANCIAL PERFORMANCE

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SUMMARY

In recent years the luxury brand industry has gained increasing importance growing from a value of U.S. $20 billion in 1985 to $175 billion worth in 2009 (Bain 2009). Despite this fact, Berthon et al. (2009, p. 45) emphasize: “They are one of the most profitable and fastest-growing brand segments, yet at the same time they are poorly understood and underinvestigated.” Our study investigates luxury brands’ pricing. Price is the most effective profit driver within the marketing mix (Monroe 2003). Hence, pricing is seen as the most significant decision of the marketing mix (strategy) for a branded product (Rao 1984). However, setting the right price for high-value-products is as a very complex and difficult task for luxury brand managers (Dutta et al. 2002; Mizik and Jacobson 2003). Existing literature suggests that the organization of a pricing process enables a company in appropriating the created value (Dutta, Zbaracki, and Bergen 2003).

Thus, our first research objective is to describe how the pricing process for luxury brands has to be organized. Based on this, we empirically investigate the effect of the luxury brand’s pricing process on its financial performance. In addition, early research indicates a positive link between price and the perceived value of a luxury brand (Veblen 1899). A high price induces luxury and strengthens the symbolic value of a brand (Lichtenstein, Ridgway, and Netemeyer 1993). For that reason, we also consider the relationship between the luxury brand’s pricing process and its dream value.

Following the resource-based view (RBV), the luxury brand’s pricing process is a capability, based on a combination of routines, coordination mechanisms, systems, skills, and other complementary resources that are difficult to imitate (Dutta, Zbaracki, and Bergen 2003). Consequently, we hypothesize that the pricing process enhances the luxury brand’s financial performance. In addition, we argue that the lack of a luxury brand’s pricing process aiming at stability and consistency would erode the brand’s dream value. Dubois and Paternault (1995) argue that a high level of rarity and awareness is a prerequisite that activates the dream and desire to purchase a luxury brand. We argue that prices act as a cue (Groth and McDaniel 1993). The pricing process gives stability for the luxury brand’s high prices in the market. Based on the cognitive dissonance theory, we assume that the pricing process positively influences the perceived awareness and the rarity value of a luxury brand.

Given the need for empirical research on pricing, we conducted a large-scale mail survey in Europe. We contacted 650 European luxury brands by email, phone, and asked them to take part in our survey. The targeted key informants included general managers, marketing and sales managers, and managers from other functional areas that were responsible for the luxury brand’s pricing. A total of 114 responses from all the main luxury industries, i.e., fashion and accessories, leathersgoods, wines and spirits, design furnitures and interiors, jewelry and watches, cosmetics and fragrances, automobile and others were obtained.

According to Dutta, Zbaracki, and Bergen (2003), we define the luxury brand’s pricing process as a system of rules to determine and to implement prices. Because our study is the first to explore the pricing process for luxury brands, we could not draw on any established scale in the literature. Therefore, the creation of this scale was based on an extensive literature review and 10 explorative interviews with luxury brand management experts. It is composed of a clear pricing strategy, a comprehensive price analysis, continuous price decisions and a strict price implementation for the luxury brand. On this basis, we conceive the pricing process for a luxury brand as a second-order construct that consists of first-order dimensions, which themselves consist of specific pricing activities. The four identified pricing process dimensions (strategy, analysis, decision, implementation) contribute to the overall pricing process construct. For that reason, a formative measurement approach is appropriate (Jarvis et al. 2003). Also the pricing activities that measure the dimensions are different, unique sources and are therefore operationalized effectively in a formative way. The outcomes (awareness value, rarity value, market and financial performance) are measured using reflective indicators. The awareness value was measured using five items adapted from Yoo, Donthu, and Lee (2000). The rarity value was adopted from Vigneron and Johnson (2004). For the measurement of market performance, we used Homburg and Pflesser’s (2000) scale. Financial performance is measured by three items. The possible range for all measures was 1–5.
We used partial least squares (PLS) approach (Smart PLS) to estimate both measurement model and structural model (Chin 1998; Ringle; Wende and Will 2005). We estimated the second-order construct luxury brand’s pricing process with the hierarchical components model, meaning that the second order construct is directly measured by observed variables for all the first-order constructs (Reinartz, Krafft, and Hoyer 2004). The measures of the model constructs exhibited adequate measurement properties.

The results of our study report that all of our hypotheses are confirmed by the empirical data. We find that the hypothesized direct positive effect of a luxury brand’s pricing process on financial performance is significant. Furthermore, the pricing process of a luxury brand enhances the brands’ dream value, i.e., the rarity and the awareness value. To complete the causal chain, the empirical data did support the expected effect of rarity and awareness value on market performance. Finally, the market performance positively influences the financial performance. Overall, our results highlight the importance of a clear organized and structured price management for luxury brands. The more luxury brand managers engage in the pricing process, the better they perform financially and enhance the brand’s dream value. However, the resulting effects are twofold: The luxury brands’ pricing process appropriates and creates value. References are available upon request.

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WHY CULTURAL ARTIFACTS DISTINGUISH GOOD FROM BAD INNOVATORS: A CONTINGENCY PERSPECTIVE ON COMPANIES’ INNOVATION-ORIENTED CORPORATE CULTURE

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SUMMARY

Innovative products represent the “holy grail” of today’s corporate world (Szymanski et al. 2007), given their potential to spawn competitive advantages and to assure long-term profitability (Dyer et al. 2009). Hence, both practitioners and academics actively search for potent innovation drivers, finding that corporate culture is particularly influential (Iyer and Davenport 2008). More specifically, they reveal that an innovation-oriented corporate culture fosters the receptiveness to new ideas (Kleinschmidt et al. 2007), increases the willingness to take risks (Tellis et al. 2009), and promotes the proactivity in exploring new opportunities (Menguc and Auh 2006). In parallel though, corporate culture is a highly complex and intangible phenomenon, that managers perceive as difficult to manage. Thus, it deems proper to carve out a clearer concept of the phenomenon and investigate how different elements of corporate culture contribute to higher innovativeness.

Yet, current conceptualizations mostly do not differentiate between different cultural elements and consequently do not reflect the richness of the culture concept as it has developed in within the organizational literature (Hatch and Schultz 1997). Largely, corporate culture is either investigated as a very broad variable, or as a highly specific variable focusing only on some of its particular components (Bueschgens et al. 2010). A more fine-grained understanding of the underlying mechanisms that link corporate culture to innovativeness can be inferred from the multi-layer concept of culture, which distinguishes between cultural values, norms, and artifacts (that differ in terms of their visibility, interpretability, and manageability; Schein 1992). Although the concept has already been used in marketing research (Homburg and Pflesser 2000), it has not yet been applied to innovation literature and our knowledge about how different cultural elements affect innovativeness (and consequently business performance) requires extension.

In the context of cultural antecedents of innovativeness, another important question relates to potential contingencies of the proposed relationship. “Companies increasingly operate in unstable and unpredictable environments, and as such, it follows that an examination of business performance and its drivers are evaluated in the context of the environmental turbulence” (Paladino 2008, p. 578). Still, little is known on how environmental characteristics (such as market dynamism and technological turbulence) affect the relationship between corporate culture and innovativeness, so that researchers call for more research on this topic (Paladino 2007).

In addressing these issues, this paper attempts to provide deeper insights into the underlying mechanisms of how different layers of an innovation-oriented corporate culture affect innovativeness under varying environmental conditions. To this end, our conceptual framework refers to the relationships between a company’s innovation orientation of corporate culture, product program innovativeness (PPI), and business performance in the context of market dynamism and technological turbulence. More precisely, we postulate that less visible layers of corporate culture have an impact on more visible layers and consequently build a causal chain running from innovation-oriented values over norms to artifacts. We then expect that innovation-oriented artifacts (as the most visible layer of corporate culture) are the valve through which an innovation-oriented culture radiates, thus having a strong positive influence on PPI. We expect that market dynamism weakens this link, while technological turbulence should have the opposite effect.

Analysis and Results

We empirically test our framework based on dyadic data coming from marketing and R&D managers of 216 companies. R&D managers were asked to assess the innovation-orientation of corporate culture and technological turbulence. Marketing managers assessed PPI, business performance, and market dynamism. Given this research design, we are able to rule out common method bias (Scandura and Williams 2000). Further, we follow suggestions in the literature (Szymanski et al. 2007) and successfully validate marketing managers’ assessments of PPI with customer data for more than 54 percent of our sample companies.

Our research hypotheses were tested using structural equation modeling with latent interactions (MPLUS 5.21; Muthén and Muthén 2007). The results indicate that
values have a strong positive impact on norms, which in turn influence artifacts. Interestingly, we find no direct link between values and artifacts. The results show further that artifacts are the valve through which an innovation-oriented culture radiates: PPI heavily depends on the innovation-orientation of artifacts while being statistically unaffected from values and norms. Moreover, the results propose that PPI has a significant positive impact on business performance. We can also confirm our hypotheses on moderated effects. Market dynamism weakens the links between innovation-oriented artifacts and PPI while technological turbulence has a strengthening effect.

Discussion and Implications

The departing point of this study was the idea that an innovation-oriented culture is an important mean to foster higher innovativeness. The purpose of our study was to better understand how different layers of an innovation-oriented corporate culture affect PPI and business performance in the context of market dynamism and technological turbulence. It has several important implications. From a conceptual perspective, we introduce a multi-layer model of an innovation-oriented culture into the field of innovation marketing research. From a methodological perspective, this study is among the first to integrate three different perspectives on companies’ innovation-oriented culture and its outcomes. It also pioneers the use of powerful structural equation modeling with latent interactions in innovation literature. From a content-related perspective, we make two major contributions. First, our analysis reveals that an innovation-orientated corporate culture is less crucial in markets in which customer preferences change dynamically, but prevails in technologically turbulent settings. Second, our findings reveal that an innovation-oriented culture is built bottom-up from the least to the most visible layer, with innovation-oriented artifacts being the valve through which its effect unfolds. These findings are also of managerial relevance as managers should call into question whether they primarily exert their influence through the establishment of norms and value statements or whether they also care enough about innovation-oriented cultural artifacts in the organization. References are available upon request.
THE DOMINANCE OF SODIUM HEALTH HALOS: EXAMINING THE
RELATIVE LEVELS OF SODIUM VS. CALORIE MISPERCEPTIONS
FOR FAST FOOD RESTAURANT ITEMS

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SUMMARY

A report recently issued by the Institute of Medicine (IOM 2010) states that national action to decrease salt intake is a health imperative. Given the well-established relationship between sodium intake and hypertension, these actions partially stem from recently released data which indicate that the average daily intake of sodium exceeds 3400 mg, a level almost 50 percent above the maximum recommended level (CDC 2009). Among the known risk factors correlated with stroke and coronary heart disease, the link with hypertension is stronger than that of smoking, high cholesterol, obesity, or any other recognized risk (Liebman 2010). It has been estimated that reducing Americans’ average daily intake of sodium to 2300 mg could potentially eliminate 11 million cases of high blood pressure, prevent 92,000 annual deaths, reduce strokes by 66,000 per year, save over $18 billion annually in health care costs, and improve the quality of life for millions of people (Palar and Sturm 2009; Liebman 2010).

The primary sources of salt in our diet (77%) come from restaurant and processed food items (FDA 2010). Thus, one primary means for consumers to reduce sodium intake is to avoid or reduce the consumption of restaurant foods with excessive salt content. In addition, the nutrition information environment in restaurants is radically changing; Public Law 111–148, signed into law on March 23, 2010, will require the provision of calories, but not sodium, on menus, menu boards, and drive through menu boards for all restaurant chains with 20 or more outlets nationally in the next several years. Given this intersection of health and policy issues, in this research we draw from literatures regarding consumers’ inferences about missing attributes and consumers’ health halos to propose and test several hypotheses. Specifically, in three studies we examine predictions concerning: (1) how accurately consumers estimate sodium levels of different restaurant meals across various food types (salads, hamburgers) and how this accuracy compares to estimated calorie content; (2) how accurately consumers estimate sodium levels of different restaurant meals actually chosen and consumed across various food types (salads, hamburgers), and (3) consistent with the new legislation, how does the provision of calorie information on a menu for fast food restaurants affect inferred sodium levels and influence purchase intentions?

Results from Study 1 suggest that the recent concern regarding the low level of awareness of the high calorie levels of many restaurant items (that helped lead to calorie disclosure legislation) is dwarfed by consumers’ (lack of) awareness of sodium levels. Similarly, Study 2 shows that this underestimation of sodium relative to calories extends to actual fast food purchases. Sodium levels of meal types viewed as healthier / lower in calories (e.g., salads in Study 1; sub-sandwiches in Study 2) are underestimated at a more substantial level, suggesting a potentially greater “health halo” for sodium than for calories. Sodium level consumption from the fast food meals chosen and consumed in Study 2 are quite high and raise possible concerns for long term consumer health. The mean sodium level across all meal types is 1948mg, 85 percent of the recommended daily limit. In contrast, the objective calorie levels are 48 percent of the recommended daily value for a 2000 calorie diet.

The new chain restaurant labeling initiative (Public Law 111–148; p. 455) focuses on calorie disclosures; given this, there are questions regarding what consumers will infer about the specific sodium levels of products when consumers are provided only with calorie information. Results from a menu labeling experiment in Study 3 show that while the accuracy of the sodium estimates are totally unaffected by the calorie disclosure, the specific item type interacts with the disclosure in impacting calorie perceptions and purchase intentions. Specifically, there are large sodium level underestimations that vary substantially by item type, ranging up to more than 1800mg (81% of daily value) for the 12inch submarine sandwich meal. While there are large differences in the level of underestimation across the four meals, the disclosure of calories has no effect on the (mis)estimation of sodium, indicated by a nonsignificant interaction ($p > .20$). Because sodium levels are not always highly correlated with calorie levels, this pattern raises some issues for the health community and regulatory agencies (i.e., FDA) concerned about sodium consumption.
This overall pattern of findings appears consistent with the high objective levels of sodium found for many restaurant foods perceived as healthy. Knowing that the health conscious segment generally is more likely to focus on calories and fat than sodium (Schmidt 2009; Howlett et al. 2010), often sodium will be used as a flavor enhancer for foods in which fat and calorie levels are reduced. Both theory and the pattern of results suggest that consumers make inferences about sodium from more generalized schemas regarding food item health perceptions, and these inferences often are not consistent with the objective reality. Based on these findings and changes in the regulatory environment, we offer implications for public health, consumer welfare, and policy researchers. In addition, we offer some suggestions for future research to extend these findings to market-based consumption contexts. References are available upon request.

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GENERATION Y AND BABY BOOMER CONSUMERS’ PROPENSITY TO SELF-MEDICATE: SYMPTOM OR CURE FOR U.S. HEALTH CARE?

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SUMMARY

American consumers’ reliance on self-directed health care has been increasing over the years. Trade surveys indicate a significant increase in consumers’ willingness to take care of themselves and less dependence on the physician’s advice (“Self-Care in the New Millennium” 2001). Self-medication is defined as the use of prescription or non-prescription (specifically, herbal medication for the purpose of this research) medication without the advice or supervision of a medical practitioner. Consumers often engage in self-prescribing medication without adequate knowledge of treatment protocols, interaction the medication can have with other prescription or non-prescription medication, and their side effects and reactions. It has been suggested that self-medication is often practiced when professional care is expensive or unavailable. Further, generation Y’s (hereafter, Gen Y) cynicism of, and Baby Boomers’ dissatisfaction with the American health care system, have instigated the fastest growth in self-medication and over-the-counter drug usage in U.S. history. Even though understanding self-medication has important implications for policy makers, health care providers, and pharmaceutical companies, there is scant research on the consumer psychology aspects of self-medication. The objective of this study is to fill this gap by critically exploring the attitudinal factors (i.e., need for control factors) and generational differences that drive self-medication behaviors.

In this study, self-efficacy, health locus of control, and objectivism are conceived as the “need for control” factors influencing propensity to self-medicate. Self-efficacy beliefs have been associated with health related behavior (Tapler 1996; Janz and Becker 1984) and consumer choice behavior (Litt 1988; Bandura 1977; Cervone 2000). Self-efficacy impels consumers to take control of the situation, take risks and achieve their objective even under adverse circumstances. Therefore, we hypothesize in this study that there is a positive relationship between self-efficacy and propensity to self-medicate. Further, since self-efficacy has been found to be negatively associated with age, we speculate that Gen Y consumers will have a greater propensity to self-medicate compared to the baby-boomers.

The three dimensions of health locus of control (hereafter, HLC), i.e., internal, powerful others, and chance locus of control and their impact on the propensity to self-medicate are also examined in this research. Based on extant literature that suggest that emphasis on the external loci of control (powerful others and chance HLC) increase with age (Aldwin and Gilmer 2004; Lachman 1986; Gatz and Karel 1993), we propose that the powerful others health locus of control will have a negative relationship and chance health locus of control will have positive relationship with Gen Yers propensity to self-medicate. Extant research also points out that internal HLC increases until middle age (which majority of Baby Boomers can be considered to be at), and decreases thereafter (Ryckman and Malikosi 1975). Therefore, a positive relationship between internal HLC and propensity to self-medicate is hypothesized.

Objectivism corresponds to consumers deciding on an alternative based on rational consideration of the available information (Leary et al. 1986). For today’s web savvy consumers several sources, authentic as well as rogue, are available that can provide them with the probable indications for use, dosage, contra-indications, and side effects. The aura of authenticity surrounding the information available on the web, may propel a non-objective consumer to believe in the veracity of the claims made in the websites. This positive attitude may lead to non-objective consumers’ intentions to use the medication, and their ensuing higher propensity to self-medicate than their rational and objective counterparts. Therefore, we hypothesize a negative relationship between objectivism and propensity to self-medicate and the relationship to be stronger among the Baby Boomers. In addition to these attitudinal factors, we also explored the relations between the demographic factors such as gender, income and education, and the propensity to self medicate.

The findings suggest that consumers’ need for control is an important determinant of their propensity to self-medicate. Specifically, health locus of control factors are significant predictors of differences between Baby Boomers and Gen Yers in their propensity to self-medicate. Findings also suggest the importance of the role of a ‘powerful other’ such as a health care provider or a parent in deterring consumers, in particular Gen Y consumers, from this potentially risky behavior. Based on the results, several marketing, and public policy implications are suggested. References are available upon request.
I’LL SHOW YOU MINE, IF YOU SHOW ME YOURS: PUBLIC POLICY IMPLICATIONS OF ADOLESCENT SEXTING

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SUMMARY

Sexting, or sending sexual content via mobile phones, is rising for adolescents. This research attempts to (1) gain a better understanding of the sexting phenomenon, (2) discuss the implications of sexting, and (3) outline public policy implications associated with sexting.

First, we present the theoretical foundation for the research. Second, we discuss findings from secondary data, (Nielsen Mobile 2008; TRU Survey 2007), a single case study involving in-depth, longitudinal interviews and the review of related artifacts with one family. Findings from a survey conducted with college students at a large southeastern university will also be presented. Finally, the authors provide insight into public policy considerations, including privacy, education, and legislation/regulation.

Background

Although some marginalize the phenomenon of sexting, likening it to phone sex or the natural sexual proclivities of young teens (Cumming 2009), Walther’s (1996) theory of “hyperpersonal communication” suggests computer-mediated communication (CMC) settings may intensify interpersonal interactions. Further, text messaging is fundamentally different from traditional communication in three ways: (1) privacy of the consumption, (2) ubiquitous nature of the technology, and (3) permanence of the content shared (e.g., via saving, sharing, or forwarding).

Findings

Characteristics of Sexting. The National Campaign to Prevent Teen and Unplanned Pregnancy (the TRU Survey 2008) finds that 1 in 5 teens have sent nude or semi-nude pictures/videos and nearly 40 percent have sent sexually suggestive text messages. Indeed, based on the case study and survey conducted with college students, both uses of cell phone technology seem common. Further, since parents provide cell phone technology to their tweens (ages 8–12) to use in case of emergencies (Nielsen Mobile 2008), the cell phone is considered a necessity, meaning that teens have unlimited access to the technology, and parents are reluctant to limit this access (e.g., as a form of discipline). Cell phone hardware also allows for instant messaging via texting and transmission of digital photos, both of which can be stored and easily forwarded to others.

Motivations of Sexting. Four primary motivations of sexting emerged. First, the behavior of peers is influential as many teens participate in the transmission of sexualized verbiage and photos. Second, teens perceive that sexually-charged conversations and photos are displays of trust in and affection for significant others. Third, teens liken sexting to a means of fun, flirtatious behavior – similar to the passing of notes. Finally, sexting may be related to identity formation during adolescent’s “reflective” stage (John 1999), since the receipt of cell phones corresponds with this stage (i.e., at the age of 10 or 11. Nielsen Mobile 2008). In other words, sexting offers adolescents a way to concurrently shape their own identity while conforming to the norms of their peer group.

Consequences of Sexting. Four short- and long-term consequences of sexting emerged from the data. First, teens engaging in this behavior are gossiped about and bullied by peers and others (e.g., parents of peers). Second, individuals engaging in this behavior may be ostracized by peers, restricted by parents, or arrested on child pornography charges, and these consequences may extend for years (i.e., due to the permanence of content). Next, it remains to be seen whether teens that engage in sexting are more likely to engage in risky sexual behavior. This issue warrants further exploration. Finally, findings show that emotional consequences from sexting may lead teens to withdraw from family and friends and to suffer from poor performance in school.

Public Policy Implications of Sexting. Given that little is currently known about the sexting phenomenon, findings from this study make a clear contribution to the existing marketing and public policy literature by providing a preliminary understanding of adolescents’ use of mobile messaging in a sexual context. In advancing public policy considerations regarding sexting, it is important to recognize adolescence as a period of development characterized by susceptibility to persuasion, psychological immaturity, increased stress, physical transformations, impulsive decisions, and self-consciousness (Pechmann et al. 2005). The authors suggest three public policy implications based on adolescents’ participation in sexting: privacy, education, and legislation and regulation.
Future Research

While findings from the present research uncover the motivations for and consequences of adolescent sexting, highlighting implications for public policy, future research is planned to examine whether CMC findings are applicable to cell phone-based communication, whether there are differences in sexting when communications are text- or image-based, and whether there are gender differences in the likelihood to engage in sexting. References are available upon request.

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AFFECTIVE REACTIONS TO ATTITUDINAL AMBIVALENCE: A GOAL-ATTAINMENT PERSPECTIVE

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ABSTRACT
This research investigates consumers’ affective reactions to attitudinal ambivalence and suggests a goal-attainment perspective to understand the underlying mechanisms. We conducted three studies in different contexts. The results consistently indicate that attitudinal ambivalence will be experienced as psychological discomfort only when it is represented as inhibitory to consumers’ current goals.

INTRODUCTION
Cognitive conflicts are ubiquitous in consumption activities. For example, smokers often have a love-hate attitude toward cigarettes. Many people are fond of chocolate but at the same time they have concerns about its high calories. Sometimes, a decision-maker rates a brand better than its competitors on some attributes but worse on others. In all of these instances, consumers simultaneously have a positive reaction as well as a negative reaction toward a single object; that is, they are experiencing attitudinal ambivalence (Kaplan 1972).

Despite being so common and compelling an experience, attitudinal ambivalence has not received adequate attention in consumer research. A major reason for this neglect is the dominant influence of a unidimensional approach to attitude, whereby attitude is conceptualized as a continuum ranging from negative to positive (Eagly and Chaiken 1993). More recent research, however, recognizes that an object can be linked to both positive and negative associations in memory (Petty and Briñol 2009). As a result, the ambivalence construct has garnered increasing attention in attitude research. Studies in this area have investigated the causes of attitudinal ambivalence (e.g., Otnes et al. 1997; Priester et al. 2007) as well as its impacts on information processing and decision-making (Nowlis et al. 2002; Sengupta and Johar 2002; Zemborain and Johar 2007). However, consumers’ affective reactions to attitudinal ambivalence have not been well understood.

Attitudinal ambivalence is commonly considered to give rise to discomfort and aversion (Nordgren et al. 2006). This notion constitutes the premise upon which the effects of ambivalence on consumer cognitions are theorized (e.g., Nowlis et al. 2002; Sengupta and Johar 2002; Zemborain and Johar 2007). Nevertheless, empirical evidence for the unpleasantness of attitudinal ambivalence is scarce and inconclusive (e.g., van Harreveld et al. 2009b; Williams and Aaker 2002). In addition, the current literature lacks a comprehensive theory to understand the mechanisms underlying ambivalence-induced discomfort.

In addressing these issues, the present research suggests a goal-attainment perspective to explain when and how attitudinal ambivalence induces psychological discomfort. In contrast to the traditional notion, we argue that when attitudinal ambivalence is made salient, one’s affective reactions are not necessarily unpleasant; rather, they depend on how the activity of holding opposing evaluations of a single object is mentally represented in relation to the goal that is currently pursued. Specifically, consumers will experience psychological discomfort when this activity is represented as inhibitory to goal attainment. Otherwise, no discomfort will be experienced.

ATTITUDINAL AMBIVALENCE AND PSYCHOLOGICAL DISCOMFORT
Attitudinal ambivalence is defined as the co-existence of both positive and negative evaluations toward a single object (Kaplan 1972). It reflects individuals’ cognitive conflict in attitude construction (Thompson et al. 1995). A similarity exists between attitudinal ambivalence and cognitive dissonance, as both constructs involve conflict in a general sense. According to cognitive dissonance theory, dissonance caused by conflict in one’s cognitions is experienced as psychological discomfort (Festinger 1957). Thus, researchers assume attitudinal ambivalence to be also uncomfortable (Clark et al. 2008; Nordgren et al. 2006).

This assumption, however, is not without problems. First, attitudinal ambivalence and cognitive dissonance are different in several aspects. For example, the ambivalence construct concerns the relationship between different cognitions of a single object, while the dissonance construct focuses on the relationship between cognitions of the object and cognitions of one’s behaviors related to that object (Hass et al. 1992; Jonas et al. 2000). In addition, attitudinal ambivalence emphasizes the conflict between different cognitions when one has not yet committed to an alternative (i.e., “sitting on the fence”). On the contrary, cognitive dissonance is a post-decisional phenomenon, which occurs when one has already
committed the behaviors (i.e., “jumping off the fence”) (van Harreveld et al. 2009b). Due to these fundamental differences, it may not be appropriate to use cognitive dissonance theory to understand the unpleasantness of attitudinal ambivalence.

Second, while some researchers show that attitudinal ambivalence will cause psychological discomfort (e.g., Hass et al. 1992), others find mixed results. For example, Williams and Aaker (2002) reveal that mixed emotional appeals in advertising will evoke psychological discomfort for consumers with a low propensity to accept duality but not for those with a high propensity to accept duality. More recently, van Harreveld et al. (2009b) demonstrate that attitudinal ambivalence is experienced as uncomfortable only when individuals have to commit to one side of their attitudes. When evaluation does not involve a subsequent choice, little discomfort will be experienced. These findings imply that attitudinal ambivalence alone may not be sufficient for evoking psychological discomfort.

**A GOAL-ATTAINMENT PERSPECTIVE OF AFFECTIVE REACTIONS TO ATTITUDBINAL AMBIVALENCE**

A goal is defined as a cognitive representation of desired end-states (Kruglanski 1996). Goals are ubiquitous in human life and can influence individuals’ affective states both during and after the pursuit (for a review, see Fishbach and Ferguson 2007). Previous research documents that successful attainment of one’s goals or progresses toward goal attainment will produce positive affect, whereas negative affect often results from failure and problems in goal attainment (Brunstein et al. 1998; Higgins et al. 1997). Furthermore, the affect associated with goal pursuit can be transferred in the goal systems. That is, while implementing a given activity, individuals will experience some of the affect that characterize the relationship between the activity and the goal. Specifically, positive feelings will be experienced if the activity is perceived as instrumental to goal attainment and negative feelings will arise if the activity is perceived as a hindrance (Fishbach et al. 2004).

Building upon the theory of affective transfer in goal systems, we argue that when attitudinal ambivalence is made salient, consumers’ affective reactions depend on how the activity of holding opposing evaluations of a single object is mentally represented in relation to the goal that is currently pursued. If this activity is represented as inhibitory to goal attainment, then consumers will experience psychological discomfort due to anticipated problems or failures in goal pursuit. However, if holding an ambivalent attitude is represented as instrumental or irrelevant to goal attainment, then no discomfort will be induced. Moreover, we assume that the proposed goal-attainment mechanisms usually operate without awareness. When attitudinal ambivalence is made salient, one’s current goal pursuit will evoke spontaneous search and identification of the relationship between the activity of holding opposing evaluations of a single object and goal attainment. Then, corresponding affective reactions will arise in an automatic manner. As a result, consumers may experience the changes in their affective states at the conscious level; however, they are largely unaware of the causes of such changes (cf., Nordgren et al. 2006).

**STUDY 1**

Study 1 seeks to test the goal-attainment propositions. Toward this end, two chronic goals are activated – contradiction-avoidance goal and contradiction-acceptance goal. Both goals are derived from humans’ higher-order desirability for living in an understandable and predictable environment, but differ in how to deal with contradictions in the real world. Specifically, the contradiction-avoidance goal motivates individuals to resolve contradictions and retain coherence in their perception of the world, whereas the contradiction-acceptance goal motivates individuals to retain the basic elements of opposing perspectives and finding truth in both sides (Peng and Nisbett 1999). Accordingly, we predict that when consumers are pursuing a contradiction-avoidance goal, holding opposing evaluations of a single object will inhibit goal attainment; thus, attitudinal ambivalence will induce psychological discomfort. However, this effect will not occur when consumers are pursuing a contradiction-acceptance goal, as holding opposing evaluations of a single object will be represented as instrumental to goal attainment.

**Method**

**Procedure.** We recruited 88 students (33 males and 55 females) to participate in the experiment. After entering the laboratory, participants were randomly assigned to one of the two conditions: contradiction-avoidance goal or contradiction-acceptance goal. The experiment purportedly had two unrelated tasks, which should be completed in the order that they appeared. The first task was a survey on proverbs across cultures. In this task, participants were asked to read an English proverb and then rate its familiarity and comprehensibility. Following that, they needed to choose one Chinese proverb among four alternatives that holds a similar argument, a measure for checking their correct understanding of the English proverb. The second task was a survey on luxury goods. Participants were required to list several typical luxury brands and then rate the positive and negative aspects of luxury goods separately. Then, we measured their psychological discomfort and overall attitude toward luxury goods. After completing all questions, participants were debriefed, compensated, and dismissed. No one raised any suspicion about the connection between the two tasks.
Goal Activation. Contradiction-related goals were nonconsciously activated by proverb priming. Two English proverbs were selected from a pretest, in which 100 participants read a number of English and Chinese proverbs and then classified them into one of three categories based on their arguments: (1) contradiction-acceptance, (2) contradiction-avoidance, and (3) contradiction-irrelevant. One proverb from each of the first two categories that received the largest agreement was selected. Specifically, the proverb in the contradiction-avoidance condition was: When in Rome, do as the Romans do, and the one in the contradiction-acceptance condition was: Every coin has its two sides. Both proverbs were rated as highly and equally familiar and comprehensible to participants.

Measures. We adopted Thompson, Zanna, and Griffin’s (1995) method to measure participants’ ambivalence toward luxury goods. First, participants were asked to ignore the negative aspects of luxury goods and evaluate their positive qualities on unipolar scales (0 not at all / 3 extremely): positive, favorable, and beneficial. Second, they were asked to ignore the positive aspects of luxury goods and evaluate their negative qualities (-3 extremely/0 not at all): negative, unfavorable, and harmful. An ambivalence index was calculated for each participant by submitting the two evaluations into the Similarity-Intensity Model. The sample was categorized into a low-ambivalence condition (M = .16) and a high-ambivalence condition (M = .74, p < .001) based on a median split. Psychological discomfort was measured by asking participants to indicate the extent to which they were experiencing each of the listed feelings at that moment: uncomfortable, tense, anxious, fearful, at rest, and calm (1 not at all / 7 extremely) (Nordgren et al. 2006; van Harreveld et al. 2009b). As the emotion literature suggests that psychological pleasantness is a continuum with positive and negative affect being the two endpoints (Barrett and Russell 1998), we averaged the six items to form an index of psychological discomfort. Finally, we used three items to assess overall attitude: like/dislike, good/bad, and desirable/undesirable (1 not at all / 7 extremely) (Crites et al. 1994).

Results

Three participants failed to identify the right Chinese proverb and two participants did not complete the experiment. Therefore, the final sample contained 83 responses.

Analyses on the overall attitude showed that participants exhibited a mildly positive overall attitude toward luxury goods (M = 4.67), which did not vary across conditions. This demonstrated that consumers who claim the same overall attitude may experience different levels of cognitive conflict in attitude construction. We performed ANOVA on psychological discomfort to test hypotheses. The results indicated that attitudinal ambivalence and goal had an interactive effect, F(1, 79) = 7.51, p < .01. As expected, in the contradiction-avoidance condition, greater attitudinal ambivalence was associated with more intensive psychological discomfort, F(1, 39) = 5.13, p < .05. In the contradiction-acceptance condition, however, this effect was nonsignificant, F(1, 40) = 2.59, p > .10 (see Figure 1).

It is possible that the activated goals influenced participants’ evaluations of luxury goods, which in turn led to the observed differences in their psychological discomfort. To test this possibility, we compared participants’ evaluations of luxury goods across conditions. We found that goals had no significant effects on either positive evaluations (p > .40) or negative evaluations (p > .30). Hence, the evaluation-based alternative explanation could be ruled out.

Discussion

Study 1 demonstrates that attitudinal ambivalence will induce psychological discomfort for participants who are pursuing a contradiction-avoidance goal. However, for those pursuing a contradiction-acceptance goal, attitudinal ambivalence has little impact on psychological discomfort. These findings provide initial evidence for the goal-attainment theory.

Nonetheless, Study 1 has several limitations. First, attitudinal ambivalence was measured rather than manipulated. While we found that participants in different conditions held similar evaluations and overall attitudes toward luxury goods, it is still possible that there existed unknown differences that confounded with attitudinal ambivalence in influencing participants’ psychological discomfort. Second, psychological discomfort was measured by introspective self-report. This technique is based on the assumption that respondents are able to identify their momentary affect accurately at the conscious level. However, this assumption may not always hold. In addition, this technique is vulnerable to contextual influences such as self-presentation pressures and demand effects (Hass et al. 1992). Finally, Study 1 took a between-subjects design, making it impossible to track the changes in participants’ feelings of discomfort caused by attitudinal ambivalence. We conducted Study 2 to address these limitations.

STUDY 2

Theories on information processing suggest that the manner of information encoding and organization is influenced by cognitive goals (Hamilton, Katz, and Leirer 1980). Specifically, individuals with a judgment goal tend to utilize a strong integration rule to form a coherent impression of the object based on the dependencies and
interrelations among pieces of information. In contrast, individuals with a memory goal are apt to use a more rote rehearsal strategy, in which they retain the distinctiveness of different information and are less likely to utilize an integration rule (Hamilton et al. 1980; Srull 1983). An implication of this distinction is that attitudinal ambivalence will evoke greater psychological discomfort for consumers with a judgment goal than for those with a memory goal. This is because holding opposing evaluations of a single object increases the difficulties of information reconciliation and integration. As such, attitudinal ambivalence will be represented as inhibitory to a judgment goal, which results in psychological discomfort. On the other hand, holding opposing evaluations of a single object adds few, if any, difficulties to information separation and association. In fact, some researchers argue that due to perceptual distinctiveness, conflicting information may be stored in stronger associative linkages in memory and can thus be more easily retrieved than consistent information (Bargh and Thein 1985; Schmidt 1991). Therefore, consumers who simply aim to remember the information of the object will experience less ambivalence-induced discomfort, as attitudinal ambivalence will be represented as less inhibitory to a memory goal.

Method

Measurement of Psychological Discomfort. In Study 2 we devised an unobtrusive method to measure participants’ psychological discomfort, which was disguised as a task on subliminal perceptions. In the task, a stimulus that was neutral in evaluation was flashed quickly on the computer screen and participants needed to indicate how much they liked or disliked it based on their feelings. The theoretical rationale for this method is derived from the “affect as information” theory (Schwarz and Clore 1983), which holds that individuals may use a “How do I feel about it?” heuristic to make judgments, whereby they check their feelings and misattribute the feelings evoked by one source to the object under judgment. As a result, feelings are utilized as relevant information and individuals will make evaluations consistent with their feelings.

Procedure. The experiment took a 2 (goal) x 2 (rating time) mixed design. We recruited 86 students (24 males and 62 females) to participate in the experiment. After entering the computer lab, participants were randomly assigned to one of the two conditions: memory goal or judgment goal. The experiment was ostensibly a task on subliminal perceptions in brand logo evaluations. Specifically, a number of brand logos were automatically flashed on the computer screen one by one at four-second intervals. Each brand logo remained on the screen for two seconds and then disappeared. Pretests showed that the two-second exposure was long enough for recognition but too short for elaboration. Participants were asked to indi-
cate how much they liked or disliked the brand logo (1 extremely dislike/7 extremely like) before the next came out. Due to the lack of time in elaboration, they were encouraged to “go with their feelings” in evaluation.

After receiving the instruction, participants evaluated 15 brand logos, which served as the measure of their pre-treatment level of psychological discomfort. Then, the experimenter announced a break, during which she informed that one of her colleagues was working on a recruitment advertisement for another experiment. She asked the participants if they were willing to assist her colleague by reading the advertisement and answering a few questions. All participants agreed.

The experimenter then gave instructions for the intervening task. Participants in the memory condition were told that, “My colleague is interested in the effectiveness of this advertisement. Please read the advertisement carefully. After the subliminal perception task is completed, you need to indicate whether you will participate in the new experiment or not.” In the memory condition, participants were told that, “My colleague is interested in your memory of this advertisement. Please read the advertisement carefully. After the subliminal perception task is completed, you need to recall as much of the new experiment-related information as possible.” Following that, an advertisement was shown on the computer screen, which was designed to induce ambivalent attitudes toward participating in the new experiment.

Five minutes later, the break was over and participants continued to rate another 15 brand logos, the measure of their post-treatment level of psychological discomfort. Following that, participants received a short survey on the recruitment advertisement, which was either a free-recall task in the memory condition or a “participate or not” question in the judgment condition. After completing all questions, participants were debriefed, compensated, and dismissed. No one expressed any suspicion regarding the connection between the two tasks or suspected that the subliminal perception task was a measure of affect.

Experimental Stimuli. The brand logos were created by the experimenter and randomly assigned to two groups for the different experimental trials. In a pretest, we asked 200 students to indicate how much they liked or disliked these brand logos. ANOVA results showed that there was no significant difference in aggregate ratings between the two groups of brand logos. That means if in the main experiment attitudinal ambivalence does not induce any psychological discomfort, participants will evaluate the two groups of brand logos as equally favorable.

Attitudinal ambivalence was manipulated as high and constant across conditions. Specifically, the advertisement described the new experiment as having three positive features (i.e., high compensation, flexible time, simple and interesting tasks) and three negative features (i.e., distant location, long duration, potential discomfort during the experiment). We did another pretest to check if participants felt ambivalent toward participating in such an experiment. The results confirmed our expectation ($M_{\text{positive}} = 1.32; M_{\text{negative}} = -1.75, \text{Ambivalence} = .81$).

Results

Results from the repeated-measures ANOVA revealed a significant interaction between goal and rating time, $F(1, 84) = 4.52, p < .05$. As shown in Figure 2, in the judgment condition, the post-treatment ratings of brand logos ($M = 4.00, SD = .65$) were significantly lower compared with the pre-treatment ratings ($M = 4.18, SD = .57$), $F(1, 41) = 4.44, p < .05$. Recall that the two groups of brand logos had no differences in favorability in the pretest. Thus, these results implied that manipulated ambivalence toward the new experiment evoked psychological discomfort on participants with a judgment goal, which resulted in less favorable evaluations of the brand logos. In the memory condition, the differences between pre- and post-treatment ratings were nonsignificant, $F(1, 43) = .632, p > .10$. Participants evaluated the two groups of brand logos as equally favorable.

Discussion

Using different goals and methods, Study 2 replicates the findings of Study 1 and shows that attitudinal ambivalence will induce psychological discomfort only when it is represented as inhibitory to the goal that participants are currently pursuing (i.e., a judgment goal). In addition, Study 2 provides evidence for our nonconsciousness assumption of the goal-attainment process. Specifically, we assume that goals operate automatically to guide consumers’ affective reactions to attitudinal ambivalence. Therefore, consumers are often unaware of the real causes of ambivalence-induced discomfort. This assumption well explains why participants in the judgment condition would misattribute ambivalence-induced discomfort to the brand logos and rate them less favorable accordingly. These findings are in accordance with Nordgren et al.’s (2006) study, which also finds that participants misattribute ambivalence-induced discomfort to an unrelated source (e.g., a pill).

STUDY 3

Study 3 examines the moderating effect of goal commitment to further demonstrate the role of goals in consumers’ affective reactions to attitudinal ambivalence. Goal commitment is defined as the extent to which a person is willing to strive for a specific goal with time and effort (Austin and Vancouver 1996). Previous research has shown that individuals tend to generate more inten-
sive affective reactions to attainment success or failure of more committed goals (Kruglanski et al. 2002; Shah 2003). As such, if consumers’ affective reactions to attitudinal ambivalence are indeed goal-directed, it is reasonable to predict that when attitudinal ambivalence is represented as inhibitory to goal attainment, consumers with high commitment to the goal will experience greater psychological discomfort than those with low commitment.

Method

Procedure. We recruited 102 students (35 males and 67 females) to participate in the experiment. Upon arrival, participants were randomly assigned to one of the two conditions: contradiction-acceptance goal or contradiction-avoidance goal. The experiment ostensibly contained two unrelated tasks. In the first task, participants were required to read a Chinese proverb and then rate its familiarity and comprehensibility. After that, two superficially contradictory statements were presented and participants needed to rate the plausibility of each (Peng and Nisbett 1999). This was used to check whether a contradiction-avoidance goal or a contradiction-acceptance goal had been activated as expected. Participants then proceeded with the second task – a new product survey. A fictitious consumer report was presented, which described a new MP4 player as having three positive attributes (i.e., large LCD, high audio quality and good compatibility) and three negative attributes (i.e., low video quality, short battery life, and complicated interface design). Participants were asked to indicate the level of psychological discomfort after reading the report, followed by measures of attitudinal ambivalence and overall attitude. Considering that product involvement may influence one’s affective states in dealing with product-related information, we also measured participants’ personal involvement in MP4 players. After completing all questions, participants were debriefed, compensated, and dismissed. No one indicated any suspicion about the connection between the two tasks.

Goal Activation. As in Study 1, contradiction-related goals were nonconsciously activated by proverb priming. Two Chinese proverbs were selected from the same pretest reported in Study 1. The proverb in the contradiction-avoidance condition was: “Shi Shi Bu Shi Fei, Shi Fei Bu Shi Shi (Right cannot be wrong, wrong cannot be right),” and in the contradiction-acceptance condition, the proverb was: “He You Liang An, Shi You Liang Mian (Every river has two banks, everything has two sides).” Manipulation check revealed that the difference in perceived plausibility between the two superficially contradictory statements was much larger in the contradiction-avoidance condition than that in the contradiction-acceptance

FIGURE 2
“Affect as Information” Effect under Different Cognitive Goals
(Study 2, N = 86)
condition, $F(1, 99) = 3.99, p < .05$. These results implied that participants in the contradiction-avoidance condition engaged in a differentiation strategy to minimize contradictions, whereas their counterparts used a compromise strategy to retain contradictions (Peng and Nisbett 1999). As such, our manipulation of goal activation was successfully administered.

Measures. Goal commitment was measured using four items (on 7-point scales): “How much do you agree with the argument of this proverb?” “How important is this proverb for you to form a correct perception of the world?” “How much effort are you willing to devote in conforming to this proverb?” and “How committed are you to the argument of this proverb?” The sample was classified into a high-commitment condition and a low-commitment condition using median split. We used the same items as in Study 1 to assess psychological discomfort as well as overall attitude. Finally, we measured participants’ product involvement using five items from the Personal Involvement Inventory: important/unimportant, relevant/irrelevant, useful/useless, interested/uninterested, and valuable/worthless (on 7-point scales) (Zaichkowsky 1985).

Results

We performed ANCOVA to test the moderating effect of goal commitment. After controlling for the effects of age, gender and product involvement, we found that goal and goal commitment had a significant interaction in influencing psychological discomfort, $F(1, 96) = 4.59, p < .05$. As shown in Figure 3, in the high-commitment condition, participants with a contradiction-avoidance goal experienced greater psychological discomfort than those with a contradiction-acceptance goal, $F(1, 42) = 4.70, p < .05$. That is, the activated goal played a determining role in participants’ affective reactions to attitudinal ambivalence. In the low-commitment condition, however, this effect was nonsignificant, $F(1, 52) = 1.62, p > .10$. Participants in the two conditions reported similar levels of psychological discomfort. Of greater importance, for participants with a contradiction-avoidance goal, those who had high goal commitment experienced greater psychological discomfort ($M = 3.73$) than those who had low goal commitment ($M = 3.23$). As such, the moderating effect of goal commitment was supported.

Discussion

Study 3 is conducted to examine whether the impact of goals on consumers’ affective reactions to attitudinal ambivalence is moderated by goal commitment. We found that for participants with high goal commitment, attitudinal ambivalence induced psychological discomfort when a contradiction-avoidance goal (vs. a contradiction-acceptance goal) was activated. These results replicate the findings of Study 1 and demonstrate the goal-attainment mechanisms underlying ambivalence-induced discomfort. For participants with low goal commitment, goals had
little impact on their affective reactions to attitudinal ambivalence. Taken together, Study 3 provides evidence for the moderating role of goal commitment and supports the goal-attainment theory as the mechanism underlying consumers’ affective reactions to attitudinal ambivalence.

GENERAL DISCUSSION

Attitudinal ambivalence is highly prevalent in the consumer domain, as marketing communications often contain conflicting information regarding a single product or service (Ottes et al. 1997; Sengupta and Johar 2002; Zemborain and Johar 2007). The present research focuses on consumers’ affective reactions to attitudinal ambivalence and suggests a goal-attainment perspective to understand the underlying mechanisms. We conducted three studies in different contexts, and the results consistently indicate that attitudinal ambivalence will lead consumers to experience psychological discomfort only when it is represented as inhibitory to their goal pursuits.

Our findings contribute to the literatures of attitudes and consumer behavior. On the one hand, this research aligns with the contemporary revival of ambivalence research and addresses the affective consequences of attitudinal ambivalence, a critical but underexplored issue in the literature. Our goal-attainment explanation is able to reconcile the inconsistent findings in ambivalence research and has the advantages in comprehensiveness and generalizability compared with other theories that have been proposed, such as cognitive dissonance theory (Nordgren et al. 2006) and the Model of Ambivalence-Induced Discomfort (MAID, van Harreveld et al. 2009a). On the other hand, this is the first attempt to systematically examine the role of goals in consumers’ affective reactions to attitudinal ambivalence. Our findings challenge the conventional thinking of the unpleasantness of attitudinal ambivalence and add to a better understanding of the interplay between goal, cognition, and affect in consumer behavior.

This research has some limitations that provide opportunities for future work. First, while the literature has documented different types of attitudinal ambivalence (for a review, see Jonas et al. 2000), the present research focuses on cognitive ambivalence. This focus is advantageous in that it is consistent with the commonly accepted evaluation-based model of attitudes; however, it inevitably constrains our understanding of the affective consequences of other types of attitudinal ambivalence. Second, in the goal literature, Higgins, Shah, and Friedman (1997) demonstrate that emotional responses to goal attainment vary as a function of the goal’s regulatory focus: attainment of a prevention-focused goal is more related to quiescence-agitation emotions, whereas attainment of a promotion-focused goal is more related to cheerfulness-dejection emotions. As such, it may be promising to examine the affective consequences of attitudinal ambivalence under different regulatory goals. Finally, given the unpleasantness of attitudinal ambivalence under certain goals, it will also be valuable to investigate the coping strategies that consumers may use to resolve attitudinal ambivalence and get rid of the associated psychological discomfort.

ENDNOTE

1 Similarity-Intensity Model: \( A = \frac{C + D}{2} - |C - D| \)
Whatever of the positive or negative reaction is greater in magnitude is referred to as the dominant reaction \((D)\), and whichever is less in magnitude is referred to as the conflicting reaction \((C)\).

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HOW DO CONSUMERS CATCH PANIC FROM SOCIAL TIES? A TRIADIC ANALYSIS OF EMOTIONAL CONTAGION IN THE ECONOMIC CRISIS

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SUMMARY

This study aims to provide deeper insight into the mechanisms through which consumer panic in terms of economic issues emerges and affects purchase reluctance. Consumer panic emerges as those, who have made their purchase decisions against the background of being well financially situated are now faced with large financial losses, sometimes even associated with existential problems. Specifically, we build on emotional contagion theory and explore how panic is transferred from different social ties (i.e., family members and friends) to a consumer. Emotional contagion theory proposes two basic mechanisms by which emotions are transferred among interacting persons: First, the indirect interpersonal emotional transfer relies on a cognitive mechanism and comprises an indirect emotion transfer based on a social comparison process. As the economic crisis is a situation where objective data are missing, a consumer’s affective state is increasingly influenced by observed behaviors of relevant others, e.g., by their purchase reluctance. This indicates that panic from a social tie in terms of economic issues is indirectly transferred into a related consumer’s panic through the social tie’s purchase reluctance, as perceived by the consumer. Second, the direct interpersonal emotion transfer comprises a direct influence of a social tie’s panic based on the unconscious imitation of emotions related to the economic crisis. More precisely, emotional contagion occurs when a recipient adapts his or her emotional state in direction to the sender’s emotion.

Analysis and Results

The proposed theoretical model is tested using structural equation modeling based on a triadic data set comprising self-assessments of 121 consumers each with one family member and one friend. Results reveal that a consumer’s panic in terms of economic issues is strongly influenced by his or her social ties and consequently increases his or her purchase reluctance. An intriguing finding is that the mechanisms underlying these relationships vary for different social ties: Family members infect consumers primarily directly through the mechanism of emotional contagion. The social influence of a consumer’s friend takes another road and infects the consumer with his or her panic only in an indirect manner. Specifically, the friend’s purchase reluctance, provoked by the friend’s own panic, increases the consumer’s panic.

Based on socioemotional selectivity theory we investigate the moderating influence of the consumer’s age on this panic transfer. According to socioemotional selectivity theory, persons are supposed to be faced with differences in terms of their remaining life time. Specifically, the older a person, the less expansive the remaining life time is perceived. Second, socioemotional selectivity theory predicts an age-related positivity effect. In particular, a person’s emotional processing is supposed to change with increased age in the sense that emotional gains are maximized whereas emotional risks are minimized. On the one hand, a relatively young person, who considers his or her remaining time as expansive, processes negative emotions more intensively than positive emotions. On the other hand, the older a person becomes, the more positive emotions become dominant over negative emotions, because time is perceived as limited. The age-related positivity effect has been supported empirically revealing a shift from a relatively intense processing of negative emotions at younger ages to less intense processing of negative emotions at older ages. In sum, socioemotional selectivity theory suggests that older consumers less intensively process negative emotions than younger consumers and therefore should be infected by a social tie’s panic regarding economic crisis to a lower extent. Specifically, younger consumers appear to essentially be sensitive toward emotions from friends whereas older consumers draw on family members to generate their emotional states.

Results exhibit that younger consumers are more intensely affected by a social tie’s panic than older consumers. Specifically, results exhibit that the direct effect of the family member’s panic in terms of economic issues on the consumer’s panic regarding economic issues is higher if the consumer is of relatively younger age and not significant if the consumer is relatively old in age.

Discussion and Implication

From an academic’s point of view this study investigates how social ties’ panic in terms of economic issues is transmitted to socially related consumers and subsequently affects their purchase reluctance. To our knowledge this is the first study that examines consumer’s purchase reluctance in the face of a global economic crisis. Not only the presence of the actual economic crisis but especially the possible occurrence of similar situations in the future
make it indispensable for academics and managers to close this knowledge gap. Our results reveal that consumer’s panic in terms of economic issues is strongly influenced by his or her social ties and consequently increases his or her purchase reluctance. From a practitioner’s perspective, we shed further light on how to address customer groups of different age. It is essential for marketing managers to avoid negative facts when communicating messages to younger consumers, whereas, when addressing older adults, it is essential to provoke meaningful positive emotions.

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INFORMATION PROCESSING BY PRESCHOOL CHILDREN: A TEST OF THE ELABORATION LIKELIHOOD MODEL

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SUMMARY

Much of the literature on children and advertising concludes that children younger than eight have little if any ability to detect persuasion in advertising. There is also a general consensus that young children are “perceptually bound” and tend to focus solely on production features (color, characters, etc.) rather than processing information elements. From these conclusions, it would seem that a dual-processing model of information processing would not apply to children. Recently, however, researchers have called for a reconsideration of these conclusions in light of modern insights from psychology (McAlister and Cornwell 2009; Moses and Baldwin 2005).

This study examines the utility of the Elaboration Likelihood Model (ELM) to explain preschool children’s processing of advertisements. Petty and Cacioppo’s (1981) ELM proposes two routes to persuasion and has received extensive support when tested with adults. Little is known, however, about children’s use of either of the information processing routes.

The ELM states that persuasion may occur via central route processing or peripheral route processing. The central route results in attitude change when an individual attends to “arguments” intended to communicate about the attitude object (i.e., the product). The peripheral route results in attitude change when an individual has observed the attitude object associated with favorable cues. Those who are highly involved with the communication are likely to be persuaded by quality arguments, whereas “low-involvement” individuals are likely to be persuaded by strong peripheral features. The ELM rests on the assumption that recipients of a persuasive message are both motivated and able to process the message. In rare instances, some researchers have attempted to vary adults’ “ability” by manipulating levels of distraction (Petty, Wells, and Brock 1976) or message complexity (e.g., Hafer, Reynolds, and Obertynski 1996). With children, though, it is possible to directly assess individual variations in ability that exist naturally.

Consistent with the traditional ELM, the following predictions were derived:

1. Attitude toward an advertised product will be affected by an interaction between involvement level and argument strength. High-involvement participants will respond more favorably to ads with strong arguments than those with weak arguments. The attitude response of low-involvement participants will not be affected by argument strength.

2. Attitude will be affected by an interaction between involvement and source attractiveness. Low-involvement participants will respond more favorably to ads with high source attractiveness than those with low source attractiveness. The attitude response of high-involvement participants will not be affected by source attractiveness.

In addition to these traditional ELM predictions, the present study tests the impact of individual differences in executive functioning, as a measure of ability:

3. The level of cognitive effort elicited will be impacted by a significant interaction between executive functioning and involvement. Children in the high involvement condition will remember more arguments than children in the low involvement condition, but only when executive functioning is high.

Participants were 84 children aged 3 to 5 years, recruited via preschools. The experiment used a 2 (involvement) x 2 (argument strength) x 2 (source attractiveness) design. A continuous measure of executive functioning was included to estimate information processing ability. Language ability was measured as a covariate. The two DVs were attitude and thought generation.

Stimuli included mock TV ads for a new cereal. The 2 (argument strength) x 2 (source attractiveness) manipulation required four different ads for the same product. The “attractive” ads involved a familiar cartoon monkey as the spokes-character, brightly colored packaging, and smiling children as models. The “unattractive” ads used an unfamiliar girl as the spokesperson, plain white packaging with an unfamiliar, “droopy” cartoon bird, and child models who were “unattractive” (photographed scowling). Argument strength (strong vs. weak) was manipulated in three places throughout the ads: a statement of taste, a statement about fun, and a statement about product popularity. Pre-testing with a separate sample revealed that the manipulations were valid.
H1 was tested using a 2 (involvement) x 2 (argument strength) ANOVA, with attitude as the DV. H1 was supported. High-involvement participants responded more favorably to ads featuring strong arguments than those with weak arguments. H2 was also tested using ANOVA. The interaction between involvement and source attractiveness was significant. Surprisingly, though, this interaction was in the opposite direction to what had been hypothesized. We found that only high-involvement participants were influenced by source attractiveness. H3 was tested via a regression with language ability controlled at step one. Executive functioning and involvement were entered at step two, and their interaction was assessed at step three. Marginal support was found for H3. While the interaction was not significant, executive functioning was a predictor.

Consistent with the ELM, high-involvement participants were responsive to the arguments presented in the advertisement, while low-involvement participants were not. High-involvement participants had a more positive attitude under the condition of strong arguments. Surprisingly, the effect does not indicate that strong arguments persuaded high-involvement participants to view the product more favorably. A more appropriate interpretation might be that weak arguments dissuaded children from thinking positively about the cereal. Counter to typical ELM findings, low-involvement participants reported highly favorable attitudes toward the advertised product.

The findings appear to suggest that children have a predisposition to feel favorably about an advertised product and only become critical of the product when they are highly involved with the ad and weak arguments are present. This finding is consistent with Miller and Busch’s (1979, p. 330) suggestion that “children are favorably disposed toward advertised products.” Hence, it is important to interpret these findings with caution and acknowledge that children’s attitude ratings may naturally be overstated. Additional research is underway to assess baseline vs. post-ad ratings. References are available upon request.

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TOWARD AN UNDERSTANDING OF IMPULSIVENESS IN CONSUMER BEHAVIOR

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SUMMARY

Some individuals are more prone to impulsivity than others, which, in a consumer context, can translate into making impulse purchase decisions. Impulsive buying is “a predisposition to make choices favoring immediate, hedonic benefits over rewards that are more desirable but somewhat remote” (Rook and Fisher 1995). Impulsivity is also described as “a struggle between the two psychological forces of desire and willpower” (Hoch and Loewenstein 1991). When consumers consider extenuating circumstances, such as individual economic conditions or time burdens, their propensity to make a purchase must be influenced by their level of impulsiveness.

Early work on consumer impulsiveness (e.g., Applebaum 1951; Kollat and Willett 1969) focused on products that had a propensity to generate impulsive purchasing, considering only low-priced, low-involvement goods. Rook (1987) dismissed that by saying impulse buying's product dimensions extended beyond snack items and magazines to TV sets, furniture, or vacations. Rook and Hoch (1985) were among the first to posit that impulsiveness reflected the consumers’ rather than the products’ traits in most cases. For researchers, that means exploring the confluence of rational and hedonic behaviors – a merging of cognitive and emotional responses toward a stimulus – in an effort to determine what makes consumers lean one way or the other.

Impulse buyers are more stimulus driven and are more likely to experience spontaneous buying stimuli (Rook and Fisher 1995). Impulse buyers are also more prone to buy when experiencing either positive or negative mood states (Youn and Faber 2000). And impulse buying has been linked to product disappointment, feelings of guilt, and social disapproval (Rook 1987). Most marketing tactics used to pry on the affective responses of high impulsive consumers leverage in-store promotions and merchandise displays. However, most consumers make purchase decisions based on existing information.

In an environment where the stimulus is subtle, such as an advertisement, rather than overt, such as an in-store display, will a high impulsive consumers respond by making a purchase if other factors, such as a time boundary or financial limitations, are taken into consideration.

Also, will pressures force low impulsive consumers to behave more like their high impulsive cousins?

Methodology

Two experimental design studies were implemented, with the first to determine if time boundaries affect high impulsive and low impulsive consumers differently. We proposed to participants that they had just seen an advertisement that appealed to them. Our dependent variable was “intent to purchase” with impulsiveness as an independent variable. We wanted to know if low impulsive consumers would respond in a similar manner as high impulsive consumers when time pressures increases. In a second study, our focus shifted to financial pressures. This time we asked if high impulsive consumers would respond in a similar manner as low impulsive consumers when financial pressures increases.

Results

High impulsive participants showed higher purchase intention ($M = 4.654$) than low impulsive participants ($M = 3.903; F(1, 82) = 8.960, p < .01$). Furthermore, there was a significant interaction between impulsivity and time pressure on purchase intention ($F(1, 82) = 5.828, p < .05$). In the low time pressure condition, high impulsive participants indicated significantly higher purchase intention ($M = 4.691$) than low impulsive participants ($M = 3.256; F(1, 37) = 12.654, p < .01$). In the high time pressure condition, however, there was no difference in purchase intention across high and low impulsive groups ($M_{high} = 4.539$ vs. $M_{low} = 4.385; F(1, 43) = .194, p > .5$). Time pressure plays a role in consumer purchase decision making. And, contrary to what other research has shown, low impulsive consumers make an impulsive purchase almost as frequently as high impulsive consumers when financial pressures is high.

In the second study, participants with higher scores on impulsivity showed significantly higher purchase intention ($M = 4.292$) than did low impulsive participants ($M = 3.593; F(1, 80) = 6.365, p < .05$). In addition, the main effect of financial pressure was significant ($F(1, 80) = 8.160, p < .001$). Furthermore, there was a significant interaction between impulsivity and financial pressure on purchase intention ($F(1, 80) = 7.224, p < .01$). When
financial pressure is high, participants who were high impulsive indicated significantly higher purchase intention ($M = 3.408$) than low impulsive participants ($M = 1.965$; $F(1, 39) = 11.965, p < .01$). The study showed that one’s personal financial situation has an effect on the purchase decision making process. Both high impulsive and low impulsive consumers exercised some self-control when it came to making impulse purchases under increased financial burdens. However, high impulsive consumers still purchased the product more frequently than low impulsive consumers.

**Discussion**

This research has implications for sales promotions, services marketing and advertising. Our results suggest that targeting impulsivity could result in higher consumer purchase intention thereby increasing profitability. Marketers could identify the motivational needs of consumer impulsiveness and devise messages that are designed to place products in consumers’ hands that fulfill these needs.

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COMMUNITY PARTICIPATION AND CONSUMER TO CONSUMER HELPING: INTENDED AND UNINTENDED CONSEQUENCES

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SUMMARY

Prior research has found that community members engage in consumer to consumer (C2C) helping. Studies have shown that C2C helping creates value for firms by increasing the value of the firm’s offerings, enhancing word of mouth intentions, and increasing repurchase intentions (Gruen, Osonbekov, and Czaplewski 2007; Gruen, Osonbekov, and Czaplewski 2006). Furthermore, C2C helping creates value for consumers by reducing the time and effort consumers have to expend as well as increasing the value they realize from a product or service (Berry, Seiders, and Grewal 2002). As a result, companies in a wide array of product categories, from diapers to computers, are seeking to foster C2C helping by promoting both brand and product category communities.

The brand community literature has shown that helping behavior between fellow community members is an integral part of communities (Muniz and O’Guinn 2001; Muniz and Schau 2005). In addition, this research has found that community members may show out group bias and oppositional loyalty toward rival communities and brands (Muniz and O’Guinn 2001; Thompson and Sinha 2008). If out group bias extends to C2C helping, brand community participation may increase helping behavior within a community, but at the expense of helping consumers in rival brand communities.

However, the brand community literature has not examined how participation may influence helping behavior toward members of non-brand specific product category communities or “consumption communities” (Muniz and O’Guinn 2001). Similarly, no research has examined how product category community participation influences whether consumers help brand community members. If this oppositional loyalty and out group bias extends to helping between members of the brand communities and the product category community, community based strategies may have unintended, and undesirable, consequences for the entire product category.

This paper contributes to the C2C helping literature, the brand community literature, and the broader social media literature by studying the role that community participation plays in fostering and inhibiting C2C helping behavior between communities as well as within them. To do so, we collect data from a product category dominated by two brand communities and a related product category community. The dataset tracks participation and helping behavior for 2,581 individuals over a one year period, including 57,231 posted messages and 6,980 helping events in three online forums.

As predicted by the brand community literature, we find that participation in brand communities increases helping toward fellow community members. However, participation also reduces helping toward rival brand community members. Moreover, our results show that brand community participation reduces helping toward members of the product category community. Finally, and most troubling, we show that product category members show a similar out group bias against brand community members, with greater participation in a product category community increasing helping toward fellow members but reducing helping toward brand community members.

These findings have significant implications for firms engaging in community based social media strategies. While building a brand community may enhance helping within the community, it has the potential to backfire in a number of ways. First, the firm’s community members become less willing to help consumers outside the community. Therefore, brand communities reduce the likelihood that new or existing customers who are not affiliated with a brand community will receive help within the product category. In addition, consumers outside the community, whether members of rival brand communities or of the product category community, become less willing to help consumers within the firm’s brand community. Thus, brand community strategies have the potential to simultaneously reduce helping at the category level as well as reduce the access that a firm’s customers have to help. Consequently, marketing managers seeking to promote C2C helping behavior may be better served by promoting participation in existing product category communities rather than building their own separate brand communities.
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E-COMMERCIALIZATION IN THE NON-PROFIT SECTOR: ADOPTION OF INCREMENTAL AND RADICAL INNOVATIONS

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SUMMARY

Most industries are engaged in continuous or periodic innovation and reorientation due to the dynamic nature of most markets (Lee and Grewal 2004; Wu, Mahajan, and Balasubramanian 2003). Despite the importance given to adoption of technological innovations, lack of studies for the non-profit organizations (NPOs) sector has been widely recognized in the literature (Hult and Ketchen 2001; Andreasen and Kotler 2003). Unlike the for-profit sector, innovation decisions in non-profit organizations have to simultaneously address diverging needs and interests of multiple stakeholders (revenue-generating donors, volunteers, revenue-generating and non-revenue-generating beneficiaries) all of whom are critical to the organization’s survival (Arnett, German, and Hunt 2003) and have to be evaluated in the context of multiple criteria: growth in donations, increased divestment toward mission-specific activities, increase in advocacy and awareness of cause, etc., making it difficult to extrapolate findings in the for-profit sector.

The adoption rate of Web technologies is relatively low compared to the for-profit sector yet e-philanthropy is a critical innovation in the non-profit sector and can transform the nonprofit sector (Bernholz 1999). Drawing on organizational innovation (Tushman and Anderson 1986; Atuahene-Gima and Ko 2001) and resource-based view of the firm (RBV) theory (Pfeffer and Salancik 1978) this study investigates organizational characteristics (resource slack, type and nature of stakeholder dependence, market orientation, and entrepreneurial proclivity) associated with adoption of incremental (e-donate) and radical (e-affiliate) technology innovations by non-profit organizations. Empirical analysis of financial data from the national IRS Form 990 database of U.S. based non-profits augmented with information on incremental and radical e-commerce adoptions through content analysis of 2,457 non-profit websites is used to examine proposed hypotheses.

E-donate technology as an incremental innovation and e-affiliate technology as a radical innovation – are based on the same web-based e-commerce backbone. Hence any results obtained capture the impact of competence-exploiting versus competence-exploration aspect of the innovation, and free of cost effects. E-donate technologies offer an efficient, integrated turnkey solution for all fundraising operations through automated donation solicitation, donor relationship management, funds collection and processing thus replacing the existing inefficient, labor-intensive fundraising process. In contrast, non-profits use e-affiliate technologies to explore alternate revenue-generating sources. By enabling their websites with e-affiliate technological applications, nonprofit organizations can participate in cause-based advertising and shopping networks of for-profit firms (e.g., igive.com). Such e-affiliate networks expose non-profits to previously unknown consumer segments at for-profit websites, generates commission or service (rental) income and novel giving opportunities. Unlike e-donate technologies that reduce the costs of serving current donors and clients, e-affiliate technologies serve to generate incremental revenues from new stakeholders in part to serve the needs of current donors and clients. Hence e-affiliate technology represent a radical innovation, a market-based discontinuity (Chandy and Tellis 2000) or diversification to new product-consumer markets by involving new for-profit stakeholders, modifying or adding activities, features and content that may be unrelated to the charitable mission at the non-profit website for online shoppers and merchants (see Borzo 2005).

Unlike the organizational economists’ view of slack as waste, incompetence and lower performance, or the ability to innovate and hence improved performance (Noria and Gulati 1996), the notion of slack, cash surplus or working capital in the nonprofit depends on their relative dependency on stakeholder type. Non-profits in certain mission categories (e.g., human services) lack the ability to meet their existing performance demands, hence may lack the financial resources to seed technology initiatives (Weisbrod 1998). Non-profits with a cash surplus have to choose between investing in technological innovations or use as a buffer to ensure survival of the institution in time of stress. Some may have mandates that require them distribute it toward achieving mission-specific goals (Tuckman and Chang 1996). Hence, two opposing hypotheses apply. Non-profit organizations with relatively higher slack resources are (a) more likely to adopt incremental innovations but less likely to adopt radical innovations if they are highly dependent on non-revenue generating users, (b) more likely to adopt radical and incremental innovations if they are highly dependent on revenue-generating users.

Research on relationship multiplexity between commercial firms show increase in number of different relationship ties lowers sales volatility (Tuli, Bharadwaj, and Kohli 2010). However in the nonprofit sector, non-profits dependent on single stakeholder groups (e.g., govern-
ment) perceive higher uncertainty in future funding compared to non-profits dependent on multiple stakeholders, irrespective of performance level or asset size (Tuckman and Chang 1996). Hence this study examines if non-profit organizations that are highly dependent on a single stakeholder group are (a) more likely to adopt incremental innovations and (b) less likely to adopt radical innovations than firms dependent on multiple stakeholders.

Results show that multiple stakeholder dependency (previously uninvestigated in the innovation literature) significantly enhances the impact of resource slack on radical innovations but not incremental innovations. Non-profits dependent on revenue-generating service users are more likely to adopt radical innovations than those dependent on revenue-generating non-users. Further, radical innovations can induce entrepreneurial activity among non-profit organizations primarily dependent on revenue-generating non-users. Finally, we show how our framework will enable researchers to better understand and evaluate innovation strategy decision-making in the non-profit sector.

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SUMMARY

With the rapid development of online communities and social networks, marketers have started to use online opinion leaders to influence their social circles (Kozinets et al. 2010). Marketing strategies such as “seeding” campaigns (where companies give products to influential consumers and expect those opinion leaders will talk favorably to other consumers) and firms’ participation in social network sites are commonly adopted in practice. Though the importance of Electronic-Word-of-Mouth (hereafter eWOM) has been widely recognized in the marketing literature, the majority of those studies are focused on eWOM’s impact on firms’ performances (Chevalier and Mayzlin 2006; Liu 2006). Very few studies investigate the influence of consumers’ eWOM in online communities (Kozinets et al. 2010).

Our current study tries to fill this research gap. We use a review dataset generated from an online forum to empirically investigate the social influence on reviewers’ eWOM motives and readers’ feedbacks. We propose that first of all, online forum users’ reviews will be independent of their forum experience; second, online forum readers place more trust in the opinions from experienced community members. Our empirical results confirm the proposed hypotheses. We expect reviewers’ evaluations on the focal product will depend on the product attributes only, and will be free from their involvement in the online community. Also, studies have shown that people are willing to help others in the online communities (Mathwick, Wiertz, and Ruyter 2008). The reason that forum users voluntarily share their opinions with other community members may be the result of various motives. Overall, these interactions among forum users build up consumers’ commitment to the community and establish social capital within this community. Thus, in a well-established online community, forum members do not expect their contributions to receive a direct and immediate reciprocity from other members. Instead, they expect their generosity will help the community and will be repaid in the future (Mathwick, Wiertz, and Ruyter 2008). For example, they may get other users’ truthful opinions later when they have questions. Thus we believe a community member’s review will be quite objective. It will depend on the product attributes only, but not on the reviewer’s forum involvement.

Furthermore, we expect potential adopters place more trust in the reviews written by well-established community members. First of all, the support from other community members reinforces the norms of the community. This gives the contributor strong motivations to share his/her knowledge (Wasco and Faraj 2005). Second, WOM from an expert has greater influence (Bone 1995). The reviewer whose expertise has been recognized in the community tends to earn more trust from other users.

We use the review information of a specific experiential product, Massively Multiplayer Online Role-Playing Games (hereafter MMORPGs). We collected individual user review data on the seven main MMORPGs in the market from Gamespot.com, a popular third-party website. For each review we have the information on the reviewer’s detailed ratings on the focal game’s attributes (such as difficulty level, graphics, sound, etc.), the reviewer’s overall involvement in the Gamespot.com community (such as number of reviews he/she wrote, number of friends he/she had, number of people who tracked his/her posts), and other users’ evaluation on this review (number of users who “agreed” with the review). The final dataset contains 1,695 reviews covering a 49-month period, from May 2003 to March 2007. We used a two-stage least-squares regression approach to get consistent results. Our findings confirm all the hypotheses.

Researchers developing WOM theory have started to question the influence from opinion leaders. Watts and Dodds (2007) have argued that the diffusion process could be driven by a critical mass of easily influenced adopters, though they themselves may not be influential (i.e., opinion leaders). Our findings indicate that the importance of opinion leaders in online communities should not be ignored. Furthermore, we argue that those opinion leaders’ reviewers are not influenced by their community involvement.

Our results imply that certain marketing strategies such as “seeding” targeted toward opinion leaders may work better than a general “buzz” marketing strategy targeted toward general audience to increase WOM volume. A firm should try to attract those opinion leaders who might be favorable toward the firm’s product, let them try the products, and encourage them to generate positive feedbacks. References are available upon request.
WHY USERS STAY IN ONLINE SOCIAL NETWORKS: PERCEPTIONS OF VALUE, TRUST, SUBJECTIVE NORM, AND THE MODERATING INFLUENCE OF DURATION OF USE

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Martin Waiguny, Klagenfurt University, Austria

ABSTRACT

Online social networks (OSNs) have gained enormous popularity in recent years and now may have a considerable impact on the way people communicate and interact with each other. In this study, substantial factors of influence on consumers’ intention to continue the use of OSNs are investigated. The focus is on perceived value, social influence, and trust in the context of OSNs. An empirical study of Facebook users (n = 247) found that hedonic value and trust have the strongest impact on usage continuance intention. Moreover, the findings reveal that the relationships between perceived value, social influence, trust, and usage continuance intention are moderated by the duration of use.

INTRODUCTION

Online social networks (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 from the real world (Bonhard and Sasse 2006; Cheung and Lee 2010). These social network sites provide a dynamic and multimodal platform which enables discussions, sharing of multimedia content, organization of events, etc. between members with common interests, such as school, friendship, work, and hobbies (Cachia, Compañó, and Da Costa 2007; Sledgianowski and Kulviwat 2009). Since their introduction, OSNs have attracted millions of users, from all continents and from all age groups, although the younger generation is more prominent (Cachia et al. 2007). OSNs have become an essential part in the everyday activities of their users, a parallel universe for many, satisfying in the virtual world the human need for sociability (Ganley and Lampe 2009).

From a managerial perspective, OSNs create a lot of business values and opportunities. For OSN providers it is of crucial importance to keep members actively involved in their networking sites to have a higher chance of raising fund and attracting top advertisers (Cheung and Lee 2010). Companies can only exploit OSNs when they understand why and how consumers use these networks. Despite the impressive growth of this phenomenon, very little is understood about what motivates users to participate in OSNs and to continually disclose personal information (Krasnova et al. 2010). The main objective of this study is to identify substantial factors of influence on consumers’ intention to continue the use of OSNs.

While recent studies have started to address trust and privacy issues in OSNs (Dwyer, Hiltz, and Passerini 2007; Fogel and Nehmad 2009; Gross and Acquisti 2005; Hoadley et al. 2009; Shin 2010), to our best knowledge, no research has considered the interrelationships among (perceived) value, trust, social influence and usage continuance intention in the Web 2.0 environment. Consistent with contemporary theorizing on consumer attitudes, we focus on value as a crucial driver of consumer behavioral intentions, rather than on a broad attitudinal construct (Kleijnen, de Ruyter, and Wetzels 2007). We develop and empirically validate a research model on usage continuance intention in OSNs that also takes into account the influence of trust and social pressure. Beyond that, we compare novices and advanced OSN users (in the rest of this article called experts) to analyze if the duration of use moderates the relationships between perceived value, trust, social pressure, and usage continuance intention. Accordingly, the three research questions of interest to this study are:

1. What are the major influence factors for OSN users to continue online social networking, or more explicitly, to stay in Facebook?
2. What is the role of trust and social pressure in evoking consumer intention to continue the use of OSNs?
3. Is the relative influence of the above mentioned factors contingent upon the duration of use of the OSN?

Drawing on Boyd and Ellison (2007) we define online social networks as web-based services that (1) allow individuals to 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. Content is both provided by and consumed by the OSN members. Membership is usually free with access being granted after registering and completing an
optional profile, which typically includes descriptors such as age, location, interests, and an “about me” section. Most sites also encourage users to upload a photo. The visibility of a profile varies by social network site and according to the user’s disposition (Boyd and Ellison 2007).

**RESEARCH MODEL AND HYPOTHESES DEVELOPMENT**

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 OSNs. Nevertheless, many knowledge gaps still exist (de Valck, van Bruggen, and Wierenga 2009; Pempek, Yermolayeva, and Calvert 2009). Many people join OSNs 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 OSNs are affiliation and belonging, power and prestige, and entertainment (Andrews, Preece, and Turoff 2002; Balasubramanian and Mahajan 2001).

Using the perspective of expectancy-value theories (see the overview in Eccles and Wigfield (2002), value can be regarded as one of the most important determinants of an individual’s decision to continually participate in an OSN and exchange personal information. People are most likely to perform an action when the product of expectancy and value is at its highest (Heckhausen 1989). (Perceived) “value” and “values” are conceptually distinct constructs, because value is the outcome of an evaluative judgement, whereas the term values refers to the standards, norms, criteria, or ideals that serve as the basis for such an evaluative judgement (Sanchez-Fernandez and Iniesta-Bonillo 2007). Concerning value typologies, the range and the variety found in the literature are very wide, although the hedonic versus utilitarian value difference shows through many typologies of consumer value (Babin, Darden, and Griffin 1994; Batra and Ahtola 1990; Diep and Sweeney 2008; Gallarza and Gil Saura 2006; Sanchez-Fernandez and Iniesta-Bonillo 2007; Sweeney and Soutar 2001).

The presence of utilitarian and hedonic value components, which have been referred to as “thinking and feeling” dimensions (Sweeney and Soutar 2001) has been demonstrated in virtual communities as well (Dholakia, Bagozzi, and Pearo 2004). **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). It can be characterized as functional, task-related, rational, cognitive, or instrumental (Sanchez-Fernandez and Iniesta-Bonillo 2007). In one sense this value component captures the more extrinsic reasons for engaging in an activity, but it also relates directly to an individual’s internalized short- and long-term goals (Eccles and Wigfield 2002). For OSN 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). 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). It reflects the entertainment and emotional worth of an activity and can be characterized as non-instrumental, experiential, and affective (Sanchez-Fernandez and Iniesta-Bonillo 2007). The hedonic dimension of value is similar to the construct of intrinsic value as defined by Eccles and Wigfield (2002). They define intrinsic value as the enjoyment an individual gets from performing an activity or the subjective interest the individual has in the subject. Dholakia et al. (2004) use the notion entertainment value for value that community members derive from fun and relaxation through playing or otherwise interacting with others.

Several researchers have proposed **social value** as another dimension of value (Sanchez-Fernandez and Iniesta-Bonillo 2007; Sweeney and Soutar 2001) that should not be subsumed under utilitarian value. Because of its particular importance in the context of online communities, in this paper social value is also considered as an additional value dimension, which is not independent but potentially related to the other value dimensions. 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). The social dimension of value relates to theories of motivation which focus on people being altruistic, cohesive, and seeking acceptance and affection in interpersonal relationships (Arnold and Reynolds 2003). 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. 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, Steinfield, and Lampe 2007; Fogel and Nehmad 2009). We predict that the more positively a person evaluates the utilitarian, hedonic and social value dimensions, the greater are her/his intentions to engage in future participation in OSNs (participation or usage continuance intention).

**H1:** The perception of (a) utilitarian, (b) hedonic, and (c) social value is positively related to usage continuance intention of OSNs.

In the context of OSNs, the utilitarian, hedonic and social value dimensions should not be seen as a question of either/or but rather as a question of more/less. However, the relative importance of the value dimensions might not be the same for experienced and less-experienced OSN users. Results from information system studies generally indicate that increasing user experience makes users more capable of taking advantage of an information system (Nysveen and Pedersen 2004). Thus, value perceptions might be different between experienced and less-experienced users of OSNs especially for utilitarian and social value whereas hedonic value is of importance for novices as well as experts. Concerning the potential moderating effect of the duration of use on the relationship between perceived value and the intention to continuously use OSNs, we hypothesize that:

**H2:** The relative importance of utilitarian, and/or social value for participation continuance intention in OSNs is contingent upon the duration of use whereas (a) utilitarian value is more important for experienced Users (experts) and (b) social value is of higher relative importance for novice users.

Trust in OSNs: OSNs foster socialization and therefore the success of OSNs is largely determined by social factors (de Souza and Preece 2004; Dwyer et al. 2007). Researchers agree that trust is a central issue in social interaction processes and a crucial point in online interaction – a lack of trust will lead to the non-use of web sites (Corritore, Kracher, and Wiedenbeck 2003; Riegelsberger, Sasse, and McCarthy 2005). Trust has been defined by researchers in many different ways, which often reflect the paradigms of the particular academic discipline of the researcher (Grabner-Kräuter and Kaluscha 2003). 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 Kaluscha 2003; McKnight and Chervany 1996; McKnight et al. 2002; McKnight and Chervany 2002). In the context of OSNs other network participants, the social network site and the Web 2.0 technology can be considered as objects of trust. In line with recent studies on the increasingly important role of trust in OSNs (Fogel and Nehmad 2009; Shin 2010) we focus on the social network itself as an object of trust. Trust in the OSN captures both characteristics of an organization (the network provider) and a technology (the Internet serving as a transmission medium for online activities, or more specifically the security services and technical solutions embedded in Web 2.0 technologies). Hence trusting beliefs with regard to the OSN site can relate either to personal or organizational attributes that reflect components of trustworthiness such as competence, benevolence and integrity (Mayer, Davis, and Schoorman 1995; McKnight and Chervany 2002) or to technology related characteristics such as functionality, reliability, and security.

**H3:** Trust in OSN is positively related to organizational and technical Trusting beliefs.

E-commerce research has found a positive impact of trust on behavioral intentions to buy online or disclose personal information (e.g., Gefen 2000; Metzger 2006; Palvia 2009; Pavlou 2003). Analogously, we expect that increased trust in the OSN will directly and positively affect behavioral intentions to continuously use the OSN. Therefore:

**H4:** The user’s trust in the OSN will influence her/his intention to continually participate and disclose information in OSNs.

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. For experienced OSN users, trust emerges from 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. Hence, participation and continuous interactions on an OSN site may entail positive experiences that reinforce initial trust. We assume that for experienced users peer pressure and herding behavior are less important drivers of behavioral intentions to continuously use OSNs (see also the arguments below). On the other hand, perceived value and trust in the OSN might be even more important determinants of usage continuance for experts than for novices. With regard to trust we propose:

**H5:** The duration of usage will moderate the impact of trust on the user’s intention to continually participate in OSNs.
Finally we asked them about the social influence to perceived values, trusting beliefs and trust in Facebook. Afterwards they were questioned about the when they are members of Facebook and other social network sites.

Procedure and Measures

(49.4%) completed the survey. 500 people opened the online questionnaire and 247 "friends" on Facebook to take part in the study. In total graduate students of an Austrian university invited their posed hypotheses, a quantitative online survey with cur-

Overview

To address the research questions and test the proposed hypotheses, a quantitative online survey with current Facebook users was conducted. Graduate and undergraduate students of an Austrian university invited their "friends" on Facebook to take part in the study. In total 500 people opened the online questionnaire and 247 (49.4%) completed the survey.

Results

To test the proposed relationships, a path model using the Partial Least Squares (PLS) approach with the smartPLS software (Ringle, Wende, and Will 2005) was applied. PLS is advantageous in this study because it is not based on normal distribution and thus better fits a small sample size and complex models (cause-chains). In addition, due to the predictive character, it is appropriate for exploratory research. Furthermore, PLS allows the combination of formative and reflective measures as well as the usage of dichotomous (computed as dummy variables) variables as predictors and/or dependent variables (Chin

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1998a; Chin 1998b; Chin 2010; Fornell and Cha 1994; Henseler, Ringle, and Sinkovics 2009). As path modeling with PLS does only allow limited global fit indices for the overall model, the quality of the model is indicated by testing several local fit indices mainly (Götz, Liehr-Gobbers, and Krafft 2010; Tenenhaus et al. 2005). Therefore, the procedure of data analysis with PLS suggested by Hulland (1999) and Chin (2010) as well as Ringle and Spreen (2007) was followed for all three groups. Significance for the path relationships was calculated using the bootstrapping approach, with 500 samples and due to concrete research hypothesis one-tailed significance was assumed.

In a first step the measurement model was purified by testing reliability and internal validity by estimating (1) individual item reliabilities, (2) the convergent validity of the measures, and (3) discriminant validity between the latent variables for all three models. Finally, all items showed loadings above .600, at a significant level (p < .05). All latent factors indicated high internal consistency as Cronbach’s α was >.7. In order to test reliability further, composite reliability (CR) was computed. Composite reliability is superior to Cronbach’s as it is more appropriate for measurement scales with few items (Bacon et al. 1995). For all scales, CR was above the recommended value of .70. Hence, convergent validity of the exogenous and endogenous measurement models was satisfied. Average Variance Extracted (AVE) showed satisfying values for all latent variables (Fornell and Larcker 1981) as reported in Figure 1. Table 1 reports the Cronbachs α for all three models.

Discriminant validity implies that measures of a given construct differ from measures of another construct (Hulland 1999). Discriminant validity is obtained if the squared correlations between two latent variables is lower than the average variance extracted of these variables (Fornell and Larcker 1981). All latent variables showed satisfying values, hence discriminant validity is supported as the square root of AVE is higher as the highest correlation between the constructs (Hulland 1999). Overall, the measures show good reliability and validity (see Table 2).

### Causal Relationships

The path model 1 (Figure 1) reports the path-coefficients and the R² values, for the total sample as well as for the novice and the experts group. To test the model fit a goodness of fit index (GoF) was calculated which compares the inner with the outer model by the root square of the product of the geometric mean of the R² and the Communality values (Tenenhaus et al. 2005). The GoF for the total sample is .548, for the novices .533 and for the experts .556 indicating an acceptable model fit.

The antecedents explain in total 43.4 percent of the variance of the intentions to use Facebook continuously. This is mainly driven by the HV of the usage of Facebook as well as SN and TR. Hence H1b, H3, and H7 is supported by our data. Interestingly TBO is of a higher relative importance for the formation of trust than the trusting beliefs in technology where the relationship is not significant. Thus, H4 is partly supported. Our data did not support H1a and H1c.

A comparison of the differences in the path coefficients is provided by Table 3. To test the significance of the differences a t-value according to the procedure suggested by Keil (2000) was followed. Comparing the relationships between the constructs for Novices and Expert users an interesting shift occurs. As hypothesized for expert users a utilitarian value is of higher relative importance than for novice users, which supports H2a. For novice users social value is a significant predictor. Hence H2b is also confirmed, but subjective norm inter-

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>AVE, CR, and Cronbachs α for the Latent Variables</th>
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<tbody>
<tr>
<td></td>
<td>AVE</td>
</tr>
<tr>
<td>HV</td>
<td>0.703</td>
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<tr>
<td>SN</td>
<td>0.629</td>
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<tr>
<td>SV</td>
<td>0.592</td>
</tr>
<tr>
<td>TBT</td>
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<tr>
<td>TR</td>
<td>0.713</td>
</tr>
<tr>
<td>UV</td>
<td>0.526</td>
</tr>
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<td>ICU</td>
<td>0.672</td>
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<td>TBO</td>
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estingly does not have any significant influence for nov-
ices. Hence H8 is not confirmed, but our data indicate that
subjective norm is even more important for expert users.
This might be explained by the fact, that users have
positive and/or negative experiences with Facebook but
remain in the OSN for the purpose that most of their
colleagues and friends are in there. The OSN therefore
might be used as a communication tools and information
gathering tool which is necessary to retain the friendship.

As hypothesized the trusting beliefs in a reliable
technology (TBO) is more important for the formation of
trust for novice users than for experts, which supports H6.
For all three groups Trust is positively related to ICU. As
the path coefficients indicate, the influence increases with
the duration of the membership, but the groups do not
significantly differ, hence H5 is not supported.

**IMPLICATIONS**

Although OSNs have experienced exponential growth
in membership in recent years, there is relatively little
testory-driven empirical research available to address these
new complex communication and interaction phenomena
(Cheung and Lee 2010; Shin 2010). This study sheds light
on perceived value, trust and social pressure as determi-
nants of consumers’ intention to stay on Facebook. Overall
our data indicate that hedonic value and trust are the
main drivers of usage continuance intention, as the impact
of these constructs on the intention for continuous use of
Facebook is significant for the total sample as well as for
novices and experts. However, compared to previous
research our study also revealed the importance of the
duration of membership in OSN, as the predictors for the
continuous usage change in their importance and their

<p>| TABLE 2 |
|-----------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Latent Variable Correlations and Root Squared Ave on the Diagonal |</p>
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<thead>
<tr>
<th>TOTAL</th>
<th>H</th>
<th>V</th>
<th>S</th>
<th>T</th>
<th>B</th>
<th>T</th>
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<td>V</td>
<td>0.35</td>
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<tr>
<td>S</td>
<td>0.559</td>
<td>0.072</td>
<td>0.181</td>
<td>0.792</td>
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<td>T</td>
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<td>0.238</td>
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<tr>
<td>B</td>
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<td>0.444</td>
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<td>0.331</td>
<td>0.587</td>
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<td>0.508</td>
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TABLE 3
Group Comparison (Differences of Path Coefficients and Sig. of the Difference)

<table>
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<tr>
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<th>Total – Novices</th>
<th>Total – Experts</th>
<th>Novices – Experts</th>
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<tbody>
<tr>
<td>HV → ICU</td>
<td>0.03**</td>
<td>-0.013**</td>
<td>-0.044**</td>
</tr>
<tr>
<td>SV → ICU</td>
<td>-0.137*</td>
<td>0.037**</td>
<td>0.174*</td>
</tr>
<tr>
<td>UV → ICU</td>
<td>0.077*</td>
<td>-0.023**</td>
<td>-0.100*</td>
</tr>
<tr>
<td>SN → ICU</td>
<td>0.064*</td>
<td>-0.020**</td>
<td>-0.084*</td>
</tr>
<tr>
<td>TR → ICU</td>
<td>0.037**</td>
<td>-0.016**</td>
<td>-0.053**</td>
</tr>
<tr>
<td>TBT → TR</td>
<td>-0.113*</td>
<td>0.054*</td>
<td>0.167*</td>
</tr>
<tr>
<td>TBO → TR</td>
<td>0.079*</td>
<td>-0.041**</td>
<td>-0.121*</td>
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explanation power. A main driver is nevertheless trust, which is important for new users and even more important for experienced users. Hence, in the Web 2.0 environment, building and maintaining user trust is a significant challenge to the continuing growth and long-term viability of OSNs. The results also indicate that trusting beliefs in Facebook as an organization are more important than trusting beliefs in Facebook as a technology. Therefore, OSN providers need to establish a trust relationship with the OSN participants, signaling their competence, integrity and benevolence, e.g., by developing and promoting comprehensive standards of security and privacy.

Finally, some limitations of this study have to be mentioned. Firstly, to keep the research model parsimonious, we only focus on the impact of perceived value,
subjective norm and trust belief on usage continuance intention of OSNs. The total model explains 43 percent of the variance, but future studies should continue to enrich the existing model by adding other personal and social factors, such as disposition to trust, perceived privacy, social presence, social identity, and the like (see also Cheung and Lee 2010). Secondly, this study does not provide a comprehensive picture of entire OSNs, but it rather provides just a snapshot of a subset of Facebook users. However, despite these limitations, this study provides an important contribution to an improved understanding of consumer behavior in OSN by investigating relevant factors of influence on consumers’ intention to continually use OSNs.

ENDNOTE

1 A table with the items and their loadings will be provided upon request.

REFERENCES


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MARKETING ALLIANCES, BRAND EQUITY, AND FIRM VALUE: THE DIFFERENTIAL IMPACTS OF CO-BRANDING AND JOINT PROMOTION

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Hieu V. Phan, University of Connecticut, Storrs

SUMMARY

Marketing alliances which involve cooperation in downstream value chain activities, such as brands, sales, distributions and customer services, have been an important strategy for firms to exchange and leverage their own resources for mutual growth in a dynamic business environment for almost two decades (Das and Teng 1996; Das, Sen, and Sengupta 1998). Researchers have attempted to establish a causal link between marketing alliances and firm value (e.g., Das et al. 1998; Houston and Johnson 2000; Kalaignanam, Shankar, and Varadarajan 2007; Swaminathan and Moorman 2009), but the empirical results so far are mixed. Das, Sen, and Sengupta (1998) analyze the effects of seventy marketing alliance announcements on the abnormal stock returns of the announcing firms across eighteen industries and report that the value effect of marketing alliances is not significantly different from zero. In contrast, Kalaignanam, Shankar, and Varadarajan (2007) report positive abnormal stock returns for high-tech firms that announce new product development alliances which also involve marketing cooperation. Similarly, Swaminathan and Moorman (2009) find evidence that marketing alliances create value for firms in the software industry. Prior research considers the impact of overall marketing alliances on firm value, but does not yet disentangle the impact of various marketing alliance types, such as co-branding and joint promotion alliances. Therefore, what effect each form of marketing alliance has on firm value, why it occurs, and to what extent the individual effect associated with each form of marketing alliance can explain the mixed results documented in the literature remains an empirical question.

In this paper, we attempt to answer this important question by examining how the announcements of co-branding and joint promotion, the two most popular forms of marketing alliances, impact firm value. Drawing on signaling theory (Erdem and Swait 1998; Spence 1973; Wernerfelt 1988), we argue that co-branding and joint promotion announcements convey contradictory signals (i.e., positive vs. negative) to the investor community, and thus evoke different reactions from the stock market. Using the event study method, we test this hypothesis by examining the short-term abnormal stock returns of firms involved in 135 co-branding and 127 joint promotion announcements across 32 industries during the period from 1999–2009. Interestingly, we observe that on average a co-branding firm enjoys a positive abnormal return of 1.66 percent, whereas a joint promoting firm experiences a negative abnormal return of -1.80 percent during a five-day event window.

Extant literature suggests that abnormal stock returns can be caused by investors’ expectation of changes in future cash flows and firm risk (Rappaport 1986; Srivastava, Shervani, and Fahey 1998). To gain more insight into why the differential effects of co-branding and joint promotion announcements occur, we further investigate the impact of each form of marketing alliance on firm risk and operating performance (i.e., a proxy of future cash flows). In line with the findings of abnormal returns, we observe that co-branding firms experience a decrease in systematic risk, whereas joint promotion firms experience an increase in systematic risk and a decrease in operating performance following the announcements. These findings illumine the factors that drive the observed abnormal stock returns – expected future cash flows and systematic risks, and show how effectively the stock market anticipates and reacts to the factors.

Further, we develop and empirically test a conceptual model delineating several determinants of changes in firm value, risk, and operating performance as a result of a marketing alliance announcement. Among other things, this model proposes and demonstrates a significant moderating role for brand equity on the effects of co-branding and joint promotion alliances on firm value, risk and performance such that high brand equity strengthens the positive effect of co-branding alliances, but attenuates the negative effect of joint promotion alliances. We test the robustness of our findings using various models of abnormal stock returns and two different measures of brand equity. References are available upon request.
THE EFFECTS OF STRATEGIC ORIENTATIONS ON FIRM PERFORMANCE: IS MARKETING CAPABILITY NECESSARY TO MEDIATE THE RELATIONSHIPS?

Sohyoun Shin, Eastern Washington University, Cheney
Seil Chaïy, Korea University, South Korea

SUMMARY

A research focus has been shifted from the study of market orientation as a critical marketing determinant of firm performance (FP) to the study exploring how various combinations of strategic orientations link to FP. Thus, along with technology orientation (TO) and learning orientation (LO), disaggregated view of market orientation; customer orientation (CO) and competitor orientation (PO); has been started to treat each component as an important separate construct in developing a competitive advantage. These four organizational orientations have been tested in some empirical studies yet not much research has been conducted with an integrative approach. Furthermore, there are some conflict results presented regarding the relationship among these orientations and FP including customer satisfaction, market effectiveness and profitability.

The authors argue that a deployment mechanism, which is marketing capability (MC) including planning and implementation abilities, may be needed between these critical intangible assets and business performance to settle this widely spread disagreement. Therefore, this study is designed to test the relationships among each of strategic orientations and FP thru a mediator MC with survey data of 198 companies in various industries. Moreover, each different alternative paths between strategic orientations and FP, single or multiple and mediating paths or direct to reach out to the firm level consequences, are also explored for the further detailed understandings.

LISREL 8.50 was used to test the estimated measurement model. The results show that our selected items provide good explanations for each construct. A test of reliability using Cronbach’s coefficient alpha shows that the measures for FP exceed Nunnally’s (1978) standard of .70 (FP: .96; customer satisfaction: .92; market effectiveness: .92, profitability: .91). Cronbach’s alpha for all of strategic orientations exceed Nunnally’s (1978) standard (CO: .93; PO: .89; TO: .95; LO: .87). Cronbach’s coefficient alpha for MC is .97 with all nine items while for marketing planning capability with five items is 0.95 and for marketing execution capability with four items is .94. Therefore, we established support for convergent validity (Bagozzi and Yi 1988). The summed means of all strategic orientations were used and the summed averages of composite indicators (second order) of MC and FP were used for the analysis. The overall fit of the presented path model was good (χ² = 313.960 with 178 degrees of freedom) and CFI was .96, GFI = .87; and NFI = .91 with RMSEA = .062. This shows that the data successfully fit the proposed model.

The hypotheses testing has shown the affirmative relationship between MC and FP. The effect of MC on FP is.80 (t = 13.61). The positive relationships between PO and MC (β = .21, t = 1.97), TO and MC (β = .25, t = 2.67), and LO and MC (β = .26, t = 2.87) were identified while the relationship between CO and MC failed to be proven with the effect of .14 (t = 1.12).

To provide further understanding of the relationships among the constructs, we proposed five alternative models. A model with four strategic orientations and MC as predictors and four non-mediating models have been also tested thru regression analysis. In the rival model 1 with MC as one of antecedents with four orientations, MC acts as the most impactful predictor to FP (β = .43, t = 6.88). Moreover, CO shows a strong direct effect on FP (β = .16, t = 2.03), proving that CO may not need MC as a mediator. TO also have an impact on FP (β = .24, t = 3.51) in a direct way, securing that TO has both paths of direct and indirect linking to FP. PO (β = .10, t = 1.51) and LO (β = -.01, t = -.12) have not statically proven to have effects on FP directly although two orientations indirectly link to FP with a mediator MC. In the rival model 2 without MC, CO, PO, and TO have direct influence on FP, yet LO has no impact (CO: β = .22, t = 2.57; PO: β = .17, t = 2.27; TO: β = .33, t = 4.49; LO: β = .11, t = 1.61). More precisely in the rival model 3, CO, TO, and LO have direct influence on customer satisfaction, yet PO has a marginal impact. In the rival model 4, TO and LO have direct influence on market effectiveness, yet PO has marginal effect and CO has no impact. In the rival model 5 with profitability, CO, PO, TO have influence but LO has no statistical impact. This further analysis is only descriptive from a mare observation but it is certain that given four strategic orientations have different paths to FP. So, the authors believe that the implications here are important to practitioners to instruct how to allocate their limited resources in their organizations as well as present several meaningful substantive contributions academically. Limitations and some future research directions were also presented in the study.
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THE VALUE RELEVANCE OF BRAND EQUITY, INTELLECTUAL CAPITAL, AND INTELLECTUAL CAPITAL MANAGEMENT CAPABILITY

Jing Yang, Pennsylvania State University at Harrisburg
Thomas G. Brashear, The University of Massachusetts, Amherst

SUMMARY

Traditionally, marketing productivity focuses on the success in the product marketplace. Now shareholder value is replacing market share, sales and ROI, and adopted by more and more managers to evaluate marketing performance (Srivastava et al. 1998). Faced by increasing pressure to demonstrate the value created by marketing activities, marketing managers need to translate marketing resource allocations and marketing performance into shareholder value (Rust et al. 2004).

Marketing assets and capabilities work as a bridge between marketing and shareholder value (Srivastava et al. 1998). They create shareholder value by enhancing and accelerating cash flows, reducing the volatility and vulnerability of cash flows, and increasing the residual value of cash flows (Day and Fahey 1988). Although considerable research has examined the impact of marketing assets and capabilities on shareholder value, there is an absence of an empirical work which simultaneously tests the effects of various assets and capabilities. Therefore, little is known about the relative importance of different resources on shareholder value. Without such knowledge, it is difficult for managers to make resource-allocation decisions.

Building upon the marketing literature of brand equity, marketing-finance interface, strategy literature regarding intellectual capital, and resource-based theories, this research develops a conceptual framework which links various assets, capabilities and shareholder value. In this research, we study three types of market-based assets and capability: brand equity, intellectual capital and intellectual capital management capability. Brand equity is “the incremental cash flow resulting from the product with the brand name compared with that which would result without the brand name” (Ailawadi et al. 2003, p. 1). It is a major element of intangible off-balance-sheet assets (Srivastava and Reibstein 2005). Intellectual capital is broadly conceptualized as knowledge resources that organizations use for competitive advantage (Youndt et al. 2004). It is a multi-dimensional construct, consisting of different components, such as human capital, organizational capital and customer capital (Stewart 1997; Bontis 1996; Youndt et al. 2004). The amount of intellectual capital is positively associated with firm profit margin, return on assets and return on investment, and therefore it can enhance cash flows and create greater shareholder value. Intellectual capital management capability is defined as the efficiency of investing in knowledge management activities to create organizational knowledge. A good intellectual capital management capability enables firms to efficiently utilize the individual knowledge and facilitates knowledge exchange and utilization (Subramanism and Youndt 2005; Chaston 2004), and therefore enhance the cash flows and create greater shareholder value.

Various statistical techniques were used to measure the constructs in the research model, such as Data Envelopment Analysis, Structural Equation Modeling and factor explanatory financial model. Stock return response modeling was used to test the research hypotheses. On the basis of a sample of 806 observations for the U.S. semiconductor companies during 1990 – 2006, this study show that marketing assets and capabilities are associated with shareholder value. The positive effect of intellectual capital suggests that companies need to invest in R&D to accumulate organizational knowledge. The positive effect of intellectual capital management capability is not constant, but varies systematically depending upon the value of ROA. The positive response to augmenting intellectual capital management capability is especially strong when a firm has a high ROA. In other words, when a firm is doing well financially, the market wants it to enhance intellectual capital management capability. Efforts to increase intellectual capital management capability are generously rewarded in this situation. The effect of brand equity on shareholder value is insignificant, which may be due to the fact that we did not consider the different dimensions of brand equity. References are available upon request.
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A LASTING MARKETING IMPACT AT THE TOP: INDIVIDUAL AND ORGANIZATIONAL FACTORS INFLUENCING CMO TENURE

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Félicitas Morhart, UNIL, Switzerland
Seán Meehan, IMD, Switzerland
Sébastian Groux, Caterpillar, Switzerland

SUMMARY

During the past decades, we have seen marketers’ mission broadening because of the rise of new media and information technology along increasing customer power and globalization, which is constantly increasing companies’ complexity and the costs of doing business (Court 2007; Hyde, Landry, and Tipping 2004; Spencer Stuart 2008). To effectively deal with these developments, we have seen firms appointing people to the position of the Chief Marketing Officer (CMO) in their top management teams (TMT). As a “marketing CEO,” the CMO is responsible for a long-term vision of the firm and accountable to all organizational stakeholders (Grewal and Wang 2009). Against this background, it is surprising to see that only 47 percent of Fortune 1000 firms have a CMO whereas 98 percent have a Chief Executive Officer (CEO) and 91 percent have a Chief Financial Officer (CFO), according to an ANA and Booz Allen Hamilton study (2004). Yet, this relatively new position is being regarded to be a “hot seat.” In 2004, when the executive search company Spencer Stuart studied the top 100 branded companies, the average tenure for CMOs was less than two years compared to about four-and-a-half years for CEOs. Some authors argue that this high vulnerability is due to a high number of responsibilities that CMOs have to handle simultaneously and the visibility of the function or ease to point to poor marketing as a major cause of low growth and declining margins (McGovern et al. 2004; Ladik and Locander 2008; Spencer Stuart 2009). Furthermore, marketing and especially branding require long-time consistent investments to generate a return on investment, which makes it even harder to justify marketing activities (Bolton 2004; Clark and Ambler 2001; Rust et al. 2004; Srivastava, Shervani, and Fahey 1998). Thus, for managers aiming for a CMO position, it is of great interest to know which factors determine CMO success as measured by tenure in the position. The present research aims to clarify why the CMO position is one of the most exposed positions in the top management team and to identify which drivers result in increased CMO tenure.

Theoretical Model and Hypotheses

Tenure in this position is theorized to be dependent on the CMO’s ability to survive and be successful within the TMT. In order to do so, they must be able to articulate the marketing perspective well, especially in relation to strategy and organizational development issues – issues typically discussed and decided on in senior leadership teams – and the top management team’s willingness to finally accept and incorporate the marketing perspective into the strategy and organizational development issues of a particular company (Kotler and Westman 2006). As there is little information about individual career successes of CMOs, we resorted to the relevant general managerial career success literature (e.g., Judge et al. 1995; Ng et al. 2005) and upper-echelon theory (Hambrick and Mason 1984) to develop our model on CMO position tenure drivers.

Methodology

We conducted an archival search to collect the CMO and company data. The primary sources of data collection were the corporate websites of the companies under study. Annual reports and press releases were the second source of data collection for verification. When information was missing, we contacted the firm through its corporate website to complete our database. For this study we focused on the 40 largest global corporations from the following countries: U.S., Canada, France, U.K., and Germany. We identified 128 CMOs who corresponded to our definition. The sample was large enough to include corporations belonging to most of the main industry types. Of the 128 CMOs, 75 were currently in the CMO position (as of March 15, 2010) and 53 people had formerly held a CMO position at a firm in our sample frame. We call the latter group of people “former CMOs.” For each CMO matching our definition during the given time frame, we gathered socio-demographic information including name, age, gender, nationality, the number of years and type of education, and race. On average, CMOs of top-ranked companies are hired at the age of 46.8 years. Of them 80.5 percent are male and 96.9 percent are white. CMOs are highly educated with an average of 3.9 years of university education. They have spent, on average, 14 years with a firm before being appointed to the top marketing position. The average CMO tenure is 49 months. This is considerably longer than the less-than-two years of tenure found by other studies (e.g., Spencer Stuart 2004). CMO tenure is very different between countries with Canada showing...
the longest tenure (68 months) and the US and France showing the shortest tenures (42 and 44 months).

Analysis and Results

We used Cox regression to estimate the influence of the different independent variables on a dependent variable (the time to failure). In this case, our focus is on the time elapsed from the appointment of the CMO until he/she stepped aside from the position. Our analysis included 53 observations, because it was only possible to know the complete tenure of former CMOs. It examines the effects of these multiple covariates on the hazard which ends the time period. The estimated model as a whole is significant ($p < .01$), meaning that the covariates significantly contribute to explaining CMO tenure. Out of all covariates tested, four of them have a significant impact: company tenure ($b = .003; p = .030$), marketing experience ($b = -1.287; p = .001$), new CEO appointed during tenure ($b = -.717; p = .048$), and CMO-CEO educational difference ($b = -.170; p = .039$). Company tenure increases the hazard of the CMO stepping down from his position. Marketing experience decreases the hazard which means that the higher the CMO’s marketing experience, the less likely he or she will step down from the position, and the longer his or her tenure as CMO will be. A “new CEO during tenure” decreases the hazard as well. For the education difference between the CEO and the CMO, we find a positive relationship, meaning that the higher the absolute education difference, the less likely the CMO is to step down from the position.

Conclusions

We hope that this study will help current and aspiring Global CMOs understand which individual characteristics are expected from them in order to get and stay in the top marketing position. Of course, there are limitations to note: our sample only looks at the 40 top-ranked companies from five economically leading countries meaning that mostly successful firms were surveyed. As a possible consequence of such a limited sample is our finding that the average tenure of CMOs is considerably higher than in previous studies (e.g., Spencer Stuart 2004, 2006, 2008, and 2009). Future research should therefore expand their samples by including smaller companies and enlarging the geographic scope. Our approach of looking at CMOs’ tenure is only a first step toward completing the existing literature on CMO career success. We will further study career progression and encourage future research looking at other performance measures like sales growth and return on marketing over the CMO tenure. However, this might be a nontrivial endeavor due to the well-known difficulties of relating financial performance measures to marketing functions.

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BUILDING CUSTOMER EXPERIENCES IN BRAND COMMUNITIES: SHOULD COMPANIES FOCUS ON BRAND IDENTIFICATION OR SOCIAL IDENTIFICATION?

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Todd J. Arnold, Oklahoma State University, Stillwater
Marlys J. Mason, Oklahoma State University, Stillwater

SUMMARY

Organizations are increasing their efforts to provide consumer community experiences as well as “third places” for consumers to fulfill their needs for community. For much of the past decade organizations have discussed brand communities as a marketing or business strategy. Consumers initial involvement with the community usually occurs either through their identification with the brand (brand identification) or through a desire to identify with a group (social identification). Understanding how either form of identification may ultimately influence business outcomes helps to address the question asked by Schau et al. (2009, p. 42): “why do some vital communities successfully emphasize social networking and community engagement, and others brand use?”

Brand identification is one primary orientation that may be taken toward community belonging (Bagozzi and Dholakia 2006). Brand identification describes the cumulative connections of consumers with the product, the brand and the marketer (McAlexander et al. 2002). A second orientation toward community belonging may be taken through social identification. Social identification refers to an individual’s self concept derived from one’s self-awareness of his or her membership in a social group and the value and significance attached to that membership (Hogg 1988).

The purpose of this research is to empirically test the distinctions between brand identification and social identification as drivers to community engagement, word of mouth, transcendent experiences and brand usage. We propose that judgments of justice related to a company/brand, as well as the interactions that one has with company employees, should affect feelings of both brand and social identification (Olkkonen and Lipponen 2006). We provide support for and propose the following hypotheses which are tested using Confirmatory Factor Analysis (CFA) and Structural Equation Models (SEM):

H1a: Distributive justice has a positive influence on brand identification.

H1b: Procedural justice has a positive influence on brand identification.

H2: Interactional justice has a positive influence on brand identification.

H3: Brand identification has a positive influence on social identification.

H4: Brand identification has a stronger effect on word-of-mouth promotions than does social identification.

H5: Brand identification and social identification equally effect brand usage.

H6: Brand identification has a stronger effect on TCEs than does social identification.

H7: Social identification has a stronger effect on community engagement than does brand identification.

Participants for the study were members of a local health club with active memberships. Local health clubs are seen as a potential realm in which feelings of community may be built around both brand and social identification (Fournier and Lee 2009; Rosenbaum 2008). A questionnaire was prepared using Qualtrics Survey Software to collect data from 315 participants. Participants gave feedback about their experience and interactions at the health club using measures taken from existing scales, which had been refined through pretesting.

All hypotheses in our proposed model were supported. Additionally interactional justice had a positive influence on brand identification and distributive and procedural justice had positive impacts on social identification. The model fit was improved using suggested modification indices.

Our research helps to answer the question of why some communities successfully emphasize social networking and community engagement, while others emphasize brand use. Through empirical testing, both brand identification and social identification were shown to lead to favorable but
distinct outcomes. First, path comparison tests showed that brand identification has a greater impact on transcendent customer experiences and word-of-mouth behaviors than does social identification. Second, path comparison tests showed that social identification has a greater impact on community engagement. Third, brand identification and social identification have similar effects on brand usage.

This research suggests different outcomes that would result from emphasizing either brand identification or social identification in a retailers’ strategy. The model also suggests antecedents that managers can use to influence the desired identification(s) based on the company’s desired strategic community outcomes.

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Consumer empowerment has been found to be beneficial for retailers and consumers alike. Consumer empowerment is defined as a positive subjective state evoked by increasing control (Wathieu et al. 2002). From a retailer’s perspective, empowering consumers can be an effective cost reduction strategy (e.g., self-service checkout aisles, automated teller machines, service support provided by other customers). Some research suggests that consumer empowerment can offer other benefits to retailers. Recent studies suggest that consumer empowerment can have effects such as increasing customer satisfaction (Hunter and Garnefeld 2008) as well as increasing demand for and willingness to pay for a product (Fuchs, Prandelli, and Schreier 2010). The purpose of this study is to examine the impact of empowering consumers on satisfaction with and loyalty toward a retailer.

Hypotheses

H1: Consumer empowerment will be positively related to customer loyalty to a retailer.

H2: Consumer empowerment will be positively related to customer satisfaction with a retailer.

H3: The relationship between consumer empowerment and customer loyalty will be mediated by customer satisfaction.

Method

The study is based on surveys among consumers in a medium-sized city in Germany. The surveys were conducted in German by trained interviewers. Consumers were approached in two shopping areas and asked if they were willing to take part in a consumer survey. In total, 869 consumers took part in the interviews. Due to incomplete data, 31 questionnaires had to be excluded. This led to a net sample of 838 questionnaires. Respondent ages ranged from 14 to 83, with an average age of 35. Slightly less than 54 percent of respondents were female.

Hypotheses two posit that consumer empowerment will be positively related to satisfaction. Consistent with H2, results support a positive relationship between consumer empowerment and customer satisfaction ($t = 16.933, p < .05$).

Hypothesis three posits that the relationship between consumer empowerment and customer loyalty will be partially mediated by customer satisfaction. This partially mediated relationship is supported by the data. Baron and Kenny (1986) suggest using a series of regressions to determine whether a relationship demonstrates mediation. In determining whether a relationship is mediated by a third variable, the first step is to determine if the relationship between the independent variable and the dependent
variable exists. As discussed previously, customer loyalty was regressed on consumer empowerment and was found to have a statistically significant positive relationship ($t = 18.660, p < .05$). The second step in determining whether a relationship involves mediation is to regress the mediator on the independent variable, so customer satisfaction was regressed on consumer empowerment. As discussed previously, a statistically significant positive relationship was found to exist between consumer empowerment and customer satisfaction ($t = 16.933, p < .05$) confirming hypothesis two. The third step in determining a mediated relationship is to regress the dependent variable on the mediator while controlling for the independent variable. Customer loyalty was regressed on customer satisfaction and consumer empowerment. Consistent with partial mediation, the influence of consumer empowerment remained significant but dropped ($t = 10.368, p < .05$). A variance inflation factor of 1.533 suggests that multicollinearity did not overly influence these results.

**Conclusions**

This study presents an empirical model which offers evidence for three relationships. First, that the experience of consumer empowerment is positively related to customer loyalty. Second, that consumer empowerment is positively related to customer satisfaction. Third, the relationship between consumer empowerment and customer loyalty is mediated by customer satisfaction. References are available upon request.

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SUMMARY

Creativity is an important element in the context of service innovation. It is defined as the extent to which a product is perceived “as representing unique differences from competitors’ product in ways that are meaningful to customers. However, current knowledge about the effects of service creativity is limited for two reasons: creativity features (i.e., novelty and meaningfulness) are evaluated in isolation; and available insights pertain to the context of tangible products. The paper addresses these shortcomings by adopting the so-called “Systems View,” which argues that creativity is not an intrinsic property of a new offering, but rather an outcome of the interaction among the offering, the consumer and the context.

We adopt a configurational approach at the conceptual level, and develop a theoretical framework where we investigate which complex combinations of (i) creativity traits, (ii) key elements of the adoption process (familiarity and quality perceptions), and (iii) contextual characteristics (the extent of coproduction), affect the intentions to buy a new service.

We focus our empirical analysis on a service that received recognition as the most innovative service activity in the luxury hospitality category in Italy in 2009. We collect data from 300 consumers on perceived creativity, service quality, service familiarity, and purchase intentions, across three co-production contexts (low, intermediate, and high) under which this new service can be delivered.

We then investigate this dataset using an emerging analytical technique that is especially appropriate for configurational analysis: Qualitative Comparative Analysis (QCA). Rather than estimating the net average effects of single variables, as in traditional statistical models, QCA employs Boolean logic to examine the relationship between an outcome and all binary combinations of multiple predictors. QCA models the relations among variables in terms of set membership and can identify multiple and complex configurations of causes that reflect necessary and sufficient conditions for a certain outcome.

Findings reveal that: (i) creativity alone cannot be considered as a sufficient condition for intention-to-buy a new service, but its role is contingent upon the characteristics of the adoption process and the coproduction setting; and (ii) more than one configuration of creativity traits, quality and familiarity perceptions, and coproduction levels lead to similar intentions to buy a new service.

Our paper offers three main contributions. First, we extend the literature on creativity by showing that a configurational approach provides a finer-grained understanding of the relationships between creativity and intentions to purchase a new service, thereby offering empirical support for the Systems View of creativity.

Second, we extend the literature on new service development, by showing that coherent patterns of service creativity traits, service adoption drivers, and coproduction settings can enhance new service success.

Third, we contribute to the diffusion of configurational analytical models in the marketing literature, by offering one of the first applications of QCA in a consumer research setting.
TURNING LURKERS INTO VALUE CREATORS: AN INVESTIGATION OF TRANSACTION-BASED ONLINE COMMUNITIES

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SUMMARY

Transaction-based online communities (TOCs) like eBay, Amazon marketplace or myhammer facilitate transactions by bringing together buyers and sellers of specific products or services. However, many TOCs face the problem that a large share of their users is inactive. These so-called lurkers visit a TOC regularly to gather information about products or services but hardly ever contribute content. As the business model of TOCs depends on transaction fees, TOCs suffer from lurkers.

Besides the economic benefits that the users’ co-production performance delivers to the community provider, users create value for all community stakeholders. Thus, they create value to themselves, to other members, and to the provider by adding content (e.g., product or service offers) to the TOC. This content can be exchanged afterwards. As user’s co-production thus allows value creation, providers are highly interested to turn lurkers into value creators. This paper contributes to the current literature by identifying drivers of user’s co-production performance and connected value outcomes.

Referring to social exchange theories, we develop a model to examine drivers and value outcomes of users’ co-production performance in TOCs. Following Wiertz and de Ruyter (2007), we distinguish between a quantitative and a qualitative dimension of co-production performance. Hence, we assume that users’ co-production performance in a TOC is determined by the amount and the quality of transactions a user completes. Moreover, users encounter other members in a TOC during the service process and experience both the rules of conduct and the standards set by the provider. Therefore, we expect that these stakeholders equally influence users’ co-production performance. Thus, the theoretical model contains userspecific (i.e., role clarity, abilities, enjoyment and membership duration), member-specific (i.e., perceived member abilities) as well as provider-specific (i.e., perceived providers’ abilities) drivers of co-production performance. Moreover, our model accounts for the value created in TOCs. In line with our considerations for co-production performance, we assume that value is created for the user (i.e., monetary savings) but also for the provider (i.e., identification with TOC) and other members (i.e., willingness to cooperate).

To test our theoretical model, we gathered data from two different sources. First, we conducted a survey within a TOC to receive self-reported data from users to measure the drivers of co-production performance (except membership duration) and the associated values. Second, we received objective data from the community provider to measure the two dimensions of co-production performance and membership duration. With a final data set consisting of data from 804 community-members, we conduct a SEM analysis.

The results indicate that all three groups of drivers influence co-production performance and are therefore important in terms of value creation for all stakeholders of a TOC. Our study offers three main findings. First, we identify role clarity and membership duration as the most important drivers of co-production performance. Users that know their role in the co-production process will contribute more and better content to this process. Equally, the quality and quantity of co-production performance increase, the longer users are members in the TOC.

Second, we find that the users’ abilities to fulfill their tasks in the TOC do not increase co-production performance. On the contrary, it seems that the better users know how to integrate in a TOC due to their higher abilities, the less they strive to deliver good quality. A possible explanation is that users who have a good knowledge of the process and the required tasks tend to fulfill these tasks more or less automatically without being thorough. This leads to a decrease in the quality of their co-production performance.

Third, our study reveals that the quantity of co-production performance positively influences our suggested value outcomes (i.e., monetary savings, willingness to cooperate, identification with TOC) and thus appears to be more important in terms of value creation than the quality of co-production performance. Hence, rather than trying to increase the quality of transactions, providers should focus on increasing the quantity of transactions in a TOC.
The study provides the following implications. As membership duration is identified as one of the main drivers of co-production performance, providers should not only aim at acquiring new users but also at retaining their current users, enhance their activities and motivate lurkers to participate. Moreover, providers need to guarantee that users know their roles in the co-production process because role clarity is an equally important driver. The provider might contribute to users’ role clarity by increasing the usability of the TOC’s environment, adding FAQs or offering virtual coaches. Finally, providers should seek to increase the quantity of co-production performance which is crucial for value creation in TOCs. To do so, providers might offer incentives (e.g., increasing user status). References are available upon request.

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UNDERSTANDING JOB SATISFACTION, COMMITMENT, AND PROPENSITY TO LEAVE OF FINANCIAL SERVICES SALESPERSONS

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SUMMARY

One of the ten most stressful occupations in America is that of a financial services salesperson (Miller et al. 1988). Recent research demonstrates that a salesperson’s organizational commitment and propensity to leave are impacted by job satisfaction and emotional exhaustion (Rutherford et al. 2009). Building on previous studies, this study examines the relationships among emotional exhaustion, organizational commitment, propensity to leave, and the facets of salesperson job satisfaction in the financial services industry.

The objective of this study was to address three emergent research questions. Specifically, the study aimed to: (1) determine if and how well the Rutherford et al. (2009) model holds within a financial services industry; (2) test if the seven facets of job satisfaction have a mediation effect on the relationship between emotional exhaustion and organizational commitment; and (3) test if organizational commitment has a mediation effect on the relationship between the seven facets of job satisfaction and propensity to leave.

Hypotheses

H1: Emotional exhaustion is negatively related to salesperson’s satisfaction with (a) supervision, (b) overall job, (c) company policy and support, (d) promotion and advancement, (e) pay, (f) coworkers and (g) customers.

H2: Salesperson’s satisfaction with (a) supervision, (b) overall job, (c) company policy and support, (d) promotion and advancement, (e) pay, (f) coworkers and (g) customers is positively related to a salesperson’s organizational commitment.

H3: Emotional exhaustion is negatively related to a salesperson’s organizational commitment.

H4: Salesperson’s satisfaction with (a) supervision, (b) overall job, (c) company policy and support, (d) promotion and advancement, (e) pay, (f) coworkers and (g) customers is negatively related to a salesperson’s propensity to leave.

H5: Organizational commitment is negatively related to a salesperson’s propensity to leave.

H6: Emotional exhaustion is positively related to a salesperson’s propensity to leave.

H7: The seven facets of salesperson’s job satisfaction mediate the relationship between emotional exhaustion and organizational commitment.

H8: Organizational commitment mediates the relationship between the seven facets of job satisfaction and propensity to leave.

Methodology

A sample of employees working in financial services was selected for this study. In total, 1,497 potential respondents were offered to complete the questionnaire online. After removing incomplete respondents, 929 questionnaires remained. Of the 929 questionnaires, 175 respondents classified themselves as working in insurance, banking, or real estate.

Implications

As with the Rutherford et al. study, the current study results underline the importance of multi-faceted measure of job satisfaction, as the seven facets affect and are being affected by other constructs differently. According to the findings of the current study, the answer to research question two is affirmative. The study confirms that the multi-faceted measure of job satisfaction serves as a mediator between emotional exhaustion and organizational commitment. The answer to research question three was also found affirmative. The current study confirms that organizational commitment mediates the relationship between the multi-faceted job satisfaction construct and propensity to leave.
In conclusion, the Rutherford et al. (2009) model appears to hold fairly well in the financial services setting across multiple firms. In addition, the study found support for two mediating effects within the original model. These findings hold important implications for advancing knowledge with regard of the relationships and inter-relationships among the emotional exhaustion, organizational commitment, propensity to leave, and the multi-faceted job satisfaction constructs. References are available upon request.

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AVOIDING AND COLLECTING CUSTOMERS’ LATE PAYMENT: AN INVESTIGATION OF THE INFLUENTIAL ROLE OF SALESPEOPLE

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SUMMARY

In today’s financially constrained environments, companies are eager to generate and quickly collect revenues. Among the most pressing issues that chief financial officers face, accelerating customers’ payment and reducing days’ sales outstanding (DSO), or the average number of days a company takes to collect revenue from business customers after a sale, represents a top priority (Collins 2003). Uncollected invoices degrade companies’ cash flow positions and reduce their financial management options (Bragg 2005). Research reports that companies with annual sales of $1 billion could save an average of $6.2 million per year in borrowing costs just by reducing the time customers take to pay their bills by three days (Voss 1994). The Credit Research Foundation estimates that on average, one DSO represents a lost opportunity cost of $10,000 per day, or $3.65 million per year (Leone 2006).

In tense economic context, DSO represents a critical accounting and financial issue, not only because it indicates how quickly a company can secure its incoming cash flow but also because its proper management facilitates sound resource allocations and opens windows for new investments (Bragg 2005). Thus, efficient accounts receivable management – that is, money owed by customers to their suppliers in exchange for goods or services bought or delivered – is of key importance to manage companies’ cash flows and working capital, help them avoid bankruptcy (Barth, Cram, and Nelson 2001), and create value for shareholders (Deloof 2003). Salespeople enjoy an important role in developing and securing companies’ business and revenues (Zoltners, Sinha, and Lorimer 2006). In line with efforts to collect outstanding receivables properly, the sales force’s responsibility in managing financial aspects of customers’ accounts has increased (Colletti and Fiss 2006; Dennis 2000). The rationale behind this shift is that a business-to-business sale must be viewed as an ongoing process, from product selling and delivery to final payment collection (Cheng and Pike 2003). From an accounting perspective, the accounts receivable cycle begins when a company initiates an invoice for a sale and ends with its payment (Bragg 2005). The sales force’s role must exceed a traditional transactional selling approach and embrace a more relational one (Corcoran, Petersen, Baitch, and Barrett 1995; Guenzi, Pardo, and Georges 2007), which helps ensure customers’ knowledge about billing requirements during and after the sales process (Copeland and Khoury 1980; Dennis 2000). This responsibility also pertains to the way credit is granted to buyers, because it signals the seller’s intention to engage in enduring and profitable relationships with customers (Kiholm Smith 1987; Arya, Fellingham, Frimor, and Mittendorf 2006).

Regardless of the importance of such a financial responsibility for salespeople and the pressing expectations to better link marketing actions to firms’ cash flows and value (Lehmann 2004; Rust et al. 2004; Rao and Bharadwaj 2008), research on the sales organization’s contribution to the collection and acceleration of firms’ liquidity remains scarce. Because the sales force represents a decisive connection to customers which triggers the purchasing process (Moormann and Rust 1999), an investigation of its impact on the marketing productivity chain and cash conversion is welcomed (Rust et al. 2004). To the best of our knowledge, the potential role of the sales force on the collection of late payment has yet to be studied. Therefore, this research examines salespeople’s influence on facilitating and collecting customers’ past due payment, thus reducing DSO.

Multiple sources provide data from 553 business customers, which reveal that salespeople’s manifest influence, the quality of their relationship with buyers as well as their effort to collect late payment relate positively to customers’ accountants’ invoice evaluation and accelerate payments, when we control for financial difficulties and invoice correctness.

To the best of our knowledge, this research is the first attempt to investigate directly and theorize about the sales force’s influence in facilitating and collecting past due payments. In doing so, this study provides another perspective on how marketing and sales organization initiatives may help chief financial officers to reduce DSO and contribute to shareholders’ wealth by improving firms’ cash flow positions and save on borrowing costs. Theoretical and managerial implications are derived from these interesting new findings for both marketing/sales and finance/accounting communities. References are available upon request.
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KEY ACCOUNT MANAGEMENT ORIENTATION AND COMPANY PERFORMANCE: DOES RELATIONSHIP QUALITY MATTER?

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ABSTRACT

Despite the importance of Key Account Management in building long-term buyer-seller relationships, the relationship-oriented perspective of KAM lacks appropriate empirical examination. Therefore, the present study empirically examines the impact of Key Account Management Orientation (KAMO) on supplier’s performance. The study also examines how relationship quality relates to this relationship.

INTRODUCTION

The importance of building long-term relationships between buying and selling firms has been widely recognized in literature (e.g., Webster 1992). A marketing approach aimed at building relationships with a loyal customer base in business markets is Key Account Management (KAM) (McDonald, Millman, and Rogers 1997). KAM involves targeting important customers by providing them special treatment in the areas of marketing, administration and service (Barrett 1986).

The topic of what drives KAM success has received a lot of attention by both academics and practitioners. Prior research regarding this issue is mainly normative and revolves around the organizational aspects of a KAM program. This is probably due to the fact that KAM has been traditionally treated as an applied in nature, sales management activity (Gosselin and Bauwen 2006). However, KAM represents an application of Relationship Marketing in business markets (McDonald, Millman, and Rogers 1997) and, therefore, the factors that enable suppliers to develop long-term relationships with key accounts is of utmost importance (Millman and Wilson 1999). Interestingly, empirical research addressing the relational aspects of a KAM program is very slim.

Along these lines, this study attempts to make a contribution by conceptually developing and empirically validating a framework capturing a system of values that reflect the supplier’s willingness and ability to respond effectively to key accounts’ needs. This framework is called Key Account Management Orientation (KAMO). Consistently, as literature suggests, in addition to the appropriate orientation toward KAM, effective KAM relationships involve building relationship quality between the two parties (Ivens and Pardo 2007; Millman and Wilson 1999; Homburg, Workman, and Jensen 2002).

Thus, the purposes of this study are: (1) to conceptualize and empirical validate KAMO, (2) to examine the impact of KAMO on supplier’s performance, and (3) to explore the potential mediating effect of relationship quality on the relationship between KAMO and performance.

The paper is organized as follow. First we present the theoretical background of our study. Then we develop the conceptual framework and research hypotheses based on the reviewed literature. Next, we present the methodology of research we conducted. We then proceed with the data analysis and the testing of the hypotheses. Finally, we present the discussion of the findings, the limitations of the study as well as the suggestions for future research.

THEORETICAL BACKGROUND AND RESEARCH HYPOTHESES

The Notion of Key Account Management Orientation (KAMO)

A recent stream of research concerning the nature of KAM suggests that KAM is an application of relationship marketing in business markets (e.g., McDonald, Millman, and Rogers 1997; Pardo 1997; Lambe and Spekman 1997). According to this approach, KAM should be examined within the broader context of relationship marketing and, therefore, the focus should shift from short-term, transactional exchanges to more long-term, strategic and collaborative relationships (Lambe and Spekman 1997). Therefore, when examining the drivers of KAM effectiveness, in addition to the various organizational options of the sales force that have extensively examined in the literature (for a review see Workman, Homburg, and Jensen 2003), is important to address the presence of various values that reflect supplier’s willingness and ability to develop long-term KAM relationships (Millman and Wilson 1999).

In an attempt to capture these factors, Shapiro and Moriarty (1984) first introduced the concept of National Account Management Orientation. From this approach is evident that there are values pertaining to the supplier’s attitude toward the strategic significance of key accounts and values pertaining to the actions related to KAM implementation.

On these grounds, based on the KAM (Shapiro and Moriarty 1984; Millman and Wilson 1999; Homburg,
management commitment to KAM means that the top-management role should not be limited only to the overview of the KAM function but should also include initiatives that will help toward the further development of the relationship (e.g., meeting the customer), allocation of the necessary resources for the KAM function (money, time, personnel) and encouragement of cross-organizational responsiveness (Workman, Homburg, and Jensen 2003; Napolitano 1997). Consequently, top-management involvement with the KAM effort is the third, behavior-related factor of this set of values (Lambe and Spekman 1997; Boles, Johnston, and Gardner 1999; Montgomery and Yip 2000). Consequently, as customization lies in the heart of the KAM program, the supplier’s overall commitment to customization represents the second reflector of the supplier’s behavioral set of values that suggest adoption of KAMO.

In addition to inter-functional support, customization also requires significant resources in terms of money, time and effort. This calls for increased top-management involvement with the company’s KAM programs. Actually, top-management involvement is defined as the “extent to which senior management participates in KAM” (Homburg, Workman, and Jensen 2002). Since a typical KAM program involves many functional units, the top-management role should not be limited only to the overview of the KAM function but should also include initiatives that will help toward the further development of the relationship (e.g., meeting the customer), allocation of the necessary resources for the KAM function (money, time, personnel) and encouragement of cross-organizational responsiveness (Workman, Homburg, and Jensen 2003; Napolitano 1997). Consequently, top-management involvement with the KAM effort is the third, behavior-related factor of this set of values (Lambe and Spekman 1997; Boles, Johnston, and Gardner 1999; Montgomery and Yip 2000). Consequently, as customization lies in the heart of the KAM program, the supplier’s overall commitment to customization represents the second reflector of the supplier’s behavioral set of values that suggest adoption of KAMO.

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specific, value that the company has to develop. The latter in addition with inter-functional support and commitment to customization represent the behavior-related set of values that also reflect the degree to which the company has adopted KAMO.

Key Account Management Orientation and Business Performance

Literature suggests that KAM positively affect supplier’s performance both at the key account and at the organization level (Homburg, Workman, and Jensen 2002). Specifically, developing a customer orientation will lead suppliers to customize their offerings to their key accounts in order to satisfy their needs something that will have a positive influence on financial performance (Narver and Slater 1990; Deshpandé, Farley, and Webster 1993; Cannon and Perreault 1999). Similarly, top-management involvement and inter-functional coordination also influence the economic outcomes from a KAM relationship (Homburg, Workman, and Jensen 2002; Workman, Homburg, and Jensen 2003; Ivens and Pardo 2008). Therefore, the company’s overall financial performance, as it is determined by sales, profitability, market share and return of investment (ROI), is likely to improve when a supplier adopts KAMO. Therefore, we propose the following research hypothesis:

H1: KAMO has a positive impact on the supplier’s financial performance.

While prior research emphasizes the impact of a KAM program on financial performance, the outcomes of a KAM relationship can be wider (Ivens and Pardo 2007). Prior research suggests a number of potential non-economic KAM outcomes, including reference value (McDonald, Millman and Rogers 1997; Ojasalo 2001), access to know-how or to new markets (Pels 1992; Millman and Wilson 1999), better business planning (Caspedes 1993), joint product development (Boles, Johnston, and Gardner 1999), better organization of processes (Ojasalo 2001), reduced cost (Ivens and Pardo 2007), facilitation of internal communication (Stevenson 1981; Boles, Johnston, and Gardner 1999) and opportunity to internationalize (Millman 1996).

Although some of these non-economic benefits seem to be industry-specific (for instance suppliers of packaged food and retailers rarely jointly develop R&D projects), the literature review, though, reveals that there is consensus concerning certain key non-economic outcomes from a KAM relationship. A frequently cited benefit is the reference value. Reference value refers to the supplier’s opportunity to increase its image and status in the market through the relationship with the key account. The implication of this is that the supplier can use customer’s status as a reference in the firm’s efforts to access other customers (McDonald, Millman and Rogers 1997; Ojasalo 2001). A second outcome for the supplier is suggested to be the know-how development. Suppliers responding to key accounts’ demand for improved products and/or services are forced to be updated with production or operations developments. This leads suppliers to develop their competencies and know how (Pels 1992; Ojasalo 2001). An additional benefit of KAM relationships is the improvement of internal communication (Boles, Johnston, and Gardner 1999). This is explained by the increased pressure for coordination and facilitation of communication among firm’s departments in order to respond to key account’s individual needs. One last important outcome is processes’ efficiency. Research suggests that managing few, important customers help the firm to facilitate internal processes such as business planning and evaluation of results (Caspedes 1993). Therefore, we propose the following hypothesis:

H2: KAMO has a positive impact on the supplier’s non-financial performance.

The Mediating role of Relationship Quality

Relationship marketing literature (e.g., Anderson and Weitz 1992; Morgan and Hunt 1994) as well as KAM literature (e.g., Homburg, Workman, and Jensen 2002) has provided a number of potential outcomes from a buyer-seller relationship. Many studies consider relationship quality as a central indicator of success in inter-firm relationships (e.g., Crosby, Evans, and Cowles 1990).

Relationship quality is usually conceived as a multi-dimensional construct including satisfaction, trust and commitment (Hennig-Thurau 2000; Garbarino and Johnson 1999). Satisfaction is frequently defined as a positive affective state resulting from the appraisal of all aspects of an exchange relationship (Geyskens, Steenkamp, and Kumar 1999). Trust is usually described as the customer’s perception of the supplier’s credibility and benevolence (Doney and Cannon 1997; Kumar, Scheer, and Steenkamp 1995). Commitment is the desire to continue the relationship in the future and a willingness to work in order to maintain it (Anderson and Weitz 1992).

As literature suggests, appropriately implemented KAM programs result to higher relationship quality (Ivens and Pardo 2007). This influence of effective KAM on the relational quality also translates to improved performance, both financial (Mohr and Spekman 1994; Leuthesser 1997; Walter and Ritter 2003) and non financial (Walter and Ritter 2003), raising thus the possibility that relationship quality mediates the impact of KAMO on company performance. On these grounds we investigate the following hypotheses:
H$_1$; Relationship quality mediates the relationship between KAMO and financial performance.

H$_2$; Relationship quality mediates the relationship between KAMO and non-financial performance.

To this end, based on the literature previously discussed, a conceptual framework is developed and illustrated in Figure 1 incorporating the construct of KAMO and its outcomes.

**METHODOLOGY**

The research objectives of the study were assessed against data from Greek selling organizations as part of a wider examination of KAM attitudes and practices. In order to increase the validity of the findings, the application of a qualitative research prior to conducting the main quantitative research was deemed appropriate.

**Preliminary Investigation**

Firstly, given the centrality of the KAMO scale, ten personally administrated pilot interviews were conducted, five with academics and five with practitioners. The respondents were asked to suggest any item that they think would determine the level of KAMO as well as to comment on the clarity on the initially developed pool of items and indicate any ambiguity they experienced in responding to the items. Based on the feedback of this pre-test, some items were developed, others were modified and others were deleted.

This phase was followed by another set of qualitative in nature interviews. Particularly, sixteen in-depth semi-structured interviews were conducted with managers responsible for the KAM function in selling organizations.

The purpose of the interviews was twofold: first, to obtain face validity for the structure of the study; second, to get a deeper understanding of how suppliers determine the components of KAMO as well as KAM effectiveness. All interviews were conducted on the firm’s premises and, on average, ranged from 45’ to 60’.

The result of this phase was that managers confirmed the conceptualization of KAMO as well as its implications. Therefore, we are confident to have obtained some preliminary evidence of the questions our study aims to address.

**Data Collection and Sample**

Data were collected by means of personal interviews. The sample consisted of firms from different sectors including fast consuming goods, chemical and pharmaceutical products, computer and electronics, banks and insurances, telecommunications, metals, furniture, medical equipments, and professional services. The data collection was completed over a twelve-month period.

In doing so, we contacted by telephone 800 randomly selected companies explaining the objectives of the study and asking for their participation. For those agreed to participate in the study, an appointment at the firm’s premises was set. Overall, 304 companies participated, providing an effective response rate of 38 percent.

With regard to sample unit, the key informant approach was employed. Traditionally, the unit of analysis of KAM surveys was exclusively key account managers. However, this suggested a concern regarding our aim to capture the dimensions of KAMO and the potential qualitative aspects of KAM effectiveness, since key account managers use to have a more short-term and profit-
oriented approach toward the KAM relationships, comparing to higher level managers. Therefore, we decided to contact supervisors of the KAM function within the company (the titles of the respondents include national account manager, key account manager, head marketing manager, and head of the sales department) because they are considered to have a broader view over the KAM practices and benefits within the company (Homburg, Workman, and Jensen 2002).

**Variable Measurement**

Concerning the research instrument, the findings from the field interviews as well as the review of relevant literature provided the basis for a structured questionnaire. The questionnaire was pre-tested prior the study with three marketing academics and ten practitioners from the population under investigation in order to increase content validity and to ensure the clarity of the items.

Specifically, concerning the construct of KAMO, we first relied on the work of Narver and Slater (1990) for the dimensions of customer orientation and inter-functional coordination. For the other four dimensions (top management commitment, customer-oriented activities, top-management involvement and inter-functional support) we generated multi-item scales on the basis of the in-depth-interviews and literature review.

The operationalization of relationship quality was based on the constructs of satisfaction, trust and commitment and for their measurement we relied on the scales of Cannon and Perreault (1999), Doney and Cannon (1997), and Morgan and Hunt (1994), respectively.

Financial performance at the corporate level was measured by the self-evaluations of organizational sales, profitability, market share and return of investment (ROI). Non-financial performance was assessed through multi-item scales capturing reference value, know-how development, processes' efficiency and intra-firm communication. These scales were developed on the basis of the in-depth interviews as well as a thorough review of the pertinent literature. All measures were conducted with a seven-point rating scale.

**DATA ANALYSIS**

Data analysis involves two phases: the evaluation of the measures and the testing of the research hypotheses.

**Assessment of Measures**

With regards to the psychometric attributes of the scales, reliability and validity of the measures were assessed by means of Confirmatory Factor Analysis (CFA).

Composite reliability for all measures exceeded the threshold value of 0.6 (Bagozzi and Yi 1988; Fornell and Larcker 1981). Furthermore, Cronbach’s alpha coefficient for all measures surpassed the threshold that Nunnally (1978) suggested as satisfactory (0.70) and is therefore acceptable (see Table 2 in the Appendix). Results, therefore, suggest reliability for all constructs.

Next, the construct validity of the measures was examined. In all the measures fit statistics (GFI, CFI, RMSEA) were proven satisfactory, showing that the hypothesized factors fit the data reasonably well. Additionally, Average Variance Extracted (AVE) exceeds 0.50, something that according to Fornell and Larcker (1981) provides evidence for that convergent validity (see Appendix). Thus, we have obtained evidence of convergent validity. Discriminant validity was assessed by the test provided again by Fornell and Larcker (1981) in which the AVE for each construct should be higher than the squared correlation between that construct and any other construct. Results, as shown in Table 3 in the Appendix, suggest that discriminant validity holds for all constructs used in the study.

With regard to the multidimensional construct of KAMO, the central construct of our study, in order to assess its validity, we conducted a second-order factor analysis. All factor loadings on both first and second order level were proved significantly high. Additionally, the results of AVE (above 0.50) suggest unidimensionality among the first order dimensions. Lastly, the fit indices of the second-order factor model suggest a good model fit (GFI = 0.92, CFI = 0.97, RMSEA = 0.064), and, although, the lower order factor model exhibit satisfactory results as well, the predictive validity of the second-order model is better.

Since all requirements are satisfied, we aggregated the items of each construct by calculating the scale mean. Next, scale means were tested again using the same criteria. Results proved satisfactory again, so, we were able to develop a composite measure for each construct for subsequent analysis (scale properties are presented in the Appendix).

**Results**

Having established confidence in the measurement model, research hypotheses are tested through structural equation modeling. The overall fit measures provides a good fit for the data (χ² (148) = 867.5, GFI = 0.924, CFI = 0.970, RMSEA = 0.054). With regard to hypotheses testing, the results of the analysis suggest a positive influence of KAMO on financial (β = .25, p < 0.01) and non-financial performance (β = .46, p < 0.01), confirming thus H₁ and H₂.
To test the mediating role of relationship quality in the relationship between KAMO and performance, we followed Baron and Kenny’s (1986) recommendations and estimated two models: Model 1 without relationship quality and Model 2 with relationship quality as the mediating variable (i.e., the original conceptual model in Figure 1). According to Baron and Kenny (1986), when the mediator (relationship quality) enters the model, the contribution of a previously significant independent variable (in Model 1) should drop significantly (in Model 2) for partial mediation and become insignificant for full mediation. Results of the study, as shown in Table 1, posit the positive direct influence of KAMO on financial (β = .25, p < 0.01) and non-financial performance (β = .46, p < 0.01). After relationship quality enters the model, KAMO strongly influences relationship quality (β = .60, p < 0.01), while relationship quality influences both financial (β = .32, p < 0.01) and non-financial performance (β = .30, p < 0.01). However, results show that the impact of KAMO on non-financial performance become weaker (β = .28, p < 0.01) while the impact of KAMO on financial performance become insignificant. Thus, relationship quality seems to fully mediate financial performance and partially mediate non-financial performance. Therefore, H₃ and H₄ are confirmed.

**DISCUSSION AND IMPLICATIONS**

The present study is in line with the emerging stream of research that integrates KAM and Relationship Marketing theory (e.g., McDonald, Millman, and Rogers 1997; Pardo 1997; Sengupta, Krapfel, and Pusateri 1997; Lambe and Spekman 1997) by investigating the cultural drivers of KAM effectiveness. More specifically, our study revealed that successful implementation of KAM requires that the supplier has developed a system of values that has two major pillars.

The first pillar comprises a set of values that denote the supplier’s attitude toward the significance of (1) customer orientation, (2) inter-functional coordination and (3) top-management commitment in developing KAM programs. This first set of values demonstrates the supplier’s willingness to develop the necessary skills for identifying and aligning with the needs of key accounts. The second pillar relates to a set of values that denote the supplier’s actual behavior in relation to the implementation of the KAM effort. These behavior related values include (1) the top-management’s involvement to KAM programs, (2) the supplier’s ability to customize the company’s output according to the needs of key accounts and (3) the support from other departments.

This study, therefore, contributes to the KAM literature by proposing and empirically examines KAMO, an integrated approach of consolidating attitudinal and behavioral values that reflect supplier’s willingness and ability to develop effective KAM practices. Despite the topic’s importance for firms who implement KAM programs, prior research has failed to address these elements into an integrated model as well as empirical validation is missing. Another contribution of the study is the examination of various aspects of KAM effectiveness, and not merely financial, as it has traditionally been the case in KAM research.

<table>
<thead>
<tr>
<th>Research hypotheses</th>
<th>The Direct Effect Model (Model 1)</th>
<th>The Mediated Model (Model 2)</th>
</tr>
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<td>Financial Performance ← KAMO</td>
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<tr>
<td>Non-financial Performance ← KAMO</td>
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<tr>
<td>CFI</td>
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<td>RMSEA</td>
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*Coefficient is significant at the 0.01 level.
The study has also some managerial applications. Suppliers who adopt KAMO as part of their philosophy are likely to achieve superior business performance. However, relationship quality mediates the relationship between KAMO and performance. This implies that suppliers should shift from the traditional sales management approach toward KAM to a more relationship-oriented philosophy if they seek to enjoy full benefits from a KAM relationship. More specific, a first step toward the achievement of superior performance of a supplier is the development of a strong and close bond with the customer. Additionally, firms should not evaluate KAM effectiveness exclusive on the basis of economic aspects of performance since other, non-economic, outcomes determine the effectiveness of the relationship as well.

LIMITATIONS AND FUTURE RESEARCH

This study is not free from limitations, which, nonetheless, future research can tackle. First, this study focuses on direct relationships between KAMO and aspects of KAM effectiveness. Therefore, potential moderators (e.g., competitive intensity) that affect the strength of the relationships identified in this study are neglected. This direction is an interesting route for future research.

Another limitation involves the use of a single-informant design which focuses on suppliers. Future research incorporating perspectives from both sides of the buyer-seller dyad will offer a clearer picture on the consequences of a KAM program, particularly on the evaluation of relational outcomes.

Another limitation refers to the static nature of this investigation and the fact that the KAMO dimensions may actually develop as a consequence of KAM programs implementation. The issue does not diminish the contribution of the study since deriving a primary understanding of the relationships among the variables under investigation is necessary before moving to more complex research designs of longitudinal investigations. Future research toward this direction is, therefore, necessary.

Finally, the aspects of KAM effectiveness that were eventually included in this study are not exhaustive. Future research might enlarge the research agenda by incorporating additional dimensions, especially with respect to the relational outcomes given the increasing attention the topic has received in the KAM and relationship marketing literature.

REFERENCES


APPENDIX

TABLE 2
Measures Properties

<table>
<thead>
<tr>
<th>Construct</th>
<th>Indicator (number of items)</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Cronbach Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted</th>
<th>Cronbach Alpha</th>
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- Items with item-total correlations less than .30 and factor loadings less than .35 have been omitted
- Reports coefficient alpha (if more than one item)
- Reports composite reliability (if more than two items)
- Average Variance Extracted is reported when there are more than two items

Notes: detailed scale items are available by the authors upon request

TABLE 3
Correlation Matrix and Average Variance Extracted (AVE)

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Notes: Squared Correlations are below the diagonal. AVE is on the diagonal
Correlations are significant at p<0.01 level
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THE COMMON MEASURE BIAS IN SALES MANAGEMENT EVALUATION: EXPERIMENTAL EVIDENCE AND REMEDIES

Peter Mathias Fischer, University of St. Gallen, Switzerland
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SUMMARY

In customer-focused sales organizations, segment managers concentrate on their customers’ particular needs and launch tailor-made, segment-specific projects. However, the high specificity and thus lacking comparability of such activities comes at a price in the context of performance evaluations. Over time, sales directors evaluating the performance of their segment managers gradually place less emphasis on long-term oriented segment-specific projects and instead focus on short-term sales figures. We call this declining appreciation of targeted, customer-oriented efforts “dilution effect” and investigate this phenomenon in a series of six studies – one qualitative study, four controlled experiments with experienced sales managers, and one field study.

An initial qualitative study reveals that sales directors usually evaluate project performance based on segment managers’ project-related activities. That is, they execute behavior-based control rather than outcome-based control (e.g., Anderson and Oliver 1987). This behavior-based control results from two factors: first, projects do not immediately manifest themselves in monetary (e.g., sales) or non-monetary quantitative measures (e.g., customer satisfaction). Second, managers believe that even in the long run, it is nearly impossible to accurately identify the financial contribution of strategic customer projects because of various uncontrolled factors like competitors’ behavior. These findings are consistent with recent research recommending behavior-based control for strategic projects that do not immediately pay off in terms of quantitative measures (e.g., Hunter and Perreault 2007; Piercy 2006). The qualitative study also shows that some sales leaders try to increase the objectivity of behavior-based control systems by requiring their segment managers to write standardized reports about their project-related actions and by evaluating project progress on standardized scales. However, despite these efforts, they still perceive the segment managers’ projects as highly specific and thus minimally comparable.

The latter finding should not be surprising because segment managers usually have superior knowledge about their customers’ unique needs which in turn enables them to implement very specific and targeted long-term projects. Essentially, this targeted and differentiated treatment of heterogeneous customer segments, rather than the “one-fits-all paradigm,” is at the very heart of a successful customer-oriented sales organization. Ironically, however, our studies show that it is the high specificity of projects in customer-focused sales organizations that triggers the dilution effect.

Our first experiment confirms that sales directors gradually devalue performance in strategic, customer-oriented projects and increasingly rely on financial performance measures. Building on research on the common-dimension bias and structural alignment theory (Kivetz and Simonson 2000; Markman and Medin 1995; Slovic and MacPhillamy 1974), a second experiment verifies that this unfavorable preference drift is indeed due to the high specificity and low comparability of such projects. Unfortunately, lowering the specificity of strategic customer projects is not an option; even if it did mitigate the dilution effect, it would thwart the idea of a customer-focused sales organization that tailors its projects to its customer base. Rather, the results of Experiment 2 call for a mechanism that increases the perceived comparability of segment-specific projects without decreasing their actual specificity.

Construal level theory (Trope and Liberman 2003) proves valuable in this regard as it implies conditions under which segment-specific projects will be perceived as incomparable or comparable, thereby increasing or decreasing the dilution effect. First, the theory suggests a causal link between sales directors’ primary exercise of behavior-based control and the perceived incomparability of segment-specific projects. In general, a focus on project-related activities, milestones, deadlines, and other implementation-relevant details distracts sales leaders from potential commonalities among the projects which increases the dilution effect. Second, sales directors who withstand a mere implemental focus and conceive of segment-specific projects from a strategic, investment-oriented perspective are more likely to detect potential commonalities among segment-specific projects. That is, sales directors thinking of segment-specific customer projects as generators of future customer satisfaction and...
financial success are immune against the dilution effect. The results of Experiments 3 and 4 indeed confirm these predictions based on construal level theory. Moreover, Experiment 4 reveals that the dilution effect can ultimately decrease sales directors’ general appreciation of customer-oriented strategies.

Finally, a field study provides evidence for the external validity of our findings. In line with our hypotheses, we indeed found that over time, sales directors assign lower performance weights to progress in segment-specific customer projects. In addition, a sensitivity analysis reveals that the dilution effect can even occur for moderate degrees of project specificity. However, it eventually unveils its full impact when the projects’ specificity is very high. Ironically, this finding demonstrates that the dilution effect especially affects firms that take the idea of a customer-focused sales organization seriously by launching highly segment-specific customer projects. References are available upon request.
“GOOD” DESIGN: A UNIVERSAL COMPETITIVE ADVANTAGE?

Torsten Bornemann, University of Mannheim, Germany
Hanna Köstlin, University of Mannheim, Germany

SUMMARY

In times of convergence with regard to product functionality and performance, the appearance of a product emerges as a potential source of competitive advantage and superior value. Astonishingly, only a few studies have attempted to empirically prove the relationship between design-related aspects and firm value. Moreover, existing studies predominantly use accounting-based and/or subjective performance measures. Yet, the question whether “good” design is also related to firm value still remains to be answered.

Against this background, the present study includes companies from a wide range of industries to examine whether product design is able to create shareholder value. To analyze the impact of product design on shareholder value, companies with “good” product design are identified on the basis of publicly available lists of two international product design awards (iF design award and red dot design award). Stock exchange listed companies, which won at least one product design award during the five-year time period from 2004 to 2008, were selected for the analysis. This procedure led to a sample of 309 companies. The long time frame accounts for the lagged impact of design investments on company performance measured in terms of shareholder value.

Statistical analyses are conducted for portfolios of companies. This approach has the advantage that the influence of firm-specific characteristics, other than product design, on financial performance is diminished. The first analysis is conducted on an aggregate level and tests in general whether “good” product design creates shareholder value. The tested portfolio includes all selected companies. The second analysis tests several industry portfolios to assess on the industry level whether “good” product design creates shareholder value. The returns of the portfolios are adjusted for risk using the CAPM. Regression analyses reveal the abnormal returns of the portfolios, which measure the creation of shareholder value. By definition, the whole market serves as the benchmark for the analyses.

Results indicate that “good” product design has a positive impact on shareholder value in industries where the strategy of competition in product design is emerging (such as industrial goods & services and health care). In these industries, it seems possible to gain a competitive advantage by differentiating products through product design. Over time, however, the created excess returns are likely to encourage competitors to follow the given successful examples. With an increasing number of firms in an industry focusing on product design, design turns from a competitive advantage to a customer requirement. This shift has already taken place in the personal & household goods and in the technology industry, where nowadays the strategy of competing on product design is mature and widely spread. Additional analyses rule out the possibility that the creation of shareholder value is due to industry-specific factors unrelated to product design.

A key contribution of our study is that it is the first study to adjust stock market returns of design-conscious companies for risk to make a statement on the impact of “good” product design on financial performance. In order to capture the entire impact, the measure used for financial performance is shareholder value. Therefore, this study helps to communicate the importance of product design to finance-oriented executives.

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A MULTIDIMENSIONAL PERSPECTIVE OF THE MARKET ORIENTATION LITERATURE

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SUMMARY

The domain of research in the discipline of marketing is quite broad. For example, the scale and scope of the research cited in marketing articles is both managerially- and consumer-focused, and subsumes both basic and applied research. In fact, the works that marketing authors cite not only represent ideas that build on existing theory to form marketing’s intellectual structure, they also reveal important opportunities for future research that emerge as the field progresses.

Each research stream in marketing has its own theoretical underpinnings, extant influential works, and possible research trajectories. One such research stream is “market orientation.” In fact, the importance of market orientation within marketing scholarship makes it imperative that this research stream be assessed with an inclusive, multidimensional perspective to advance the literature. Recent meta-analyses have reviewed, aggregated, and analyzed the findings in the market orientation literature, albeit with a primary focus on the moderation effects between market orientation and performance. What is missing is a sophisticated, quantitative comparison of recent trends in market orientation to facilitate its continued development as a central literature base.

One generally accepted and valid approach to identify the foundational clusters of a field is to use co-citation analysis via multidimensional scaling (MDS) to establish the intellectual structure of a research area. Based on the co-citation data used with MDS to cluster influential works, the marketing field can identify the relation between dominant perspectives in market orientation at any given time. Specifically, as applied to the market orientation literature, such an approach provides the marketing discipline with a detailed understanding of the influences in the intellectual domain of market orientation.

We base our study on published market orientation articles which appeared in 27 marketing-related journals over ten years (1998–2007). To assess recent trends, we split the ten-year period into two periods of five years each. During 1998–2007, 880 articles (307 in 1998–2002 and 573 in 2003–2007) with 51,633 citations (16,609 in 1998–2002 and 35,024 in 2003-2007) were identified. Based on established bibliometric techniques, MDS was used to illustrate the intellectual structure of market orientation research.

Based on a comparison of the predecessor and successor clusters across the two 5-year periods of this study, the market orientation literature can be categorized into three dominant research streams: (1) market-oriented innovation, (2) market-oriented culture, and (3) market-oriented learning. The first trend that emerged appears on the left side of the MDS map and emphasizes market-oriented innovation. A critical element of market-oriented innovation research is the importance of strategic performance in the new product development process. Although the innovation process is also found as a topic in another cluster, this trend appears to share a common difficulty: measurement complications. In specific, the results indicate that construct validity is of considerable importance in this research area. Based on the proximity of the scale development topic to research focusing on new product performance and strategic orientation, this development is particularly obvious.

The next research trend in 2003–2007 focuses on market-oriented culture. Based on the research cluster emphasizing market-oriented corporate culture and profitability, four successor clusters indicate this topic’s importance: (1) non-response bias and market orientation, (2) market orientation and profitability, (3) market information processing and competitive performance, and (4) market orientation construct development. In general, two distinct branches appear in this trend: one focusing on information processing and competitiveness, the other studying consequences such as profitability. Similar to this theme’s relative position in the first period, the central location of these four clusters in 2003–2007 indicate the importance of each research topic in market orientation research.

The last substantive topic-related trend appears on the right side of the MDS map for 2003–2007 and centers on organizational learning. The two predecessor clusters of the organizational learning trend focused on learning and capabilities in the first period but the topic of customer-oriented organizational learning, as well. In fact, two successor clusters in the second period can be categorized as part of this trend: (1) organizational learning and capabilities and (2) non-response bias and organizational learning.
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BRAND CREATION VS. ACQUISITION IN PORTFOLIO EXPANSION STRATEGY

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SUMMARY

This study draws from prior work in the strategic management literature on make-or-buy decisions to develop a conceptual framework addressing the following research question: What causes firms to choose brand creation vs. brand acquisition for brand portfolio expansion?

A Decision framework For Brand Creation and Brand Acquisition

Our conceptual framework includes factors at three levels. Market-level factors include: (1) Firm Concentration, (2) Brand Concentration, and (3) Market Growth Rate. Firm-level factors include: (1) Prior Experience, (2) R&D Productivity, and (3) Financial Leverage. Portfolio-Level Factors include: (1) Portfolio Diversification and (2) Product Category Depth. We hypothesize that Firm Concentration, Brand Concentration, Prior Experience with brand acquisition, Financial Leverage, and Portfolio Diversification are positively related to brand acquisition; the other factors are proposed to be positively related to brand creation.

Methodology

Firm Selection. The American Customer Satisfaction Index (ACSI) was selected as the sampling frame. To avoid potential confounding effects, firms were eliminated from consideration if they had any of the following characteristics: (a) non-U.S. based companies (e.g., Nestle), to ensure comparability of financial information; (b) private companies, to ensure availability of financial information; (c) companies with predominant family branding strategies (e.g., Apple) and those in industries where family branding is common (e.g., retail), because they typically pursue brand portfolio expansion via brand extensions, and (d) firms in industries where branding is infrequently used or has little importance (e.g., the utility’s industry), along with firms in industries where the cost and time of brand development are disproportionate to that of other industries (e.g., automobiles). Twenty-nine U.S. public companies in five industries (125 total observations) were retained.

Operationalizing the Dependent Variable

Brand portfolio histories for each firm from 2001 to 2007 were compiled utilizing two data sources: “Brands and their Companies,” developed by the Thompson Gale Group, and Mergent. Reviews of company histories from 2001 to 2007 provided a record of all events related to brand ownership changes or brand creations. Coding of the dependent variable Brand Portfolio Expansion Mode for all events was performed by two individuals trained to identify brand portfolio additions and then cross-validated. Two control variables were included: industry type and size of a firm’s overall brand portfolio (i.e., the total number of brands across all categories).

Model Specification and Interpretation

Because the dependent variable is binary (1 = brand acquisition; 0 = brand creation), a binomial logistic regression model is specified to test the probability of brand acquisition:

\[
P_{y_i = 1} = \frac{1}{1 + \exp(-a + X_i \beta)}
\]

where \(y_i\) is the dependent variable, \(X_i\) is the vector of independent variables for the \(i^{th}\) observation, \(a\) is the intercept parameter, and \(\beta\) is the vector of regression parameters. The regression coefficients estimate the impact of the independent variables on the probability that the chosen expansion strategy will be brand acquisition. The magnitude of the effect of each independent variable is expressed by the antilog of the coefficient (exponentiated coefficient).

Results

Model Estimation. The 125 observations are split into analysis and holdout samples. The analysis sample (65% of the original sample) is used to estimate the model, and the holdout sample (35%) is used to validate the predictive accuracy of the model. Model 1 achieves a correctly classified percentage of 81.6 percent for the analysis sample and 71.4 percent for the holdout sample. The Wald statistic indicates that Acquisition Experience, R&D Productivity, Brand Portfolio Diversification, and Product...
Category Depth were not significant at the 0.1 level. A “trimmed” model (Model 2) was estimated with these variables, achieving a correctly classified percentage of 82.9 percent for the analysis sample and 75.5 percent for the holdout sample. The Hosmer and Lemeshow test again was non-significant for Model 2 (0.536), demonstrating adequate model fit as did the Omnibus test ($\chi^2_{\text{Model 2}} = 33.843, df = 9, p < 0.001$). The Wald statistics indicate that Firm Concentration, Brand Concentration, and Financial Leverage are significant at the 0.05 level, while Market Growth is significant at the 0.10 level.

Hypothesis Testing and Magnitude of Effects

Brand Concentration and Financial Leverage positively impact the choice of brand acquisition. Firm Concentration and Market Growth Rate positively impact the choice of brand creation. These four variables can be ranked by exponentiated coefficient as follows (highest to lowest): (1) Brand Concentration, (2) Financial Leverage, (3) Firm Concentration, and (4) Market Growth Rate. Apart from the direction of the relationships, the most impactful variable on brand portfolio expansion strategy is Brand Concentration, or the power of the four largest brands in a market (as measured in advertising spend). Financial Leverage and Market Concentration are roughly equal in impact, followed by Market Growth Rate.

Conclusion

This is the first study to empirically examine factors affecting brand portfolio expansion strategy via brand creation versus brand acquisition across a variety of industries. Our results suggest that brand portfolio expansion strategy is influenced only by market- and company-level factors. However, even if current portfolio characteristics are not found to affect the expansion decision directly, the existing brand portfolio may moderate the effectiveness of the chosen strategy (e.g., available synergies, knowledge, etc.). One of the more serious and persistent problems facing prior brand research is the lack of brand-level data, but our approach overcomes this limitation by using media expenditures in the AdSpender database to represent brands within a market. References are available upon request.

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MARKETING CHANNEL THEORY AND SLOTTING ALLOWANCES:
AN EMPIRICAL ANALYSIS USING QUANTILE REGRESSION

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ABSTRACT

A considerable literature has developed in marketing to study the phenomenon of slotting fees and related trade promotion expenditures. The expenditures run into billions of dollars annually, and the practices themselves have been controversial. The debate has focused on whether they are the product of market power or an efficient market process, and is largely driven by economic theory perspectives. The empirical literature is also limited because direct measures of slotting fees have not been available. This study advances the literature in three important ways. It adds a fresh theoretical perspective – that of marketing channel theory. Second, it uses actual dollar value measures of slotting payments. Third, for data analyses it employs quantile regression, a new class of regression methodology that permits the analysis of heterogeneity in firm behaviors. The findings suggest that the distinction between power and efficiency may be simplistic. Channel power is a factor in determining slotting payments but appears to work to enhance channel efficiency. There is also a suggestion that slotting payments may be in response to shifting channel functions. Further, slotting payments work in conjunction with advertising as part of channel strategy. In contrast, firms that emphasize a product innovation strategy pay less in slotting fees.

INTRODUCTION

Slotting fees emerged in the early eighties as modest charges levied by retailers to cover the costs associated with introducing a new product into distribution. They proliferated rapidly in kind, magnitude and scope, and today account for a very substantial part of marketing expenditures. They have pretty much become recurrent annual charges, more in the nature of fees that buy access to shelf space or prominent display, than insurance payments against new product failure.

Slotting fees were controversial from the start (Bloom, Gundlach, and Cannon 2000; Desrochers and Wilkie 2003). Initial criticism came from all quarters other than retail--from small and large manufacturers, most public policy and regulatory agents, as well as academic scholars. Critics charged they are an exercise of market power by retailers and large manufacturers, serving to foreclose downstream markets to competitors and to moderate competition. Despite much interest and debate among regulators (FTC 2003) no policy statements have been forthcoming from the Federal Trade Commission. The lack of a regulatory stance has sort of legitimized the practice. But that does not refute its controversial nature or possible harmful effects if any. Part of the problem is lack of compelling data.1

Empirical studies have analyzed survey data (e.g., Bloom et al. 2000; Desrochers and Wilkie 2003; White, Troy, and Gerlich 2000), macro economic secondary data (Achrol 2008; Ailawadi, Borin, and Farris 1995; Messinger and Narasimhan 1995; Sullivan 1997) and firm level archival data (Bone, France, and Riley 2006; Rao and Mahi 2003; Sudhir and Rao 2006). But a limitation plaguing all the studies is that the dollar amount of slotting allowances paid/received by the firms could not be ascertained. Firms have been remarkably secretive about slotting practices and studies have had to rely on indirect or proximal measures. Thus nearly three decades of debate and research notwithstanding, there are few known “truths” about slotting fees. This paper offers the following contributions to the literature.

It applies marketing channel theory to the exchange processes by which slotting fees are determined. It offers a more encompassing view in which channel power and efficiency are not necessarily at cross purposes, and studies them in relation to other marketing strategy variables like advertising, innovation, and selling.

It uses the FASB window of opportunity to measure the dollar value of slotting payments.

It employs a new class of analytical method called quantile regression to study data when there is reason to believe that the underlying behavior is not homogeneous in the population. Slotting payments are probably like that, reflecting different negotiating situations and managerial goals.

Based on this it proposes an alternative perspective based on marketing channel theory, and from it develops the rational of its hypotheses and methodology to show how they can be used to test long standing theoretical arguments, the evidence for and against which remains equivocal. This is followed by a description of the data and analytical methodology. The paper concludes with
the results and a discussion, limitations of the study, and directions for future research.

**BACKGROUND AND THEORY**

As mentioned, slotting fees have proliferated in magnitude, kind and prevalence since their inception nearly four decades ago. They go by various names, such as market development fees, off-invoice, pay-to-say fees and so on. They are paid in cash and in kind, as advance payments, contingent allowances or charge backs, and are renegotiated and paid periodically. They have spread from the supermarket channel to categories like apparel, books, magazines, auto parts, computer software, compact discs, over-the-counter pharmaceuticals, and tobacco products, and to retail formats like discount chains and “category killers” (e.g., EITF 00–25, Report No. 5, p. 13; Wang 2006).

The Financial Accounting Standards Board (EITF 00–25, Report No. 5, 2001, p. 13) concluded from researching the literature that slotting fees ranged from $5,000 to $50,000 per SKU, and amount to between $1.4 to $2 million for a nation wide new product introduction (see also Bone, France, and Riley 2006; Desiraju 2001; Desrochers and Wilkie 2003; FTC 2003; Rennhoff 2004; Sudhir and Rao 2006; for various statistics). Studies show that slotting represents 13 percent of trade promotion spending and totaled 16 billion in 2001 in aggregate (Cannondale 2002).

Two things emerge from the review of the literature. First, the difficulty in measuring slotting has created significant inferential problems in the literature. Any study based on direct measures of the dollar value of slotting payments actually incurred by firms promises a significant contribution to the literature. Second, there are alternative rationales that can be applied to understanding slotting, and they result in a variety of outcomes. A case can be made that firms use slotting to meet different marketing goals depending upon the characteristics of their exchange relationships. This study seeks to address both these shortcomings. It utilizes the unique window of opportunity offered by the FASB edict to obtain direct measures of the amount of money firms are spending on slotting like promotions (as defined by FASB). It also develops a set of hypotheses incorporating managerial motivations driving the use of slotting fees (power and efficiency inferences are imbedded in these hypotheses). Finally, the study also examines the role of slotting relative to other channel strategy variables such as advertising.

**A Channel Theory of Slotting Allowances**

In channel theory, structural change and adjustment are mediated by bargaining and negotiation processes and the power dynamics of the major actors in the process. Over time the adjustment tends toward an optimal allocation of functions (costs), risks and channel profits, called the “normative channel structure” (Bucklin 1966). Channel members are dependent on one another. Power is not necessarily used to amass monopolistic power and enrich oneself at the expense of one’s trading partners. Rather it is a coordinating mechanism by which the channel is aligned to its market. Trade promotions such as slotting play an important role in this. If firms use slotting payments to meet their marketing goals based on the characteristics of their market and channel relationships, then the issue of power effects and efficiency are not necessarily competing arguments or alternative outcomes. Further, the use of the fees is intrinsically embedded in a managerial rationale. Such a rationale can be developed from three premises. (1) First, that the use of power in marketing channels is less of a move to monopolize as it is an effort to coordinate activities. (2) Second, channel structures evolve to adapt to the market. Channel functions and the distribution of rewards shift accordingly over time toward the normative channel. (3) Third, firms have a finite fund of money they allocate to promotional uses. The promotion resources are apportioned according to how the firm seeks to drive its channel strategy.

**Channel Power and Efficiency.** We start with the assumption that bargaining power favors retailers in today’s concentrated markets. There are at least two major reasons behind this shift. Seventy-two percent of consumer purchase decisions are made in the store. Time poor and convenience minded consumers are inclined to shop by retail location and unlikely to go searching for specific brands. They are thus influenced more by brand availability, and store placement and promotions, than predetermined brand preferences. This weakens the effectiveness of national branding (witnessed by the continued inroads made by private labels). Second, concentration in retailing has increased significantly in recent decades. The 20-Firm market concentration ratio for retail in the channel for food and kindred products (SIC 5411 and NACIS 4451) that was 34.9 in the 1982 economic census increased to 54.5 by the 2002 census (Census of Retailing 2007). The increasing power of retailers is also supported by survey data: 84 percent of manufacturers and 57 percent of retail chains surveyed in 2001 (the time of the data in this study) reported power in the channel had shifted to retailers (see “Annual Report,” Progressive Grocer, April 2002).

Market share is a direct indicator of manufacturer market power. Retailers, no matter how powerful, need to take cognizance of customer preferences and cannot ignore brands that are popular with consumers. Their ability to negotiate higher slotting fees is likely to be curtailed for brands with high market share. It follows, if slotting fees are tied to the retailer’s bargaining power in negotiations,
it is likely they will be higher for manufacturers which have less bargaining power and lower for those with greater power.

**H1:** The higher the market share of a manufacturer, the lower the slotting fees it pays.

In economic theory, power is typically seen as a market imperfection that leads to monopolistic advantages accruing to the firm wielding, and works to the detriment of other firms and competition. This is because the perspective is a horizontal one of firms operating in an industry. In marketing channel theory, however, we have a vertical exchange system in which we have interdependent firms operating at different levels of economic activity. They have to cooperate and work together at some level of mutuality, to meet their individual goals. Thus power is sense as a mechanism by which exchange partners coordinate channel functions and strategies. There may be some shifting of profits but it is unlikely to be viable over time if it does not reflect the distribution of functions and costs in the channel.

**H2:** The higher its return on assets, the higher the slotting fees paid by a manufacturer.

There is a third argument from channel theory that deserves consideration. This argument has to do with rent shifting. One of the fundamental axioms of channel theory is that channel structure evolves over time toward a normative channel (Bucklin 1966). Channels continuously adjust the distribution of functions and flows among channel members toward a long run optimal (the normative structure) that maximizes the channel’s service outputs and minimizes consumer costs of searching, storing and waiting, etc. The sharing of channel rewards and benefits will also shift in accordance with shifting functions, roles and risk. Slotting fees can be seen as an instrument of such profit or rent shifting. If this is the underlying economic mechanism at work then the amount of slotting fees paid will be positively related to the gross profit margins (GPM) of manufacturers.

**H3:** The higher the gross profit margin of the manufacturer the higher the slotting fees it pays.

It should be noted that all the above variables, power, signaling and screen, and rent shifting, are common in the literature and were discussed in the literature review. Very often they are seen as competing arguments. However, that is because they have been interpreted from the viewpoint of economic theory. A channel interpretation puts a different light on them. They can in fact be complementary mechanisms in channel functioning and adaptation. The advantage of the managerial model in explaining the slotting phenomenon can be extended to channel promotion strategy, of which slotting is an integral part.

**Channel Marketing Strategy.** The second premise of a channel theory of slotting allowances can be developed in terms of promotion allocations based on a firms’ marketing strategy (Achrol, Bone, and France 2003). In this paper we study three promotional variables in relation to slotting – manufacturer expenditure on advertising, R&D, and selling.

In theory manufacturers have some optimal pot of promotional resources that are cost effective, competitively viable, and consistent with a particular marketing strategy. There is a long stream of literature (e.g., Low and Mohr 2000; Sriram and Kalwani 2007) that has studied the interrelations between elements of the promotional mix, especially advertising and consumer sales promotion, dating back to studies using PIMS data (e.g., Fornell, Robinson, and Wernerfelt 1985). Studies suggest that advertising and sales promotion can work at cross-purposes (e.g., Mela, Gupta, and Lehmann 1997; Naik et al. 2005). Advertising is believed to lead to stronger brands and customer preference, whereas promotions are seen as sales stimulants that encourage brand switching and undermine loyalty. Trade promotion represents a third large slice of the communications mix. Some argue trade promotions are inefficient and wasteful (Andersen Consulting 1997; Buzzell, Quelch, and Salmon 1990).

As described earlier, the division of promotional resources is driven as much by shifting functions and strategic roles in the channels as it is by consumer behavior. The commonly stated logic behind the allocation of promotional resources is phrased as a channel pull vs. push marketing strategy. Some firms spend heavily on advertising and direct consumer promotions with the goal to create strong brand preference, thus pulling their product through the channel. In the pull strategy the supplier focuses a preponderance of marketing effort in stimulating brand awareness and preference among end users. Channel members play more of a facilitating marketing role fulfilling demand, than a proactive one. Media advertising and consumer sales promotions assume a larger share of the promotional expenses of suppliers, than trade promotion and personal selling. Channel members are motivated to support pre-sold brands because they have ready acceptance in the market and generate volume without additional support. Manufacturers that spend large amounts on advertising are expected to pay lower slotting fees.

**H4:** The higher a firm’s expenditure on advertising the lower its expenditure on slotting.

An alternative pull strategy can be built around a consistent commitment to innovation and new product development. Manufacturers emphasize R&D and new product development to position themselves as market leaders in quality and providers of innovative solutions.
for customer needs, thus creating both consumer and trade pull in this manner. Resellers are attracted to these brands because they bring in new segments, and because new products are a major source of sales growth for them. They favor companies with a history of new product successes because it reduces their costs and risks, and because a substantial share of their sales growth and profits come from successful new products (cite data). It follows that higher investments in R&D should be negatively related to slotting payments.

H5: The higher a firm’s expenditure on R&D the lower its expenditure on slotting.

In contrast, the push strategy envisages an active role in demand promotion and management by members of the marketing channel. Manufacturers spend heavily on personal selling or trade promotions to incentivize channel members to prominently feature and support their products in the store, thus pushing their brand through the channel. The sales force of the manufacturer plays a key role in gaining retail distribution, developing reseller relationships and supporting store operations. Thus, personal selling constitutes a significant portion of promotional outlays by manufacturers in such a marketing strategy. However, channel members, especially retailers are expected to play a major role in stimulating end user demand. Hence trade promotions are also play a major role in the push strategy. The two are likely to go hand in hand.

H6: The higher the firms selling expenditure the higher its expenditure on slotting.

METHOD

Around the turn of the century the Emerging Issues Task Force (EITF) of the Financial Accounting Standard Board’s (FASB) issued several regulations pertaining to the accounting treatment of slotting type promotions. The EITF’s concern grew from a general concern at the time with practices that companies were using to inflate their market capitalization by artificially padding their sales revenues. The consensus opinion was expressed in EITF 01–9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products) which codifies and reconciles a number of previous notifications (see References under FASB 2002).

The Task Force reached a consensus that cash consideration and sales incentives (excluding free product and gifts) given by a supplier to a reseller, that have no demonstrable functional obligations associated with them, are like free money no matter by what ostensible name called, and should not be treated as elements of marketing cost. They are presumed to be a reduction in the wholesale price of the product, and therefore should be characterized as a reduction of revenue in the firm’s income statement. EITF 01–9 recommended its provisions be implemented after December 15, 2001, and that companies retrospectively restate financial statements for three years to show the effect of the change in accounting rules. EITF 01–9 does not have any effect on the overall financial position of a firm. The reduction in revenue is offset by a similar decrease in selling, general, and administrative expenses. Thus, common measures of firm financial performance are not directly affected. The restatements pursuant to EITF 01–9 provide a window of opportunity to directly measure the dollar value of slotting type promotions used by firms in consumer goods channels.

Data

Data were collected via a series of online searches. The first step was to identify all companies responding to the FASB edict in any of their annual filings during the years 1998–2004. This was done with PriceWaterhouse-Coopers’ search engine Edgarscan. The search terms used were “slotting” and “EITF” (to pick up references to EITF 01–9, EITF 00–14, EITF 00–16, EITF 00–22 or EITF 00–25). The “Business” link was clicked for each company registering a “hit.” The following companies were dropped: companies that marketed industrial products (sell parts or supplies to other firms), service providers (hotel, telecom/media), and retailers.

If each company for which data is recorded in a given year is counted as one observation, then the total number of observations in the data set amounts to 155. However, due to variations in the number of years for which companies restated financials, the final data is not balanced – i.e., the data for some companies may span 5 years for others only two (3 years is typical) and it also varies by the years it is available for between 1997 to 2003. The data could be analyzed by pooling the data for all years, but this has the problem that the results will be biased toward companies restating for more years. The better alternative is to use the average value of each variable for each firm averaged across the number of years it restated its financials. In this way the original data set of 155 observations is transformed into the final data set representing 40 firms.

MODEL BACKGROUND AND QUANTILE REGRESSION MODEL

There are some well known limitations of the classical method.1 The one that is the most salient to us here is that it assumes that underlying firm behaviors are homogenous and monotonic in the relationships studied. The results can also be misleading in some monotonic cases because the effects of the independent variable may vary over the range of the dependent variable – i.e., the magnitude and direction (sign) of the coefficients differ for different values of the dependent variable. This could be
due to firm size, industry, product category, and management style. It is not possible to capture this heterogeneity using classical regression techniques (Koenker and Hallock 2001).

The main advantage of quantile regression over least-squares regression is its flexibility for modeling data with heterogeneous conditional distributions to match and evaluate fundamental heterogeneity in populations (Koenker and Bassett 1978). Just like analysts use different measures of central tendency and dispersion to get a more complete description of the properties of data, quantile regression provides an analogous way to finely explain the pattern of relationships in the regression space. It is especially useful when the diversity of observed effects can be attributed to complex interactions among predictor variables. In such situations often there is no relationship or only a weak one between the statistical means of the analyzed variables. Some effects such as market power may be asymmetric, greater at lower quantiles of slotting and much milder or nonexistent at other levels.

A comprehensive way to study the factors associated with promotional allowances is to analyze the $t$th quantile of $Y$ conditional on $X = x$. The conditional median is a special case of the regression slope estimator corresponding to $\tau = 0.5$. The asymptotic theory of the quantile regression method is provided in Koenker and Bassett (1978); assuming iid errors it can be written as

$$y_i = x_i^\top \beta_\tau + \epsilon_i,$$

where $\epsilon_i$ are iid variables with $\tau$th at 0. The $\tau$th conditional quantile function can be written as

$$Q_{Y\mid x}(\tau|y) = x^\top \hat{\beta}_\tau,$$  

for some parameter vector $\beta_\tau \in \mathbb{R}^r$. The estimates $\hat{\beta}_\tau$ of $\beta_\tau$, based on a sample of $(x, y)$, $i = 1, \ldots, n$ are obtained by solving

$$\min_{\beta \in \mathbb{R}^r} \sum_{i=1}^n \rho_\tau(y_i - x_i^\top \beta),$$

where $\rho_\tau(u) = u(\tau - I(u < 0))$, and $\rho_\tau(u) = u(\tau - I(u < 0))$ is the indicator for $u < 0$ and some $\tau \in (0, 1)$.

The empirical analysis in this paper considers two explanatory models for free trade allowances. The model for market power and efficiency effects vis-à-vis the regressors Market Share (MS), Return on Asset (ROA), and Gross Profit Margin (GPM) can be written as

$$Q_{Y\mid x}(\tau|y) = \beta_\alpha(\tau) + \beta_\alpha(\tau)MS_i + \beta_\alpha(\tau)ROA_i + \beta_\alpha(\tau)GPM_i,$$

and the model for tradeoffs among channel strategy regressors Advertising (ADV), Research and Development (R&D), and Selling General Administration (SGA) expenses can be written as

$$Q_{Y\mid x}(\tau|y) = \alpha_\tau(\tau)ADV_i + \alpha_\tau(\tau)RDP_i + \alpha_\tau(\tau)SGA_i.$$  

**RESULTS**

**Marketing Power and Efficiency**

Figure 1 graphs the results of quantile regression for model 1, where slotting payments are the dependent variable and manufacturer market share, return on assets, and gross profit margin are the explanatory variables. Coefficient values are measured on the $Y$ axis and quantiles of slotting on the $X$ axis [note that all dollar variables were analyzed as millions of S]. The bold line graphs the change in coefficient value for the range of quantiles. The dotted lines represent the 90 percent confidence levels for the estimated coefficients. The actual value and significance of the $\beta$ coefficients for the range of quantiles of slotting are reported in Table 1. The coefficients $\hat{\beta}_1(\cdot)$, $\hat{\beta}_2(\cdot)$ and $\hat{\beta}_3(\cdot)$ are positive, and the vast majority are significant, for the range of quantile values of slotting. This implies that all the independent variables MS, ROA and GPM positively affect slotting payments. Even the few parameters that are not significant are affected by a small tail of the error distribution.

In the case of Market Share, $\hat{\beta}_1(\cdot)$ are positive and significant, and exhibit a decreasing pattern for quantile values $\tau \in [0.05, 0.85]$. The inference is that slotting payments are higher for manufacturers with low market shares and tend to decrease as manufactures’ market share increases. In other words, the prediction in H1 is supported. The amount of slotting fees paid seems to reflect the exercise of retailer power, and as the countervailing power of manufacturers increases, slotting payments decrease. The highest parameter value 7.06 is for the 20th quantile, and more or less steadily tapers down to 1.86 for the 90th quantile.

The coefficients $\hat{\beta}_2(\cdot)$ for Return on Assets are positive and significant, and for quantiles $\tau \in [0.05, 0.75]$. The coefficients increase steadily from 0.81, $\tau = 0.10$ to 1.59, $\tau = 0.75$. The values for the 80th to 95th quantiles remain positive, however, as can be seen from Figure 1, these values are insignificant due to the lower side of the error distribution.

Next consider Gross Profit Margin, $\hat{\beta}_3(\cdot)$ are positive for all quantiles of slotting, but are significant over two zones of the quantiles, $\tau \in [0.05, 0.40]$ and $\tau \in [0.82, 0.98]$. There is a chunk of parameter values between the 40th and 80th quantiles that are positive but insignificant because, as can be seen in Figure 1, the lower boundary of the 95 percent confidence zone encompasses the zero value line over this range. H3 predicted a positive relation-
ship between slotting payments and GPM based on the argument that the fees are a means of profit shifting in the channel to reflect changing functions and roles of the channel members. The results of the analysis partially support H3. Low payments are strongly associated with low GPM at lower to mid quantiles of slotting ($\beta = 4.27$ to $6.46$, $\tau \in [0.10, 0.40]$), and again at the high end of the quantile range ($\beta = 5.01$, $\tau = 0.90$). The parameters values are lower and insignificant in the mid-upper quantile range ($\beta = 1.77$ to $2.43$, $\tau \in [0.50, 0.80]$). Thus there is a suggestion of a crude U shaped relationship, albeit a range of parameters are insignificant to the mid-right side of the U. An explanation is offered in the Conclusion.

Channel Strategy and Promotional Allocations

Figure 2 presents the graphical results of the quantile regression of marketing strategy variables Advertising, R&D, and SG&A on slotting payments. Table 2 reports the parameter values and significance for key quantiles of slotting. For Advertising $\hat{a}_1(\cdot)$ show an overall increasing pattern over $\tau$. $\hat{a}_1(\cdot)$ are negative in sign for $\tau \in [0.02, 0.27]$ but significant only over the range -0.02 to -0.125. This is not surprising as the nearly linear direction of change in the parameters passes through 0 at the 20th quantile, becoming positive after the 30th, and positive and significant for $\tau \in [0.37, 0.99]$. [The OLS coefficient for is 0.8739 with white heteroskedasity.] This is an unexpected finding. H4 predicted an overall negative relationship. The negative relationship holds only for a small range at the lower quantile levels of slotting. Over most of the range there is a positive and increasingly positive relationship increasing from a $\beta = 0.66$ at the 30th quantile to $\beta = 2.30$ at the 90th. For most firms in the sample the magnitude of investment in slotting payments increases with investments in advertising. H4 is rejected.

The $\hat{a}_2(\cdot)$ for Research & Development reveal a generally declining pattern over $\tau$. $\hat{a}_2(\cdot)$ are negative and significant for $\tau \in [0.25, 0.95]$, declining from -1.03 to -2.25 in value. H5 is supported. This implies that manufacturers use product innovation in the classic manner of the pull strategy. The more manufacturers invest in R&D the less they pay in slotting fees. It also implies that retailers seem to accept this. Innovative solutions to customer needs are beneficial for retailers too.
TABLE 1
Quantile regression for Channel Power vs. Efficiency

<table>
<thead>
<tr>
<th>Variable</th>
<th>0.1</th>
<th>0.25</th>
<th>0.4</th>
<th>0.5</th>
<th>0.6</th>
<th>0.75</th>
<th>0.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>MS</td>
<td>4.8294</td>
<td>6.3649</td>
<td>5.2461</td>
<td>3.9804</td>
<td>4.1587</td>
<td>3.0796</td>
<td>1.8550</td>
</tr>
<tr>
<td></td>
<td>(5.1840)***</td>
<td>(4.1153)***</td>
<td>(3.2953)***</td>
<td>(2.7257)***</td>
<td>(3.4576)***</td>
<td>(2.6141)***</td>
<td>(1.1471)***</td>
</tr>
<tr>
<td>ROA</td>
<td>0.8102</td>
<td>0.9531</td>
<td>1.2327</td>
<td>1.3442</td>
<td>1.4323</td>
<td>1.5927</td>
<td>1.5697</td>
</tr>
<tr>
<td></td>
<td>(3.4241)***</td>
<td>(8.4319)***</td>
<td>(6.0018)***</td>
<td>(5.0907)***</td>
<td>(4.6422)***</td>
<td>(2.7022)***</td>
<td>(1.6173)***</td>
</tr>
<tr>
<td>GPM</td>
<td>4.2709</td>
<td>5.8215</td>
<td>6.4069</td>
<td>1.7716</td>
<td>3.2322</td>
<td>2.3884</td>
<td>5.0126</td>
</tr>
<tr>
<td></td>
<td>(2.8452)***</td>
<td>(4.6323)***</td>
<td>(2.5672)***</td>
<td>(0.6658)</td>
<td>(1.4408)</td>
<td>(1.3659)</td>
<td>(2.5309)***</td>
</tr>
</tbody>
</table>

a. The symbols *, **, *** denote rejection of the null hypothesis at the 10, 5, and 1% significance levels, respectively.

FIGURE 2
Slotting Fees and Marketing Strategy

Quantile Parameter Estimates and 90% Confidence Intervals

Constant

Advertising

Research & Development

Selling General Administration

a. Dependent variable Slotting payment and Independent variables Advertising, Research & Development, and Selling General Administration are measured in millions of dollars.
In the case of selling expenditures, for SGA are significant in the quantile range $\tau \in [0.25, 0.80]$. The parameter values are quite stable around 0, which is similar to the OLS coefficient of 0.267. The SGA coefficients are not significant at lower and upper ends of the quantile range. H6 predicted that SGA expenses would reflect a synergy with slotting payments as part of a manufacturer’s push strategy. The positive parameter values do support this across the range of slotting payments (except around the 20th and 90th quantiles where the parameters are positive but insignificant due to the lower boundary of the error distribution (Figure 2). Hence for allocations to selling activities there is no apparent heterogeneity of firm behavior, and analytically an OLS regression would give the same statistical inference as quantile regression.

### CONCLUSION

This study collects the dollar value of slotting payments from the financial restatements of manufacturing firms. It employs channel theory to consider the effects of power and efficiency in exchange, reflected in the variables market share, return on assets and gross profit margin. It studies them in relation to other channel strategy variables – advertising, innovation and selling expenses. The results of the study largely support the hypotheses and offer interesting inferences.

We see that slotting fees are positively related to manufacturer market share, but that this positive relationship decreases with increasing market share. It suggests that retailer power is a factor in determining the amount of the fee, but as manufacturer countervailing power increases, the retailer’s ability to do this decreases. It is also noteworthy that there is a large drop off in parameter value at the low end of slotting, suggesting that retailers may be giving some slack to small or regional suppliers as they have often claimed. This kind of detailed understanding is made possible by the quantile regression method and would not be possible in classical regression.

The second interesting inference is that channel power is probably not used for the exclusive advantage of the wielder, but for the mutual benefit of channel partners. The finding for market share is accompanied with a positive finding for return on assets. A third channel process hypothesized was about margins shifting forward in the channel to reflect shifting functions, costs and risks. This too is generally supported by the results for gross profit margin. The parameters are large at low to mid levels of slotting and then spike again at the upper end. Overall the results lean in favor of the shifting hypotheses. Low margins are positively related to low slotting and high margins are positively related to high slotting. The significant parameters are quite large.

The channel strategy variables show interesting results. Advertising is negatively related to slotting fees only at the very low end of slotting. Over most of the range of slotting payments there is a positive relationship, and the positive relationship gets stronger as the amount of the

**TABLE 2**

Quantile Regression for Promotion Pie

<table>
<thead>
<tr>
<th>Variable</th>
<th>0.1</th>
<th>0.25</th>
<th>0.4</th>
<th>0.5</th>
<th>0.6</th>
<th>0.75</th>
<th>0.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADV</td>
<td>-0.7303</td>
<td>-0.2843</td>
<td>1.0817</td>
<td>1.0811</td>
<td>1.2198</td>
<td>1.5243</td>
<td>2.3019</td>
</tr>
<tr>
<td></td>
<td>(-2.1331)**</td>
<td>(-0.4394)</td>
<td>(2.0784)**</td>
<td>(2.1298)**</td>
<td>(2.5145)**</td>
<td>(1.7756)*</td>
<td>(3.645)**</td>
</tr>
<tr>
<td>RD</td>
<td>-0.7494</td>
<td>-1.0342</td>
<td>-1.1519</td>
<td>-1.1517</td>
<td>-1.2740</td>
<td>-1.5428</td>
<td>-2.2471</td>
</tr>
<tr>
<td></td>
<td>(-1.7618)*</td>
<td>(-2.3867)**</td>
<td>(-24.883)***</td>
<td>(-32.181)***</td>
<td>(-11.527)***</td>
<td>(-4.7313)***</td>
<td>(-4.3104)***</td>
</tr>
<tr>
<td>SGA</td>
<td>0.2973</td>
<td>0.3159</td>
<td>0.2007</td>
<td>0.2006</td>
<td>0.2137</td>
<td>0.2424</td>
<td>0.3108</td>
</tr>
<tr>
<td></td>
<td>(498.078 )**</td>
<td>(2.6051)**</td>
<td>(21.318)***</td>
<td>(10.385)***</td>
<td>(5.200)***</td>
<td>(3.1383)***</td>
<td>(1.5648)</td>
</tr>
</tbody>
</table>

a. The symbols *, **, *** denote rejection of the null hypothesis at the 10, 5, and 1% significance levels, respectively.
payments increase. This is contrary to the general idea of an advertising led pull strategy. We see that investments in channel pull and push are being used in a complementary manner. In contrast, the role of investments in research and development plays out according to the traditional pull model. R&D is negatively related to slotting fees over the entire range, and the negative relationship gets stronger as the amount of slotting increase. The more manufacturers invest in product quality and innovation, the less they pay in slotting fees.

This study offers an interesting alternative to the literature on slotting payments. It proposes a channel theory perspective on the channel power, efficiency and marketing strategy associated with the payments. Practically all of the proposed relationships are supported by the empirical results. Like all studies, this one has its limitations. The data represent dollar values of slotting and other variables, but they are for a limited number of years. Because of differences in the number of years of data per firm, the values were averaged across years. The sample size of reporting firms is also on the smaller side, however, it does represent all firms in the population that publish financial statements and restated revenues in response to EITF 01–9. This means that small and private firms are not included in the data.

Future studies may look into the firm behavior of smaller and regional firms. The kind of data collected here cannot be replicated in future studies because the circumstances leading to the change in accounting rules that made this possible, are unlikely to happen again.

ENDNOTES

1 The one exception, the congressionally funded study by the FTC (2003) is a case study of seven retailers and does not test any theoretical arguments.

2 The FTC (2003) study shows wide-ranging differences in slotting fee policies and practices from one retailer to another (Tables 3–6). For example one retailer charged slotting fees for only 6.1 percent of new products compared to another that charged fees for 65.2 percent of them. The study also shows a significant regional differences in the incidence and magnitude of fees charged.


4 Retailers were included initially but dropped at a later stage after it was determined that practically all of them did not restate their financials. The FASB rule (see EITF 02–16, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor) required that beginning December 31, 2003, resellers were to treat slotting payments received as a reduction in the wholesale price of the products—thus they should not be included in revenue but deducted from the Cost of Goods Sold. From our analyses, all retailers reported that this had been their customary accounting practice, and hence they did not need to restate their financials.

5 First, model assumptions are frequently not met in the real world. Especially the homoscedasticity assumption often fails. Further, focusing only on the central tendencies of conditional distributions can fail to capture useful firm information in the response distribution. Second, when the dependent (slotting fee) distribution is significantly skewed, this estimator can be challenging to interpret. Third, the conditional mean model cannot be readily extended to account for outlier firm observations like the quantile regression model can.

REFERENCES


FASB (2002), Financial Accounting Standards Board, EITF 01–9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products)* which codifies and reconciles a number of previous notifications – EITF 00–14, *Accounting for Certain Sales Incentives*; EITF 02–16, *Accounting by a Customer for Cash Consideration Received from a Vendor*; EITF 00–22, *Accounting for ‘Points’ and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future*; and EITF 00–25, *Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor’s Products*.


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BRAND STABILITY AS A SIGNALING PHENOMENON: AN EMPIRICAL INVESTIGATION IN INDUSTRIAL MARKETS

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Margit Enke, Freiberg University of Technology, Germany

SUMMARY

A brand signal is composed of the past and present marketing mix strategies and activities associated with the brand, reflecting a firm’s brand positioning decisions (Keller 1993; Keller and Lehmann 2006). As firms can control and manipulate marketing mix strategies and activities associated with the brand, they determine the content of a brand signal. Considering the fact that many industries are highly competitive environments that challenge firms not only to build but also to defend already established market positions, managers might be encouraged to rethink or even change brand positioning strategies according to current trends and developments. While such actions might result in short-term brand success, in the long-term they affect the content of the brand signal as it is perceived by buyers. Within this context, prior research highlights the critical role of stability of brand attribute associations over time as an important predictor of customers’ response toward the brand (Aaker 1996; Day and Pratt 1971; Erdem and Swait 1998; Penrose and Moorhouse 1989). We define brand stability as the degree to which a brand’s attributes are perceived as permanent (i.e., stable over time), allowing customers to confidently anticipate the future performance of the brand.

As a literature review reveals, prior research involving brand stability primarily investigates this concept from the firm’s perspective, focusing on the extent to which a brand brings stability to organizations through enabling them to predict future streams of revenue (e.g., Ailawadi, Lehmann, and Neslin 2003; Simon and Sullivan 1993). However, research on brand stability from the customer’s point of view still remains limited or is mainly conceptual in nature (e.g., de Chernatony and Dall’Olmo Riley 1998; Rubinstein 1996). Against this background, the objective of this research is twofold. First, we aim to extend existing knowledge on branding research by empirically investigating perceived brand stability. Second, we aim to gain a deeper understanding of the interplay between perceived brand stability and customers’ response in an industrial buying context. Based on an information economic perspective, we suggest a conceptual framework that incorporates perceived brand stability, risk reduction, brand loyalty (attitudinal and purchase loyalty), and customers’ willingness to pay a price premium. More specifically, we predict a causal chain leading from brand stability through risk reduction and brand loyalty to customers’ willingness to pay a price premium. Further, we anticipate positive direct effects of brand stability on brand loyalty.

We tested our hypotheses empirically in a survey with business units that are customers of a German-based company within the food sector. This company offers ingredients that serve as raw material for the production of a variety of food products. We contacted one respondent per business unit. Key informants were selected based on their position in the company. Chief executive officers and purchasing directors were identified as the primary groups of key informants. In sum, one hundred and forty-nine respondents participated in the survey. We tested our hypotheses by applying structural equation modeling and using the maximum likelihood (ML) procedure.

The present study contributes to the literature by linking and empirically investigating customers’ brand perceptions and their response toward the brand in a business-to-business context. In particular, this study contributes to the literature by demonstrating the critical role of brand stability as perceived by customers. As the findings of this study reveal, brand stability has significant positive direct and indirect effects on customers’ loyalty toward a brand. Brand stability increases risk reduction benefit which in turn positively affects purchase and attitudinal loyalty. Besides this indirect impact of brand stability on brand loyalty via risk reduction, the findings reveal significant direct effects of brand stability on purchase and attitudinal loyalty. Thus, this study contributes to extant literature by demonstrating that brand stability as a signaling phenomenon has the potential to generate bonding effects by increasing customers’ loyalty toward the brand in terms of commitment (attitudinal loyalty) and repeated purchase behavior (purchase loyalty). Further, the present research empirically investigates the interplay between purchase and attitudinal loyalty and customers’ willingness to pay a price premium in an industrial buying context. As the results show, both factors are contributors of customers’ willingness to pay a price premium. Therefore, this study highlights the critical role of building and establishing brand loyalty to achieve a price premium in an industrial market.

Our findings are of particular interest for brand managers in industrial markets as they show that brand stability has the potential to generate risk reduction benefit and
increase customers’ loyalty toward the brand. Building and establishing brand stability challenges managers to carefully question the necessity of variation of brand attributes because these activities influence the content of the brand signal. Thus, branding decisions should be based on a profound analysis and evaluation of recent trends and developments in a market augmented with investigations of customers’ perceptions of the brand. References are available upon request.

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INDUSTRY, COMPANY- AND PORTFOLIO-LEVEL DRIVERS OF MANIFEST BRANDING STRATEGY: AN EMPIRICAL STUDY IN A EUROPEAN MARKET

Andreas Strebinger, York University, Toronto

SUMMARY

Previous research provides marketers with a wealth of ways how to categorize the overall branding strategy of a company into ideal-type branding strategies. Real-life branding strategies, however, rarely correspond to such ideal-type branding strategies. Rather than following an a priori defined branding strategy consistently, companies “mix and match” different branding approaches and decide on a case-by-case basis what brands to assign to which products (Laforet and Saunders 1999; Rao, Agarwal, and Dahlof 2004, p. 126; Laforet and Saunders 2007; Kapferer 2008, p. 358; Keller 2008, p. 462). Apart from insightful data from the U.K. consumer non-durables markets (Laforet and Saunders 1999; Laforet and Saunders 2005) and a wealth of conceptual work on the pros and cons of different strategies (e.g., Aaker 2004; Kapferer 2008, p. 347; Keller 2008, p. 462f), little is known about when and why companies actually apply what branding strategy.

Using data from an executive survey, observations, and desk research on 75 leading B2C brand companies in a European market, this multi-level, cross-industry study investigates what branding strategies B2C companies actually use and what makes them do so. It conceives of branding strategy as a series of case-by-case decisions rather than a coherent and consistently executed overall strategy.

I find that manifest branding strategies are driven by industry, company, and product portfolio characteristics. On the industry level, service and consumer durables companies lean more toward corporate branding than consumer nondurables companies. On the company level, a highly dynamic organizational structure, a larger company size in the market under investigation, and the propensity to invest into marketing increases the usage of individual product brands whereas marketing and IT synergies between products increase the usage of umbrella brands. No significant impact was found for company innovativeness, B2B activities of the company beside the B2C divisions under investigation, and the global company size. On the product-portfolio level, branding strategy is driven by the amount of quality variance between products, the emphasis on symbolic and experiential benefits in product positioning and the fit of the products in symbolic and experiential regard.

Overall the branding strategies of the observed companies thus by and large follow the prescriptive models put forth in literature. However, the effects of functional and relational fit, that is the amount of overlap in the utilitarian benefits and attributes and the amount of overlap in the way customer attachment is built and maintained, exert no significant impact on branding strategies on the product level. Also, the study finds no significant influence of the importance of brand recall for a specific product. These findings call for further research.

In addition to a company-level preference for a position on the continuum of a “house-of-brands” strategy to a “branded-house” strategy, companies deploy rules specifying how strongly to react to situational demands within the product portfolio. Random effects show that companies significantly differ in their strategies regarding how strongly to adapt to what particular product-level drivers. Future research should investigate the specificity and reasoning with which companies set these product-level rules for adapting their branding strategy to specific situations.

Some limitations of the study have to be noted. Methodologically, the usage of coders rather than executive judgments on the positioning and fit variables, the reliance on single-informant measures for several of the company characteristics, and the limited geographical scope of the study call for a cautious interpretation and generalization of its results. Regarding the design of the study, timing and causality issues challenge the findings. While the independent variables are current, manifest branding strategy may be the result of decisions made years, if not decades ago. Likewise, the omission of variables (e.g., the age of the brands and of the company) may also have distorted the significance levels of the drivers included in the study.
REFERENCES


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MEASURING AND MANAGING BRAND RELATIONSHIP QUALITY: A CROSS-INDUSTRY STUDY IN THE CONSUMER GOODS MARKET

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Falko Eichen, University of Basel, Switzerland
Daniela B. Schäfer, University of Basel, Switzerland

SUMMARY

Marketing science has recently seen a rise in research efforts in the areas of relationship-oriented brand management. Despite the broad research on consumer-brand relationships, however, consensus on the definition of brand relationship quality (BRQ) in general and a measurement scale in particular is still missing to date. In addition to the disagreement on the nature and the quantity of dimensions of a BRQ construct, a significant theoretical research deficit lies in the present unilateral approach to BRQ. The contribution of reciprocal relationship marketing activities toward the establishment and development of BRQ has been neglected thus far. Apart from the insufficient theoretical research, an empirical research deficit exists due to the lack of empirical quantitative and cross-industry groundwork for relationship research in a brand environment.

In light of the theoretical and empirical deficits, we address these issues to advance the current discussion on consumer-brand relationships. Our initial focus thereby lies on the development and verification of an approach to conceptualize and operationalize the BRQ construct. Moreover, an interdisciplinary view aims to account for the impact of relationship marketing on relationship-oriented branding variables, serving as influencing variables for BRQ. An empirical study across eight different product markets of the consumer goods industry explores the dimensions of a measurement model and the antecedents of BRQ perception. Additionally, we consider product-market-specific similarities and differences.

Brand quality as a relationship partner is derived from the animism theory, which states that individuals tend to humanize inanimate objects, such as a passive brand. While brands do represent lifeless objects, daily realization of marketing mix decisions can lead to a vivification in the eyes of the consumer. Analogous to the expectations toward a relationship partner in inter-human relationships, consumer expectations toward the brand as a relationship partner vary with the nature of the relationship toward the brand. In exchange relationships, or economically motivated consumer-brand relationships, brand satisfaction serves as the primary target variable. Community relationships, or primarily socially motivated consumer-brand relationships, on the other hand are determined by actual relationship feelings and altruism. The primary success factor of socially motivated relationships is seen in brand trust. Emotionally loaded community relationships distinguish themselves not only in the need for trust, but also in the desire for emotional closeness.

The relevance of interactions for BRQ is related to the social penetration theory. The development of BRQ thus requires repeated reciprocal interactions, in which mutual and continuous exchange takes place, fostering understanding and closeness between relationship partners. Corresponding to the distinction between consumer-consumer interactions, employee-consumer interactions and firm-consumer interactions in relationship marketing, consumers, employees and communicative systems can be regarded as representatives, who jointly embody the spectrum of interaction platforms for the foundation of BRQ.

The cross-industry results indicate that in the consumer goods market, brand satisfaction seems to be of no importance for BRQ. This result suggests that consumer brand quality is solely influenced by communal aspects. An explanation is that brand satisfaction counts as a basic requirement, and therefore it is of minor importance for the creation of BRQ. In addition, employer-consumer interactions do not influence the communal and exchange aspects of BRQ. This might be due to the fact that the interaction level with employees within the consumer goods market is relatively small compared to other markets, such as the service market.

The results of the industry-specific investigations show partially contrasting results with regard to the relevance of the antecedents of the cross-industry examination. Regarding the influence of consumer-consumer interaction and of system-consumer interaction on brand trust, the non-durable industries (toothpaste, handkerchiefs, beer, and tinned vegetables) reveal non-significant results. The different types of goods illustrate these mismatches. Contract goods (motor vehicle insurance and wireless network operators) and durables (automobiles and cell phones) have a high proportion of trust features compared to non-durables. The high proportion of trust features is also an explanation for the above average effect of brand trust on BRQ in the case of motor vehicle insurance and wireless network operators. Moreover, the
industries for automobiles, motor vehicle insurance, and wireless network operators show significant positive effects of the employee-consumer relationship on BRQ. This might be due to the fact that purchase decisions for these types of goods are more complex, and therefore the interaction with employees is more important. Further, the system-consumer interaction does not influence BRQ regarding the toothpaste, handkerchiefs, and tinned vegetables market. An explanation is that within these industries consumers do not benefit from the brand’s interactive online applications, and therefore the application’s effect on the consumer’s brand attachment is relatively small.

Our findings provide answers for important conceptual and managerial issues. Specifically, we have employed the discussion on how to measure BRQ and have integrated a new factor termed “emotional brand closeness.” Furthermore, we were able to show that emotional bonds toward a brand are dependent on the brand’s ability to facilitate reciprocal interaction with other customers, employees and dialogic systems. Moreover, our findings offer industry-specific guidelines and show that BRQ drivers are highly context-dependant. As a consequence, both the management and research of BRQ should be driven from an industry-specific perspective.

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ONLINE CUSTOMER REVIEWS AND PRODUCT SALES: THE ROLE OF BRAND EQUITY

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SUMMARY

This study investigates how brand equity influences the effects of online customer reviews (OCRs) on sales. This study extends previous studies that have examined the direct impact of OCRs on one-of-a-kind products like books and movies. Understanding the interaction of brand equity and OCRs on sales helps determine whether stronger or weaker brands gain more advantage from OCRs. Sales rank, OCRs, and price data of all models in the Blu-ray disc player category at Amazon.com were collected weekly from November 1, 2008 to September 21, 2009. There are 2324 observations in the sample, forming an unbalanced panel of 78 individual products from 20 brands and 47 periods. The Hausman and Taylor regressions of sales rank on brand dummies and other control variables show that Denon, LG, Oppo, Panasonic, Samsung, and Sony have significantly larger positive impacts on sales rank than the other fourteen brands and are coded as strong brands (B = 1) in the following analysis.

The main analysis of this paper consists of Arellano and Bond estimations of three dynamic simultaneous equations which control the endogeneity of sales rank and OCRs. The first equation is a regression of sales rank on the number of positive OCRs, the number of negative OCRs, their interactions with strong brand dummy, and other control variables. The other two equations predict the number of positive OCRs and the number of negative OCRs. The results of the first equation reveal that positive OCRs increase sales and negative OCRs decrease sales for weak brands. While the sales rank elasticity with respect to the number of positive OCRs is similar to that to the number of negative OCRs in absolute value, the marginal effect of a negative OCR is stronger than that of a positive OCR in magnitude because there are many more positive OCRs than negative OCRs on average. Therefore, companies should pay special attention to negative OCRs.

The interactions between the number of positive (negative) OCRs and strong brand dummy affect sales rank in the opposite directions to the main effects of the number of positive (negative) OCRs. That means weak brands are more influenced by OCRs both positive and negative so they are those who need to care more about OCRs. To compete with stronger brands, they need to have more positive OCRs and eliminate negative OCRs or keep them to the minimum. Fortunately, the results of the other two equations show that positive OCRs create a positive loop but negative OCRs do not. Positive OCRs are generated faster than negative OCRs because, besides normal increase due to listed duration, positive OCRs are generated more as the product sell more but negative OCRs are not. More positive OCRs, in turn, help the product sell more. This positive loop amplifies the benefit of positive OCRs for weak brands. If a new brand can generate some initial positive OCRs, it will activate this loop then sell faster than a strong brand which has similar number of positive OCRs at the starting point. Therefore, it is easier for a new brand to penetrate a market and gain traction. Similarly, a weak old brand can find a way to turnaround by generating positive OCRs.

Stronger brands benefit less from positive OCRs but have an advantage of deflecting negative OCRs. Some strong brands are even immune from both positive and negative OCRs. Indeed, when brand coding is reversed (strong brand: B = 0), neither positive nor negative OCRs have a significant impact on sales rank of strong brands in our study. In addition, being a strong brand alone has a significant advantage due to high brand equity multiplier. Hence, strong brands are better off investing on brand equity than on positive OCRs.

Besides OCRs for the focal product, OCRs for other products also influence sales of the focal product. However, only the total number of positive OCRs for other products decreases sales significantly because positive OCRs for one product reduce another product’s choice probability. On the other hand, the total number of negative OCRs for others does not affect sales of the focal brand. Thus, posting negative OCRs for competitors does not help the focal brand.

In addition to OCRs for other products, this study also recognizes the competition among products within a category through modeling the effects of the average price of other products and the total number of products on sales. The results show that a decrease in average price of other products or an increase in total number of products will reduce sales. Those factors affect sales negatively because they increase the competition which reduces the choice probability of the focal product. References are available upon request.
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CUSTOMER REFERRAL PROGRAMS: DOES PAYING FOR REFERRALS UNDERMINE THE POSITIVE EFFECTS OF WORD OF MOUTH?

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SUMMARY

Increasingly, service providers attempt to stimulate customers’ positive word of mouth by establishing customer referral programs (CRPs). In CRPs, the service provider offers customers a reward for persuading others to also become customers. As demonstrated by Ryu and Feick (2007), CRPs are an effective marketing instrument because offering rewards can in fact increase customers’ referral intentions. However, the reward might not only affect the sender of the message but also its recipient. While the recipient typically assumes that the sender does not expect personal gain from a referral, the reward might change this assumption and, as a consequence, the effectiveness of WOM. As yet, research has neglected to investigate whether rewarding referrals has any effects on the recipient’s perception of the referral sender that might affect downstream behavioral variables. Therefore, this paper addresses the following research questions: How does rewarding referrals affect recipients’ perceptions of the sender and their purchase intentions toward the service provider? How does the size of the reward matter?

To answer these questions, we conducted two laboratory experiments. Our first experimental study aimed at investigating the relationship between the existence of rewards for referrals, the trustworthiness of the sender as perceived by referral recipients, and their subsequent purchase intentions. We conducted a 2x2 factorial design by manipulating the variable “reward” (no reward versus reward) and the variable “tie strength” (weak tie versus strong tie). All groups were completely randomized. We used cellular telecommunication as the setting because the sample population is familiar with this service category and it has also been used successfully in other studies investigating WOM. In total, 186 other students from three German public universities completed the questionnaire.

To additionally analyze the relationship between different reward sizes and recipients’ perceived trustworthiness of the sender, as well as recipients’ purchase intentions with regard to the recommended provider, we conducted a second 2x2 factorial scenario experiment. In this study, we manipulated the variable “reward size” (small versus large) and the variable “sender expertise” (expert versus novice). We used health club/gym services as the setting for this second study to increase the generalizability of our findings. Students, who are again our sample population, are familiar with this service category and referral reward programs are also very common in this industry. In total, 239 students from a German public university participated in this second study.

Our results show that rewarding referrals leads to senders being perceived as less trustworthy. Given that trustworthiness is deemed one of the main factors explaining the “power of WOM,” our finding is important in gauging CRPs. This negative social side effect of CRPs seems to occur regardless of the kind of relationship between sender and recipient. Although strong ties are generally regarded as more trustworthy, tie strength did not moderate the relationship between presence of a referral reward and perceived trustworthiness of the sender. Unexpectedly though, the results of Study 2 do not offer support for the assumed negative effect of reward size on senders’ trustworthiness. The simple fact that a referral is rewarded by the provider diminishes trustworthiness, independent of the size of the reward. However, this finding changes if expert and novice senders are compared. We found that expert senders are prone to lose more of their trustworthiness if large rewards are paid whereas, if novices refer a service because they anticipate getting a large reward, this behavior seems to be excusable. Regarding novice senders, the large reward did not lead to an increased loss in trustworthiness. Hence, expert status seems to come at the cost of others’ higher expectations regarding the senders’ benevolent motives.

Regarding purchase intentions, we found that a referral reward has a negative mediated effect on purchase intentions via the perceived trustworthiness of the sender, but its direct effect on purchase intentions is positive. We explained this based on (1) the positive attitude customers have regarding a service provider that appreciates its current customer’s (i.e., the sender’s) support and pays a reward for the referral, and (2) the potential customer’s (i.e., referral recipient’s) anticipation of benefiting the
sender and/or benefitting from a shared referral reward themselves. We also found that tie strength and expert status of the sender increase the recipient’s purchase intentions indirectly through increased trustworthiness. Additionally, we found that, compared to a small reward, a large reward decreases purchase intentions. In summary, both studies’ findings seem to imply that potential customers’ purchase intentions are not directly affected negatively by referral rewards unless the reward is large. While trustworthiness - which is generally regarded as a strong determinant of source persuasiveness and subsequent recipient behavior – does decline, we found that persuasive power of rewarded and natural referrals is comparable. The reasons for this have been explained by potential customers’ perceived benefits of helping the sender receive a reward and/or benefitting themselves from a future relationship with the service provider.

Our findings indicate that managers should be aware of the “social side effects” of paying for their customers’ referrals. Recipients’ perceptions of a rewarded sender are worse than perceptions of a natural referrer. This indicates a potential threat to the personal relationship between sender and recipient, specifically, as this deterioration of perceived trustworthiness held in all conditions, strong ties as well as weak ties, and undermined the position of expert senders more gravely than that of novices.

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DOES CARE LEAD TO CASH? THE FINANCIAL IMPACT OF PERFORMANCE FAILURES AND ITS MODERATORS

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SUMMARY

Given the fact that in business relationships there will always be service and product failures research has paid a lot of attention to the topic over the last three decades. Frequently, it has been studied how performance failures affect customer relationships and how to best resolve these and mitigate their potential negative consequences. However, within that field of research, it is still unclear whether and how different recovery strategies do actually pay off.

According to conventional wisdom two major strategies present appropriate remedies capable of mitigating negative consequences of performance failures: strong customer relationships (e.g., Heskett, Sasser Jr., and Schlesinger 1997) and successful recoveries from failure (e.g., Orsingher, Valentini, and de Angelis 2010). The large body of literature on customer relationship management puts forward the argument that strong and healthy customer relationships lead to high customer loyalty and are able to buffer the negative effects resulting from failures. The complaint and service recovery management literature widely suggests that through appropriate recovery efforts the pre-failure relationship state can be restored or even increased beyond initial levels of, e.g., satisfaction. However, over the recent years the controversy in that field increased. There is growing evidence for a “dark side” of relationship management efforts (e.g., Anderson and Jap 2005) suggesting that love can turn into hate (Grégoire, Tripp, and Legoux 2009) and showing how relationship strength can amplify customers’ negative responses in conflict situations (Ganesan et al. 2010). In light of this, lately, Dixon, Freeman, and Toman (2010) even advocated to stop delighting customers in order to preclude a waste of time and effort. Against this background, it should not be taken for granted anymore that extensive customer care leads to cash in failure scenarios.

This lack of consensus can to some extent be ascribed to a couple of methodological flaws in existing research studies. For instance, it is unclear, how, in a field setting, failures and recovery efforts really affect customer attitudes and behavior, particularly over time. Only few studies with a longitudinal research design exist (e.g., Gardial, Flint, and Woodruff 1996; Gustafsson, Johnson, and Roos 2005; Maxham III and Netemeyer 2002; van Doorn and Verhoef 2008). An even more important problem of this research domain is a lack of observational studies. “Virtually all of the academic studies in this area are based on survey-based or experimental data and focus on customer evaluations of service failure and recovery experiences” (Parasuraman 2006, p. 590). This is problematic since it has been shown that intentional survey measures are a weak predictor of actual behavior (e.g., Morwitz, Steckel, and Gupta 2007). Besides, attitudinal data cannot satisfactorily answer the question how much money to spend on a recovery and how to allocate budgets to different strategies. Therefore, it is necessary to quantify the effects of management efforts on post-failure customer behavior in order to be able to plan efficient and effective strategies capable to recover from failure (Davidow 2003).

Against this background, first, we comprehensively assess the impact of performance failures on key relationship outcomes, in particular post-failure purchase behavior. As a second objective, we identify potential moderators at play in this performance failure context and examine how these mitigate or amplify negative effects on purchase behavior. More specifically, we investigate how relational, marketplace and company characteristics can have an influence on post-failure purchase behavior. Third, we study how these characteristics interact.

We use a dynamic approach to examine the effects of performance failures on key relationship outcomes. Analyzing repeated survey data and scanner data allows to comprehensively assess and compare pre- and post-failure relationship states of complainers and non-complainers. By employing the econometric technique of conditional difference-in-differences analysis the causal effect of a performance failure on post-complaint satisfaction, purchase intent, word-of-mouth intent, share-of-wallet and purchase behavior is estimated. Results reveal a significant negative impact on all key relationship outcomes. Findings indicate that negative consequences of performance failures are substantial, especially with respect to post-failure purchase spending.

In a second step, the moderating role of relational, marketplace and company characteristics on post-failure purchase behavior change is examined. Regarding relational characteristics, our results suggest that customers with high affective commitment strongly retaliate upon
the company in terms of postfailure purchase spending. In contrast, no significant effect for calculative commitment was found. With respect to marketplace characteristics, our findings give no support for the notion that artificially created switching costs (e.g., by the means of a loyalty program) can effectively retain customers after performance failure situations. However, natural switching costs have a significant, positive impact on purchase behavior change. Regarding company characteristics we examined recovery efforts. We found no significant influence of recovery satisfaction on purchase behavior change. Further analysis of interaction effects reveals that recovery efforts’ effectiveness is contingent on switching costs. In a scenario of low switching costs no significant effect of recovery satisfaction could be found. In that case customers seem to reduce repurchase spending despite successful recovery. However, under high switching costs recovery satisfaction has a significant and slightly positive impact on postfailure purchase behavior. References are available upon request.

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ASSESSING THE LONG-TERM EFFECT OF INDUSTRIAL SERVICES ON FIRM PROFITABILITY: THE MODERATING IMPACT OF PRODUCT INNOVATIONS

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SUMMARY

In many industries, manufacturing firms seek service-led growth beyond their product core. The underlying reasons of why goods-dominant companies increasingly seek to grow service revenues are manifold. Amongst others, managers view industrial services as a way to strengthen their competitive position, protect their core product business, and generate additional revenues – thereby increasing firm profitability (Wise and Baumgartner 1999).

While managers and scholars generally agree about the fundamental benefits of moving into services, growing anecdotal evidence reveals that results of service maneuvers are often mixed at best (Baveja et al. 2004; Stanley and Wojcik 2005). Empirical research on the effects of industrial services is still at an early stage, and many questions require further investigation. First, empirical research on the link between industrial services and firm profitability provides contradictory results. While several studies confirm a positive effect of services on manufacturers’ overall profitability (e.g., Antioco et al. 2008; Gebauer 2007; Homburg, Fassnacht, and Guenther 2003), recent research by Fang, Palmatier, and Steenkamp (2008) shows that this does not hold true under all circumstances. Building on that, our study aims at probing the underlying direction of causality. We therefore employ longitudinal panel data and investigate the impact of industrial services on firm’s long-term profitability.

Second, with very few exceptions, empirical investigations of service transitioning strategies treat services as a homogeneous entity. Yet, there is growing evidence that scholars must take a more fine-grained perspective on industrial services (Antioco et al. 2008). Hence, in the present study, we build on Mathieu’s (2001b) distinction between services supporting the product (SSP) and services supporting the clients’ actions (SSC) to investigate how these different categories affect companies’ long-term profitability.

Third, extant literature emphasized contingency variables that affect performance outcomes of service growth strategies in manufacturing firms (e.g., Antioco et al. 2008; Fang, Palmatier, and Steenkamp 2008; Homburg, Fassnacht, and Guenther 2003). However, prior research does not take into account the interplay between established product strategies and emerging service initiatives. Yet, the successful service provision requires companies to provide various resources. In doing so, firms risk conflicts between resource requirements of service and product activities. These conflicts will be especially high in firms with high resource requirements in the product business, e.g., when firms regularly develop products that are new to the market. Against this background, we investigate whether a company’s product innovation activities moderate the effect of service offerings on firm profitability.

Method and Results

Our research focuses on the long-term effects of service offerings. We therefore rely on longitudinal panel data in the German mechanical engineering industry. To test our hypotheses, we apply multiple-group latent growth curve modeling (LGCM). LGCM is regarded as one of the most powerful and informative approaches to the analysis of longitudinal data (Lance et al. 2000; Williams et al. 2003) and allows us to differentiate between the effect of industrial services on profit intercept and profit growth.

First, our results confirm a positive effect of the level of SSP on the level of SSC. Second, we find firms with low and high product innovation activities to differ significantly with respect to the impact of SSP on profit growth. While SSP have a positive and significant effect on profit growth for companies with high product innovation activity, SSP show a non-significant effect for companies with low product innovation activity. Third, we reveal the effect of SSC on companies’ profit growth to be negatively moderated by product innovation activity. When companies exhibit low product innovation activity, SSC positively influence profit growth. This effect becomes non-significant for companies with high product innovation activity.

Discussion and Implications

Exploring the impact of industrial services on the long-term profitability of manufacturing firms, our research
offers several insights. From a methodological perspective, we show that LGCM enables researchers to disentangle the effect of marketing activities on the baseline and the developmental trajectory of company performance. From a measurement perspective, our results confirm that outcomes of industrial services differ among service types. Thus, our findings highlight the importance of adopting a more fine-grained view on industrial services. From a substantive point of view, we show that industrial services can indeed be a means for manufacturing companies to enhance their long-term profitability. However, our findings also indicate that profit outcomes of the service infusion depend on the fit between service offerings and companies’ product innovation activities. When companies exhibit low product innovation activities, both service types contribute to companies’ long-term profits. In contrast, companies with high product innovation activities should carefully consider their slack resources before investing into complex services (i.e., SSC). References are available upon request.

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EXPLORING SPILLOVER EFFECTS OF POST-SALE SERVICES IN VERTICAL SERVICE DELIVERY NETWORKS

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SUMMARY

Providing post-sales service is an important element of a manufacturer’s customer relationship strategy as it helps tie customers to the manufacturer and its offerings. In order to provide higher service quality and realize cost savings, manufacturers increasingly outsource the provision of post-sale services to a network of designated channel service partners – independent specialists that provide services to buyers of the firm’s products. For instance, in the automobile and other industries, manufacturers assemble a network of dealers who function as the primary point of customer contact when post-sales service is requested.

In such service systems, customers transact business with, form relationships with, and hold attitudes toward both the manufacturer and its channel service partners. Because the customer interacts more frequently and more directly with the downstream service partner than with the manufacturer, a manufacturer that establishes such a network of service partners cedes considerable control over customer relationships to those partners. Consequently, the manufacturer-customer relationship becomes highly dependent on service partners’ strategies and tactics, leading to significant interdependence between the manufacturer and service partners.

Although such service partners are extremely important to the firm’s ability to serve and satisfy its customers, little is known about how the actions of a downstream service partner can impact the manufacturer-customer relationship. For example, if a customer receives great post-sales service and attributes that service to the manufacturer’s policies and influence over the service provider, customer loyalty to the manufacturer will be bolstered. On the other hand, if the customer credits only the service partner for that quality service, customer loyalty to the manufacturer could be severely undermined.

Surprisingly, firms often focus predominantly on their sales relationship with the customer, neglecting or placing less emphasis on managing the customer-service partner relationship. In this paper, we focus on spillover effects – the effects on customer relationships with the manufacturer that arise from the strategies and tactics of the manufacturer’s downstream service partners. The type and magnitude of spillover effects are important, for they significantly affect the success of customer relationship management.

In a natural experiment based on data from tracking study of 40,000 automobile owners spanning a large set of premium and volume automobile brands, we find a positive spillover effect of service initiatives provided by a downstream service partner on relationship quality between a manufacturer and its customers. To control for confounding factors which may arise in natural experiments due to the lack of random assignment, we apply propensity score matching to develop matched sets for comparison across experimental conditions.

In addition to testing the spillover main effect, we also examine moderating factors that could enhance or inhibit the upstream spillover of service partner efforts on manufacturer-customer relationships. We detect a positive interaction between system entitativity and spillover. In other words, if customers perceive that the manufacturer and service partner operate as a cohesive entity, spillover is reinforced. Moreover, we also find a negative interaction between brand equity and upstream spillover. Brand equity significantly inflates customer expectations regarding service performance, so as brand equity increases it becomes progressively more difficult to exceed customer expectations, thereby suppressing the spillover effect.

Finally, we examine the impact of service in a product failure situation. Consistent with research demonstrating a service recovery paradox, upstream spillover of post-sales service is greater when service is provided in response to product failure than when service is provided in routine, non-failure situations.

Our study offers important managerial implications, providing guidance as to whether and under what circumstances channel service partners are perceived as representatives of the manufacturer. Our findings suggest that promoting system entitativity by exclusive dealing, joint manufacturer-service partner promotions or co-branding promotes spillover effects between the manufacturer and the downstream service partner. Moreover, manufacturers of low-equity brands reap the greatest “bang for the
buck” if service partners deliver high-level services.
Finally, we offer new insights for resource allocation in
service delivery networks, as our results indicate that
spillover effects of a partner’s service efforts can be
leveraged when they are provided in response to a product
failure situation. Specifically, when high-level service
efforts are provided in a recovery episode, their positive
spillover effect on the manufacturer is increased by one-
fourth over the impact of high-level service provided in a
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THE CRUCIAL ROLE OF GENERATIVE LEARNING FOR CUSTOMER RELATIONSHIP PERFORMANCE

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SUMMARY

Recently managers as well as academics have raised issues about the performance effects of customer relationship management. On the one hand, it is claimed that firms profit from their customer relationship management (CRM) and gain a competitive advantage in the market. Supporting this position, Palmatier, Dant, Grewal, and Evans (2006) find ample evidence in a meta-analysis that relationship marketing positively affects firm performance. On the other hand, there is growing skepticism about a direct and unconditional performance effect of CRM and its value for firms. Evidence for this position is provided by the Gartner Group (2003) who find that approximately 70 percent of CRM projects result in either losses or no bottom-line improvements in firm performance. Similarly, many academic studies report inconclusive findings regarding the performance effect of CRM (for an overview see Reimann et al. 2010).

In the light of these conflicting positions, Zablah, Bellenger, and Johnston (2004) state that mechanisms through which CRM enhances performance are not well understood, and therefore managers have little guidance on how to focus their CRM efforts. To date, few studies have considered important intervening variables that may mediate or moderate the relationship between CRM and performance, and thus it lacks knowledge about the underlying process of performance improvement through CRM (Reimann et al. 2010; Shugan 2005; Zablah et al. 2004). More specifically there is a need that research more thoroughly inspects the contingency variables under which CRM results in higher performance.

We addressed this shortfall and introduced a firm’s generative learning orientation as a crucial factor for customer relationship performance. Although extant marketing literature has emphasized the importance of a generative learning orientation for new product performance and market information processes (e.g., Baker and Sinkula 2007; Slater and Narver 1995), its relevance for CRM have not received adequate attention yet. Thus, an important contribution of our study is the demonstration of its significant direct effect on customer relationship performance as well as its interaction with customer relating capabilities.

We found evidence that generative learning, defined as exploring and learning new ways of achieving results, critical reflections on shared assumptions, and questioning perceptions of the market enhance a firm’s customer relationships. Hence firms with a pronounced learning orientation, incorporating adaptive as well as generative learning, are able to respond to changing expressed and unexpressed needs of their customers and achieve a higher CRM performance. The direct effect of generative learning on customer relationship performance is accompanied by a significant interaction between a firm’s CRM capabilities and generative learning orientation. This finding supports the complementary nature of insights from a generative learning orientation (know-what knowledge resources) and CRM capabilities (know-how deployment capabilities). We conclude that firms need well-developed customer related capabilities to fully benefit from translating new insights resulting from generative learning into establishing, maintaining, and enhancing long-term associations with customers, and vice versa.

Furthermore we conceptualized CRM capabilities as a second-order factor incorporating four distinct dimensions which is supported with our data. In line with prior research we found significant effects of customer relationship orientation, the customer-centric management system, and relational information processes on customer relation performance. Contrary to Jayachandran et al. (2005) we also found a direct effect of CRM technology use indicating that investments in the underlying CRM IT infrastructure contributes to the success of customer relationships (Srinivasan and Moorman 2005). We found no significant effects of the control variables on customer relationship performance. This suggests that the four distinct customer related capabilities and generative learning orientation are key drivers to establishing successful relationships with customers regardless of contingency variables such as, e.g., firm size, industry type, or competitive intensity.

The present findings suggest that a generative learning orientation is crucial for firms to fully benefit from their competences in customer relationship management. Managers should therefore incorporate double-loop learning that leads to new mental models into their firm’s CRM
activities. Appropriate measures to increase generative learning may include a strong commitment from top management, a shared vision within the responsible department, and more generally open-mindedness of all employees involved (Sinkula et al. 1997). In doing so firms can better extract hidden information from large databases, predict future behaviors and preferences, and eventually identify valuable customers. References are available upon request.

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NON-OWNERSHIP PREFERENCE IN BUSINESS-TO-BUSINESS: REASONS FOR LEASING

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SUMMARY

Businesses gradually shift their focus from tangible products to intangibles, such as skills and knowledge. Fierce competition and high market complexity force traditional product-manufacturing companies to extend their service business. An increasing number of product-oriented firms consider services as a means to differentiate from competitors. Hence, views are emerging that services, rather than products are central to competitive advantage. One example in a B-2-B context is that non-ownership services, such as corporate leasing have grown to substantial size. Given this obviously critical role of the non-ownership option in B-2-B services, it is somewhat surprising that to the best of our knowledge the rationales for corporate leasing have been largely ignored within marketing and service marketing literature. As research on the incentives for leasing mainly stems from the field of finance and accounting, much of the discussion appears to be a predilection for tax-related motivation. Since literature describes leasing as an alternative to purchasing, one might argue that the determinants affecting the preference for a non-ownership option are as complex as those influencing a firm’s buying decision for products and other services. Hence, we believe that firms and their managers choose non-ownership services not merely for financial, but also for non-financial reasons, such as strategic or even personal motivations. The objective of our paper is to investigate the most likely incentives, thus financial and non-financial aspects and their influence on firms’ non-ownership preference. We analyze the rationales for corporate leasing of information technology (IT) because the computer and software equipment leasing industry is the most fertile area for growth, as the fast pace of innovation makes for a very short product life cycle resulting in short replacement cycles.

We generated our hypotheses based on extensive literature review and ten in-depth interviews with experts based on a semi-structured interview guide. The findings revealed that the corporate leasing decision is not only driven by financial, but also by non-financial aspects. As well as the three major categories existing in literature, importance of tax benefits, firms’ pursuit of increased liquidity and reduced risk of obsolescence, the interviews disclosed two other kinds of reasons for corporate non-ownership preference: flexibility orientation and fashion orientation. Additionally, preference for ownership was revealed as motive for the decision to rather purchase than to lease an asset.

In addition to the expert interviews we conducted a survey and generated our data through telephone interviews, using computer-assisted-telephone interviewing (CATI). Five thousand managers responsible for IT-leasing or purchasing in German small-and-medium-enterprises (SMEs) were questioned. The final sample amounted to 314. To validate the hypothesized six-dimensional structure of the model, we conducted a confirmatory factor analysis (CFA). After having confirmed the validity of the measurement models, we assessed the structural models capability to predict. We estimated the measures and parameters with the Partial Least Squares (PLS) approach. The results show that business demand for non-ownership services is positively influenced by pursuit of increased liquidity, risk aversion, fashion orientation and flexibility orientation. As hypothesized, importance of ownership has a negative impact on the preference for corporate leasing. Furthermore, the results show that tax avoidance has no significant effect on non-ownership consumption.

Our practical implications are threefold. First, managers and practitioners need to be aware of the growing demand for non-ownership services. Since the value of the service is centered in the experience and perception of the buying company, service providers should aim to develop customized solutions rather focusing on the different drivers. Second, non-ownership consumption facilitates customer retention. The expiration of the contract forces the consumer to return to the provider in rather regular intervals. As the provider can easily determine the time the customer returns to the market, he can have a follow-up contract ready, more easily build a constant relationship with the customers and he has the opportunity for cross- and up-sellings. Third, firms need to incorporate the determinants of non-ownership consumption into their value propositions in order to convey the message to the customer that their services offer the desired value. References are available upon request.
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SUMMARY

In recent years, an increasing number of studies have investigated problems and issues surrounding the motion pictures and movie theaters. However, research on DVDs has been limited when DVD sales and rentals are more important for movie studios than box-office ticket sales for the revenue potential.

The objective of the study is to identify the factors that are associated with the consumer decisions of purchasing and renting DVDs and to examine the relationship between the two decisions. Among many potentially important consumer segments, the study focuses on the college-aged young adult consumers (aged 18–22). The choice of this particular consumer group is motivated by the literature that the young adults represent the bulk of movie theater attendees and the fact that most firms in the entertainment industry pursue this group of consumers as their major audience. Movie studios and their partnering firms need to better understand this consumer segment and offer superior entertainment options for this important segment.

Hypotheses are set up to evaluate the factors that influence the DVD purchase and the rental decisions and the relationship between the two.

Theater Visits:

H1a: The more often the young adult consumers go to movie theaters, the more likely to buy DVDs.

H1b: The more often the young adult consumers go to movie theaters, the more likely to rent DVDs.

Expected Number of DVD Viewings:

H2a: The larger number of times the young adult consumers would watch the same movie, the more likely to buy DVDs.

H2b: The larger number of times the young adult consumers would watch the same movie, the less likely to rent DVDs.

Consumer Perceptions about DVD:

H3a: The higher price the young adult consumers would charge the DVD they own if they were to sell, the more likely to buy DVDs.

H3b: The higher price the young adult consumers would charge the DVD they own if they were to sell, the less likely to rent DVDs.

H4a: The more similar pleasure level the young adult consumers would perceive from a second viewing to the first viewing of the DVD, the more likely to buy DVDs.

H4b: The more similar pleasure level the young adult consumers would perceive from a second viewing to the first viewing of the DVD, the less likely to rent DVDs.

H5a: The more satisfied the young adult consumers are with the video quality, disc condition, and packaging of the rented DVDs, the less likely to buy DVDs.

H5b: The more satisfied the young adult consumers are with the video quality, disc condition, and packaging of the rented DVDs, the more likely to rent DVDs.

H6a: The higher transaction costs the young adult consumers would perceive with renting DVDs, the more likely to buy DVDs.

H6b: The higher transaction costs the young adult consumers would perceive with renting DVDs, the less likely to rent DVDs.

Relationship Between the DVD Purchase and Rental Decisions:

H7: The DVD purchase decision is negatively related to the DVD rental decision.

This study uses a survey instrument to collect data needed to test the proposed hypotheses and a questionnaire is developed based on the information necessary for
testing the hypotheses. The survey is administered to the undergraduate students at two universities in the northeastern United States. Out of 640 surveys collected, we use 358 surveys for study after eliminating missing values and inconsistent answers. The students in the sample are well balanced in terms of class year and gender: 20.1 percent freshmen, 38.3 percent sophomores, 25.7 percent juniors, 15.9 percent seniors; 51.7 percent female; and 5.6 percent foreign students. The average monthly budget for personal expenses is $226.68. The number of movie theater visits is one a month on average. They purchase 7.1 DVDs and rent 31.2 DVDs per year on average.

We find that the young adult consumers who go to the movie theaters frequently are more likely to rent the DVD. The people who view the movie frequently after purchase and whose perceived pleasure level is still high with second viewing are more likely to purchase the DVD. The perceived transaction costs associated with renting DVDs are found to discourage the people from renting DVDs. Finally, the DVD purchase and rental decisions are found to be negatively related. We discuss the managerial implications to the movie studios and the contributions to the related literature.

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GREEN CONSUMERS AND THEIR RESPONSE TO ENVIRONMENTALLY FRIENDLY PRODUCTS

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SUMMARY

Consumers frequently encounter decisions regarding whether to purchase environmentally-friendly products in place of more traditional products (e.g., reusable vs. plastic grocery bags, non-toxic, biodegradable cleaners). While there has been an increasing emphasis on green attributes of products in the marketplace, the motivation for purchasing products with environmentally-friendly attributes are not well understood. We seek to determine how to identify green consumers, whom we define as those with the tendency to value protection of the environment and to express this value through one’s purchases, and distinguish their preferences from those of non-green consumers to aid the marketing of green products, considering both product positioning and product pricing.

Though there have been several efforts at identifying green consumers (e.g., Antil 1984; Roberts 1995; Webb, Mohr, and Harris 2008; Webster 1975) over the last few decades, such efforts have led to rather complex measures, some of which encompass more general socially responsible consumption as well as some which may contain dated trends in environmental consumption. We present a parsimonious, yet valid measure of green consumption values, enabling managers and marketers to better determine potential responses to green-related efforts based on their consumer base. In doing so, we focus on characteristics of consumers that might provide underlying motivations for green consumption. Specifically, we expect those who are more green to be more conscientious of their use of both personal financial and physical resources.

We first develop a simple six-item measure to succinctly capture green consumption values (GREEN). We find our measure correlates positively with socially responsible consumption behavior (Antil 1984) while more parsimonious. A separate follow-up study using an adult panel further validates the GREEN measure. We also assess the relationship of green consumption values with both financial and physical resources. Regarding financial resources, consumers demonstrating a higher level of GREEN were also found to be more frugal, more self-controlled, and more value and price conscious suggesting that consumers who hold green consumption values are also quite sensitive to the wise use of financial resources. For physical resource consumption, product retention tendency and use innovativeness were positively related to GREEN, suggesting that consumers with strong green consumption values are also reluctant to discard of possessions and likely to find new ways to use existing possessions.

Having developed this measure of green consumption values, we examined the extent to which GREEN predicted behavioral intentions and product choice. Measuring GREEN three weeks in advance of reported behaviors and choice, results indicated participants choosing a reusable grocery bag (environmentally-friendly option) had a higher average GREEN score than those choosing the pens (non-environmentally-friendly option). GREEN was also positively correlated with reported likelihood of engaging in eight green behaviors such as recycling (adapted from Straughan and Roberts 1999). This study provides evidence that our simple measure of GREEN predicts behavioral intentions and actual behaviors.

Recognizing that GREEN increases preference for environmentally-friendly products, as expected, we seek to understand consumers’ responses to environmentally-friendly vs. non-environmentally friendly products. In a series of studies, we find that GREEN consumers tend to evaluate non-environmental attributes (e.g., value, strength, effectiveness) of environmentally-friendly products more positively than those same attributes for non-environmentally friendly products. Furthermore, we find that GREEN consumers respond more positively to environmental benefit (i.e., reduce toxic chemicals in environment) positioning of environmentally-friendly products rather than personal benefit (i.e., nature ingredients soften hands) positioning. Clearly, understanding the multiple motivations underlying consumers’ decisions regarding environmentally friendly products will help managers better market their environmentally-friendly alternatives.
TRIAL-ATTITUDE FORMATION IN GREEN PRODUCT EVALUATIONS

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SUMMARY

How does trial affect consumer responses to green products? To respond to this question, we use expectancy-value theory as a conceptual framework and evaluate the product-trial attitude formation process for environmentally friendly products.

A marketer who was introducing an environmentally friendly version of an existing product would be interested in learning which channels of communication to use to promote the product and which distribution channels to use to sell the product. The best channel and merchandising approach would depend on the answers to several questions, two of which included: (1) Would it affect consumer attitudes toward the product if the product was shown alongside less environmentally friendly options? (2) Would it affect consumer attitudes toward the product if consumers were given the opportunity to see, touch, and experience the green product?

To contribute more generally to theory that is relevant to green product marketing, we also attempted to understand the process behind the answer to the question about the role of product trial as it pertains to green product attitude formation. A model was developed based on the existing literature on the trial-attitude formation process. We extended the model by separating the effects of expectancy values for experience and search attributes on hedonic and utilitarian attitudes, respectively. In addition, the existing model was extended to increase the variance explained in the attitude formation process for green products by including the proposed effects of (a) explicit beliefs that green products have inferior quality and (b) the consumer’s enduring environmental values in the existing model of the evaluation process.

The model tested the following hypotheses:

H1: Product trial can increase (a) pleasure and (b) arousal.
H2: Pleasure and arousal have positive relationships with hedonic attitudes toward the product.
H3: Pleasure has a positive relationship with utilitarian attitudes toward the product.
H4: Explicit beliefs that environmentally friendly products perform poorly have a negative effect on (a) expectancy value of search attributes (b) expectancy value of experience attributes and (c) pleasure.
H5: Expectancy value of search attributes has a positive relationship with utilitarian attitudes toward the product.
H6: Expectancy value of experience attributes has a positive relationship with hedonic attitudes toward the product.
H7: Environmental values have positive relationships with (a) hedonic and (b) utilitarian attitudes toward environmentally friendly products.

The model was tested with a student sample that participated in an experiment. LED solar string lights were the product of interest. The study used a 2 (product comparison, no product comparison) x 2 (information only, information and trial) factorial design, so respondents were randomly assigned to one of four conditions when they checked in. All respondents completed the measures of interest. The results were used to test the hypotheses.

The unique insights this research provides are as follows: (1) Explicit beliefs that environmentally friendly products do not perform as well as non-green products have a negative impact on the expectancy value of search, but not experience, attributes, indirectly affecting utilitarian attitudes toward the product; (2) explicit beliefs that environmentally friendly products do not perform as well negatively impact the pleasure associated with an environmentally friendly product, indirectly affecting hedonic attitudes toward the product and (3) environmental values have positive, direct effects on both hedonic and utilitarian attitudes toward the product.

The results show that addressing quality concerns and segmenting customers based on their environmental values may help increase adoption and positive word-of-mouth surrounding environmentally friendly products. Further, hands-on trials and exclusive displays may help overcome explicit beliefs about green product quality and increase adoption. References are available upon request.
UNDERSTANDING RECYCLING INTENT: THE IMPACT OF GUILT AND SHAME ON THE ROLES OF PUBLIC AND PRIVATE SELF-CONSCIOUSNESS

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SUMMARY

Theory Development

Personal norms (Thogersen 2003) and consideration of what others believe one should do (Minton and Rose 1997) are important in recycling behavior. These studies suggest that both what others value and what we value ourselves will influence recycling behavior. Greater attention to these values issues, in the form of public and private self-consciousness, should then impact intent to recycle.

Public and Private Self-Consciousness

Although most people act in accord with their own values, it appears that some people are especially sensitive to these values. These individuals are typically high in private self-consciousness (privSC; Scheier and Carver 1985). Individuals who are high in private self-consciousness are more likely to attend to their own personal values when making decisions, particularly if those values are primed or activated. Higher privSC should enhance intent to recycle, as it should remind one of the commonly held value of recycling.

On the other hand, some people are especially sensitive to concern over what others might think of them. This is termed public self-consciousness (pubSC; Scheier and Carver 1985). Individuals high in public self-consciousness are more attentive to how they appear to others. They tend to favor socially acceptable options (Bushman 1993). Heightened pubSC is also expected to enhance intent to recycle, since recycling is a socially sanctioned behavior. Although both public and private self-consciousness are expected to relate positively with recycling intent, the process through which this occurs is expected to differ. Specifically, the self-conscious emotions of guilt and shame are expected to play a role.

Guilt

Guilt centers on the notion that an individual has violated his or her own moral standards (Lewis 1971) or anticipates doing so (anticipatory guilt, Huhmann and Brotherton 1997). Importantly, guilt does not depend on others knowing the violation occurred. Therefore, we predict that individuals may be motivated to recycle out of a desire to avoid guilt, because they hold recycling as a personal value. High levels of private self-consciousness should make one more aware of the value they place on recycling, and make one more sensitive to a desire to avoid a sense of guilt which may occur from not recycling. Specifically, guilt is predicted to mediate the relationship between private self-consciousness and recycling intent.

Shame

In contrast to guilt, shame centers on concern for others’ evaluations (Thompson, Sharp, and Alexander 2009). A similar argument to guilt can be made for the relationship between public self-consciousness (PubSC) and shame. Recycling is both a widely held personal value and a widely acknowledged public value. Parallel to our argument regarding guilt, we predict that heightened PubSC will lead to a desire to avoid shame which will then encourage intent to recycle. Parallel to our earlier predictions, shame is predicted to mediate the relationship between public self-consciousness and recycling intent.

Research Method and Results

Two studies were conducted on-line to assess the proposed mediational relationships. First, Study One assessed the relationship between public and private self-consciousness and recycling intent. Using a sample of 89 students, public and private self-consciousness were shown to relate positively with recycling intent.

Study Two tested the proposed mediational model with a sample of 197 undergraduate students. Results showed that the effect of private self-consciousness on recycling intent was mediated by guilt, and the effect of public self-consciousness on recycling intent was partially mediated by shame.

Conclusion

These results provide insight into the role of public and private self-consciousness in predicting recycling intent. Importantly, they illuminate the important roles played by guilt and shame in determining this relation-
ship. Private self-consciousness can lead individuals to anticipate feeling guilty if they do not comply with their personal values and recycle. Similarly, public self-consciousness can lead individuals to anticipate feeling shame if they do not comply with the public norm of recycling. Both public and private self-consciousness lead to increased recycling intent, but their effects are mediated through different self-conscious emotions. Recycling appeals can thus be more effectively targeted if consideration is given to whether the individual is likely to be facing public or private scrutiny when assessing the appeal.

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IDENTIFYING IMPLICIT OBSTACLES FOR CONSUMING HEALTHY FOOD: A MULTI-STEP, MULTI-METHOD RESEARCH AGENDA

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ABSTRACT

The paper suggests a multi-step research agenda to identify implicit attitudes which hamper the consumption of healthy food. As these attitudes stem from a complex interplay of personal-based and product-based factors, an interdisciplinary approach is required combining different research methods, such as IAT, conjoint analysis, eye tracking, and sensory experiments.

INTRODUCTION

The frequency and degree of diet-related diseases, such as obesity and diabetes mellitus type 2 (T2DM), has risen dramatically in the last 20 years (Schwarz et al. 2007). Prevention of these diseases are major challenges of the health system in many industrialized countries. Diabetes, for instance, is significantly related to reduced quality of life and to a shortened life expectancy (Fagot-Campagna et al. 2001). Due to associated complications, diabetes is one of the most expensive chronic diseases. In Germany, for example, about 14 percent of the costs of the health care system can be directly traced back to the therapy of diabetes. Notably, 90 percent of these costs are related to avoidable risk factors (Liebl 2007). Several international studies show that diabetes is effectively preventable by early lifestyle change (Schwarz et al. 2007). Success of prevention depends on whether or not individuals increase their physical activity and modify their eating behaviors. Obviously, any support for healthier food choices is directly relevant for the prevention of chronic diet-related diseases. Hence, it is a major challenge to develop and to implement effective social marketing campaigns that support healthier food choices.

To reduce diet-related diseases, the relative consumption of healthy food compared to unhealthy food has to be increased. In the past, numerous prevention campaigns were conducted to promote more healthy eating habits. As these campaigns were basically educational advertisements, many consumers realized that healthy nutrition is a necessary prerequisite for their well-being, and consumers do agree that there are several different motives for consuming healthy food, such as awareness of quality, health consciousness, nutrition values, and taste (e.g., Fotopoulos and Krystallis 2002; Thompson and Kidwell 1998). Despite this attitudinal change, efforts in changing consumers’ actual nutrition behavior have been surprisingly ineffective (Wansink and Park 2002). To explain this attitude-behavior gap, scholars have already investigated several inhibitors of healthy food consumption, such as satisfaction with conventional food, insufficient distribution, limited choice, low income, or low willingness to pay (Allen et al. 2005; Tanner 1999).

Although eating is an action that is open to the individual’s awareness, the control over eating habits is not necessarily explicit. Some scholars even claim that consumption choices are mostly driven by automatic and unconscious processes. Indeed, recent empirical studies provide evidence that there is an enormous gap between implicit and explicit attitudes toward healthy nutrition (Cervellon et al. 2007; Craeynest et al. 2008; Czyzewska and Graham 2008; Hoefling and Strack 2008; Hofmann and Friese 2008; Roefs and Jansen 2002; Spence and Townsend 2007). Among others, implicit attitudes significantly affect the preference for different food brands (Maison et al. 2004) and the “liking” and “wanting” of food (Berridge and Townsend 2007). Thus, the distinction between implicit and explicit processes of food purchasing, preparing, and consuming plays the key role for a deeper understanding of the gap between the positive explicit attitudes toward healthy nutrition and the consumption of non-healthy food. In order to direct consumer behavior toward healthier choices, social marketing campaigns need to address both, implicit and explicit processes.

To date, however, little is known about the implicit drivers of unhealthy nutrition. The present article calls for intensifying research in this field. We suggest conducting extensive, interdisciplinary studies because implicit attitudes toward unhealthy food stem from various sources which are in the focus of different disciplines, such as intrinsic product attributes (e.g., taste food engineering), extrinsic product attributes (e.g., branding marketing), desired lifestyle of the consumer (e.g., convenience social sciences), or personal-based behaviors (e.g., visual perception cognitive psychology). Since all of these factors may be relevant simultaneously in a specific situation of food choice, a holistic approach is required. Therefore, the present article proposes an interdisciplinary, multi-step, multi-method research agenda for holistically identifying the implicit drivers of potentially harmful eating habits. We suggest integrating different kinds of methods, such as the Implicit Association Test, eye-tracking, conjoint analysis, and sensory experiments.
The remainder of the paper is organized as follows: First, we explore how implicit and explicit attitudes toward healthy food diverge. We describe the main drivers of negative implicit attitudes which are categorized as product-based drivers (intrinsic and extrinsic product attributes) and personal-based drivers (lifestyle and visual perception). Second, we briefly discuss methods to examine these drivers separately. Finally, we provide a research agenda which suggests a multi-step process of investigating the respective drivers from an analytic and a holistic perspective. This process requires a systematic integration of different methods. We claim that research following the suggested procedure will provide a comprehensive understanding of the implicit and explicit food decision process. The gained knowledge, in turn, will be a fruitful basis for social marketing campaigns and the development of healthy food products.

IMPLICIT OBSTACLES OF HEALTHY FOOD CONSUMPTION

A Taxonomy of the Interplay of Implicit and Explicit Attitudes Toward Healthy Food

Several studies have recently demonstrated that implicit associations toward healthy food are highly predictive for nutrition behavior (Cervellon et al. 2007; Craeynest et al. 2008; Hofmann and Friese 2008; Maison et al. 2004; Spence and Townsend 2007). Implicit and explicit attitudes diverge significantly (Czyzewska and Graham 2008; Roefs and Jansen 2002), and, for example, they have different impacts within studies of the influence of appetite and hunger on ingestion (Finlayson et al. 2009, 2008). Particularly for restrained eaters, processing of implicit and explicit nutrition-related information might be conflicting. These eaters have negative explicit attitudes toward high calorie food, whereas the implicit associations are rather positive (Hoefling and Strack 2008).

For that reason, we call on researchers to consider the interplay of implicit (positive vs. negative) and explicit (positive vs. negative) attitudes toward healthy nutrition as a moderator variable in any investigation of the antecedents of healthy food choices (Figure 1). Presumably, the most interesting target group consists of individuals with positive explicit attitudes, but negative implicit attitudes toward healthy nutrition (= consumer who explicitly want to eat healthy food, but still don’t do it for implicit reasons). We assume that traditional persuasion strategies (such as educational advertising) are not applicable to improve healthy eating behavior of this group, because they change explicit attitudes only, but not the implicit-driven food choice.

Taxonomy of Product-Based and Personal-Based Implicit Obstacles of Healthy Nutrition

Besides a segmentation of consumers with respect to their implicit and explicit attitudes toward healthy food, we call on scholars to investigate the implicit drivers of unhealthy nutrition. We suggest distinguishing different sources of implicit obstacles of healthy food consumption (Figure 1). A taxonomy of implicit product-based and personal-based drivers can help structuring and directing further research.

Intrinsic product attributes, such as smell, flavor, taste, appearance, texture, or mouthfeel affect food preference (Hasselbalch 2008; Tepper 2008; Toepel et al. 2009). Particularly for restrained eaters, processing of implicit and explicit nutrition-related information might be conflicting. These eaters have negative explicit attitudes toward high calorie food, whereas the implicit associations are rather positive (Hoefling and Strack 2008).

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Intrinsic product attributes, such as smell, flavor, taste, appearance, texture, or mouthfeel affect food preferences (Hasselbalch 2008; Tepper 2008; Toepel et al. 2009). At least partly, preferences develop unconsciously.
and exert their influence on eating habits in an implicit way. Hedonic attitudes toward food (such as pleasantness) are mostly influenced by fat, sugar, and salt content (Warwick and Schiffman 1990). Consumers’ overall liking of flavored yogurt, for instance, significantly correlates with sweetness intensity (Barnes et al. 1991).

Next to these intrinsic product attributes, extrinsic attributes of the product, such as packaging, image, price, distribution, branding, or product information (Botonaki et al. 2006; Enneking et al. 2007; di Monaco et al. 2003) implicitly influence food choice. For example, knowledge about nutritional facts (fiber content of plain, wholemeal and fiber-enriched muffins) influence the way consumers perceive a product (Baixauli et al. 2008). The information “reduced fat” negatively affects the acceptance of chocolate snack bars (Stubenitsky et al. 1999).

Personal-based implicit drivers also influence food choice. For example, people often unconsciously purchase certain products that represent their individual lifestyle (Brunsø et al. 2004). In particular, convenience orientation, which is a facet of consumer lifestyle, strongly affects food consumption behavior (Buckley et al. 2005; Scholderer and Grunert 2005).

Finally, cognitive processing and visual perception of healthy nutrition influence distribution of selective attention which is reflected in the patterns of eye movements. In this way, the individual process of perception is an implicit influence on the food decision. For example, overweight or obese individuals focus more intensively on high-calorie foods than regular-weighted persons when being confronted with different foods (Duerrschmid et al. 2009).

**METHODS**

So far, this paper has called for segmenting consumers according to their implicit and explicit attitudes toward healthy nutrition and for studying the causes of unhealthy nutrition along the taxonomy of product-based and personal-based implicit drivers. Our most fundamental claim is that all these factors should be considered simultaneously in a holistic approach. Nonetheless, in order to reduce complexity, each influencing factor has firstly to be studied individually. Therefore, we briefly recapitulate the most promising methods to investigate the impact of these drivers separately (Figure 2), before we propose a way to integrate them.

**Implicit Association Test**

As implicit attitudes cannot easily be accessed and verbalized by the individual, they cannot be measured by self-reporting questionnaires. Therefore, we suggest applying the Implicit Association Test (IAT; Brunel et al. 2004; Greenwald et al. 1998). This instrument measures implicit attitudes by a multiple-step procedure of computer-based reaction-time tests. Attitude concepts (this may be examples of healthy or unhealthy food) are presented on a computer screen. Simultaneously, evaluative attributes, such as positive or negative adjectives, are presented. The subjects’ reaction times to different stimuli indicate the discrepancy between explicit and implicit associations. Non-reactivity is the most striking advantage of the IAT compared to self-evaluating questionnaires. The results are biased to a lesser extent by answering tendencies like social desirability. The Implicit Association Test can be applied to identify consumers with a high discrepancy between explicit and implicit associations toward healthy food.

**Sensory Experiments**

Sensory experiments (Barnes et al. 1991; Kuhnert 1998) aim at determining the effect of a treatment (e.g., different degrees of sugar in a cake) on the responses of the subjects (e.g., how the subjects like the cake). During the course of the experiment, several treatments are given to the subject. In order to gain a desired level of precision, several replications should be run. Sensory experiments can be conducted with free choice profiling or flash profiling. Sensory methods allow analyzing the implicit

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**FIGURE 2**

Drivers of Implicit Attitudes Toward Healthy Nutrition and Suggested Methods

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impact of intrinsic food attributes on the attitude toward healthy nutrition and food choice.

**Conjoint Analysis**

Subjects, who are asked to specify which product attributes are relevant for their product choice, often demand for all favorable attributes simultaneously at the lowest price level. Thus, answers are significantly biased by an inflation of expectations. To overcome this bias, we suggest using decompositional techniques (e.g., conjoint analysis; Carroll and Green 1995) to identify the most influential product attributes for consumer’s decision making. Instead of rating individual product attributes, subjects have to decide multiple times between several (mostly two or three) concrete product options. Researchers can post-hoc extract the subjects’ implicit preferences of the product attributes. Conjoint analyses have already been used to identify the impact of extrinsic product attributes in the field of nutrition research. Carneiro et al. (2005), for example, revealed that label information on price, brand name and soybean type (transgenic vs. conventional) affect purchase intentions of soybean oil, whereas nutritional information does not. Deliza et al. (2003) showed that different images of passion fruit packages (variation of background color, picture, information, brand, language and shape) exert an influence on expectations to certain sensory attributes of the fruit (sweetness, pureness, sharpness, refreshment, freshness, naturalness) and liking.

**Measurement of Food-Related Lifestyle**

Different self-report scales were suggested to measure food-related lifestyles (e.g., Boer et al. 2004; Kraft and Goodell 1993). The Food-Related Lifestyle (FRL) scale (Grunert et al. 2007), which is the most comprehensive approach in this area of research, collects consumer information on attitudes and behavior to the purchase, preparation and consumption of food products and includes a number of quality aspects, such as health, freshness and taste. It identifies six food-related lifestyle segments: the hedonistic consumer, the conservative consumer, the extremely uninvolved consumer, the enthusiastic consumer, the moderate consumer, and the adventurous consumer.

**Eye Tracking**

Eye tracking is a reliable method for the study of cognitive processes and allocation of visual attention. Eye movements reveal preferred parts of a visual scene. Online information about the current interest can be gained on a basis of a moment to moment analysis of gaze position (Wooding 2002). Some parameters of eye movements, such as first saccade landing and dwell time, are sensitive to preferences in comparative displays. The first fixations are directed to emotionally relevant images rather than to neutral ones (Nummenmaa et al. 2006). Gaze durations are longer on emotional images. Based on these relationships between preferences and gaze patterns, eye tracking experiments help identifying implicit preferences for unhealthy food. For example, the method can be applied to study the implicit influence of the visual perception of food, food packaging, and food advertisements on eating behavior.

**SUGGESTED RESEARCH AGENDA**

Among the implicit drivers of food choice are several personal-based factors and several product-based factors, which presumably interact in a complex way. Therefore, isolated mono-disciplinary approaches, which dominate the field, are not feasible to provide a comprehensive understanding of the motivation to consume unhealthy food. In order to reduce the complexity of the multi-causal positive implicit attitudes toward unhealthy food, we suggest a multi-step approach (Figure 3). The objective of stage 1 is to combine different methods. Moreover, we suggest segmenting consumers according to their implicit and explicit attitudes toward healthy food. Subsequently, a sequential process of analytic and holistic analyses is required to detect implicit drivers of non-healthy food consumption. In stage 2, main effects of different drivers of non-healthy food consumption should be tested separately. Scholars should examine the relevance of these implicit obstacles of healthy food consumption and how they vary among different target groups. In stage 3, all antecedents of non-healthy food consumption are to be integrated in a holistic approach, which highlights interaction effects between implicit and explicit attitudes, intrinsic and extrinsic product attributes as well as lifestyle and perception patterns. Finally, in stage 4, social marketing campaigns (product development and communication strategies) need to be developed to overcome negative implicit attitudes toward healthy eating habits and to foster healthy food consumption.

**Step 1a: Integration of Measurements**

All measurements have to be adjusted for the objective of healthy nutrition (e.g., development of stimulus material for sensory experiments). Most importantly, it has to be checked how the different methods can be integrated (Implicit Association Test, eye-tracking, sensory experiments, conjoint analysis). For example, although the interaction of visual perception and implicit attitudes is crucial when consuming healthy foods, no study has yet combined the Implicit Association Test with eye-tracking. Since we propose that implicit attitudes determine the process of visual perception (i.e., selective perception) which is the prerequisite for cognitive processing of relevant food information, the integration is necessary to gain new insights on this issue.
Step 1b: Identification of Target Groups

Participants should be segmented on the basis of their implicit and explicit association toward healthy nutrition. The IAT is required to measure implicit associations, whereas self-report questionnaires can be applied to measure explicit attitudes of respondents toward healthy nutrition. The divergence between implicit and explicit attitudes toward healthy nutrition should be determined. We suggest segmenting the target groups according to the 2 (positive vs. negative implicit attitudes) X 2 (positive vs. negative explicit attitudes) typology developed in this paper. The group that is characterized by a distinct divergence of implicit and explicit attitudes toward healthy nutrition (i.e., explicit attitudes are far more positive than implicit ones) is of special interest. Interventions are to be developed particularly for this group because their health behavior can hardly be influenced by additional information given through traditional campaigns which are mostly educational in nature.

Step 2a: Identification of Product Attributes Affecting Attitudes Toward Healthy Nutrition

Firstly, we suggest analyzing main effects of intrinsic and extrinsic food product attributes separately. The effect of intrinsic product attributes (e.g., sweetness, texture) on food preferences can be scrutinized by using blind and labeled sensory experiments. Conjoint analysis helps identifying the influence of different extrinsic product attributes (e.g., price, distribution, packaging, labeling, branding) on eating behavior. Further, the interaction effects of intrinsic and extrinsic food product attributes need to be analyzed. For this purpose, we suggest to embed sensory experiments in the conjoint analysis algorithm. In this way, it can be investigated to which extent implicit or explicit product attributes shape consumer preferences. To overcome some sensory disadvantages of healthy food (e.g., less preferable taste, texture, color), it should be examined whether specific extrinsic product attributes may work as quality signals, which are capable to substitute less favorable intrinsic attributes (e.g., loss in taste) and, hence, to foster consumption of healthy nutrition.

Step 2b: Identification of Personal-Based Factors Affecting Attitudes Toward Healthy Nutrition

Similar to the analysis of product-based factors, we suggest examining main effects of personal-based factors separately. Since food choice highly depends on the consumer’s lifestyle, we propose exploring differences in food consumption for specific food related lifestyle segments (e.g., hedonistic, adventurous, extremely uninvolved) by applying the Food-Related Lifestyle scale (Grunert et al. 2007). Additionally, tracking of eye movements should analyze how consumers look at food, menus, food advertisements etc. in order to understand the cognitive processing of food-related information of different target groups (i.e., positive explicit and negative implicit attitudes toward healthy food).
Step 3: Holistic Consideration of Influencing Factors

After having analyzed product-based and personal-based implicit drivers of unhealthy nutrition separately, scholars should gain a holistic view of the implicit drivers of healthy nutrition (e.g., dependence of the visual perception according to the desired lifestyle and the intrinsic and extrinsic food attributes). The joint influence of a comprehensive set of multi-sensory implicit drivers of food choice (e.g., visual, gustatory, olfactory, haptic) should be investigated. By combining all the methods previously discussed the most influential implicit drivers as well as interaction effects can be identified. Comprehensive knowledge about the implicit drivers of unhealthy food builds the footing for product development and prevention campaigns in the following steps.

Step 4a: Development and Evaluation of Products

Based on findings of the previous stage, strategies to overcome disadvantageous intrinsic attributes by extrinsic health-related and health-unrelated product attributes will be developed. Health related product attributes refer to food ingredients (e.g., labeling of ingredients or nutrition facts), whereas health unrelated product attributes refer to elements of the marketing mix (e.g., packaging, price, positioning, branding). Since the target groups are expected to significantly differ in their needs, products should be tailored to their specific set of implicit and explicit attitudes toward healthy nutrition. For instance, we assume that consumers with positive implicit and explicit attitudes toward healthy nutrition are to be persuaded by highlighting the healthy nature of a food product through extrinsic health-related product attributes. For this group signaling the healthy nature of the product is expected to be sufficient to compensate negative intrinsic product attributes of healthy food. Negative implicit or explicit attitudes, however, can only be compensated by health unrelated product attributes, such as lower prices or lifestyle appropriate positioning.

Step 4b: Development and Evaluation of Communication Strategies

Similar to the product development, communication strategies should be tailored to the specific needs of the target groups. We assume that consumers with positive implicit and explicit attitudes toward healthy nutrition are to be persuaded by communicating health related messages. Negative implicit or explicit attitudes, however, must be overcome by health unrelated messages stressing other positive aspects (e.g., social and physical attractiveness). The campaigns may aim at repositioning healthy food products by addressing central underlying needs of high-risk groups (e.g., convenience, social identity, conspicuous consumption).

DISCUSSION

The suggested research agenda puts the focus on consumers’ implicit attitudes toward (un)healthy food. The overall academic prospect is to widen and deepen the understanding of implicit drivers of unhealthy nutrition. In this way, we contribute to the explanation of the attitude-behavior-gap in food consumption. Scholars who follow our agenda will hopefully develop theories about how personal-based attributes, such as visual perception and lifestyle, influence food choices. They will analyze how attitudes toward unhealthy nutrition depend on the interaction of product-based and personal-based drivers. In this way, they will establish a holistic framework explaining the motives of different consumer segments to consume healthy or unhealthy food.

Based on this scientific goal, our agenda also contributes to the development of social marketing campaigns to overcome unhealthy nutrition for different target groups. For example, the findings will give advice about how to compensate disadvantageous intrinsic attributes of healthy food (e.g., loss in taste) in product development by highlighting extrinsic attributes (e.g., branding). In this way, our approach also contributes to the success of producers of healthy products who compete with producers of conventional food. Since the latter traditionally have a strong market power, healthy nutrition is still a niche product. Although scientifically sound concepts in product development, pricing and communication have already been suggested, these instruments are of limited use for the promotion of healthy nutrition. Following our agenda will provide implications on how to design appropriate products that overcome fundamental obstacles for healthy nutrition. Producers will gain insight into why consumers refrain from buying healthy food and they learn how to design effective communication campaigns.

The prospective impacts of the suggested research are not restricted to the industry sector. Given that diet-related diseases cause a high economic loss, results of investigations that follow our agenda are highly beneficial to health insurance funds and non-governmental organizations. Evidently, a change in lifestyle can lead to a successful diabetes prevention and significantly reduce the costs by many billion U.S. dollars per year. Considering the enormous monetary spending on health care, the suggested agenda is beneficial for governmental organizations and policy-makers as well.
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MARKET-BASED ASSETS, INNOVATION SUCCESS AND BUSINESS PERFORMANCE: AN EMPIRICAL EXAMINATION IN GLOBAL CONTEXT

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SUMMARY

The concept of market-based assets builds on the resource-based view (RBV) of the firm. While there is recognition that market-based assets contribute to firm’s final performance outcomes, the exposition, however, is largely conceptual (Varadarajan and Jayachandran 1999; Srivastava et al. 1999; Ramaswami et al. 2009). The growing theoretical and conceptual work on marketing assets and capabilities is not mirrored in empirical discovery, and the evidence for existence and magnitude of the dependencies between marketing assets and innovations has remained scarce (e.g., Varadarajan and Jayachandran 1999; Srivastava et al. 2001; Fahy and Hooley 2002; Hult et al. 2004). In the present study, we investigate whether market-based assets provide critical input for innovation success within firms. In particular, we analyze the effects of three types of market-based assets on firm success in new product and business process innovations, and ultimately, on final performance outcomes in terms of effectiveness and efficiency. Thus, we anticipate the following hypotheses:

- Customer-based assets are positively related both to success in new product innovations (H1a) and business process innovations (H1b).
- Channel-based assets are positively related both to success in new product innovations (H2a) and business process innovations (H2b).
- Partner-based assets are positively related both to success in new product innovations (H3a) and business process innovations (H3b).
- Success in new product innovations is positively related to success in business process innovations (H4).
- Success in new product innovations is positively related both to firm effectiveness (H5a) and efficiency (H5b).
- Success in business process innovations is positively related both to firm effectiveness (H6a) and efficiency (H6b).
- Firm effectiveness is positively related to its efficiency (H7).

This study is a part of a multi-country research project in which data was collected through mail surveys in 2001–2004. The sample covers small (20–99 employees), medium sized (100–499 employees), and large firms (500 or more employees), and represents business products and services as well as consumer products and services. Informants were chief marketing executives. In total, 5627 usable responses were received from Australia, Austria, China, Finland, Germany, Greece, Hong Kong, Hungary, Ireland, the Netherlands, New Zealand, Slovenia, and the U.K. Given the length of the mail survey (8 pages) and the seniority of the managers targeted, the response rates (country-wise between 10–25%) were satisfactory.

The questionnaire contained fifteen market-based assets items, hypothesized as three separate factors, following the guidelines supplied by Hooley et al. (1998) and Srivastava et al. (1998, 2001). Eight innovation success items were submitted to our analysis – four items for success in new product innovations and another four items for success in business process innovations, as proposed by several scholars (e.g., Gemünden et al. 1996; Gatignon et al. 2002; Varadarajan and Jayachandran 1999). In a similar manner, business performance was captured two-dimensionally – effectiveness vs. efficiency – deploying a scale composed of five items, following the guidelines provided by Clark (1999). All the items were measured on a five-point advantage scale relative to major rivals. The scale construction and validation was completed using confirmatory factor analysis. The fit indexes for the final measurement model ($\chi^2 = 1118.94; \text{df} = 149; p = .000; \text{RMSEA} = .034; \text{GFI} = .98; \text{NNFI} = .99; \text{CFI} = .99$) indicate that the model fits the data acceptably and that the developed proxies perform well.

The hypotheses were tested simultaneously using structural equation modeling (SEM) via LISREL 8.80. The fit indexes ($\chi^2 = 1495.44; \text{df} = 155; p = .000; \text{RMSEA} = .039; \text{GFI} = .97; \text{NNFI} = .98; \text{CFI} = .99$) imply a good model fit. Only one of the twelve hypotheses (H1b) did not get empirical evidence. Overall, the results show that both market-based assets and successes in innovations play a positive and significant role in firm business...
performance. Of the three market-based assets examined, partner-based assets were identified as the strongest drivers of firm performance outcomes. Moreover, of the two types of innovation success, new product success was found to affect the performance outcomes more significantly. Overall, the results confirm our basic argument: both market-based assets and successful new product and business process innovations are needed to sustain firms’ competitiveness in the global rivalry. References are available upon request.

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GOING GLOBAL WITH INNOVATIONS FROM EMERGING ECONOMIES: INVESTMENT IN CUSTOMER SUPPORT CAPABILITIES PAYS OFF

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SUMMARY

Entrepreneurial new ventures from emerging economies increasingly launch their technologically complex products with international markets in mind. The entry of innovative entrepreneurial firms from emerging economies into the global high-technology market place is poorly understood and vastly under-researched. International marketing research has historically focused on how established, often large, and typically well-endowed firms from developed economies have promoted and distributed their products across international borders (Cavusgil, Deligonul, and Yaprak 2005; Douglas and Craig 2006; Griffith, Cavusgil, and Xu 2008). Recently, an emerging stream of research has turned the spotlight on how international new ventures and born-globals pursue globalization strategies shortly after founding (Autio, Sapienza, and Almeida 2000; Fan and Phan 2007; Mudambi and Zahra 2007). Although rich in theoretical and practical insights, such studies, by and large, consider the globalization of entrepreneurial ventures only from the developed economies (Burgel and Murray 2000; Chetty and Campbell-Hunt 2004). Surprisingly, few studies in international marketing have asked how do innovative entrepreneurial firms from emerging economies compete in the global market place?

We make several contributions to the international marketing literature. First, we bring to light entrepreneurial firms from emerging economies as an important and neglected source of innovation. We collected a unique sample of 173 entrepreneurial firms from China and India which we use to test a process model of internationalization. Second, we draw on the dynamic capabilities literature to explain how improvements in organizational learning and performance emerge from deliberate investments in international customer-support capabilities. Finally, our findings dovetail with the growing literature on service as the basis for opening the exchange relationship in marketing. These can be seen in the four hypotheses of the study, as follows:

H1: Firms with proprietary technology at founding will aggressively invest in international customer-support capabilities in order to satisfy the demands of their most important international customers.

H2: Firms that internationalize with strategic intent will aggressively invest in international customer-support capabilities in order to satisfy the demands of their most important international customers.

H3: Firms that invest aggressively in international customer-support capabilities in order to satisfy the demands of their most important international customers will see improvements in their organizational learning as a result of globalization.

H4: Firms that aggressively invest in customer-support capabilities in order to satisfy the demands of their most important international customers will see improvements in their organizational performance as a result of globalization.

To recap, we proposed a process model of internationalization of entrepreneurial firms from emerging economies. In our model, international customer-support capabilities mediate the relationship between firm resources and strategies and organizational outcomes. Specifically, we argue that firms with proprietary technology and a strategic intent to internationalize will invest in international customer support capabilities. Such investments will in turn allow the firm to improve its organizational learning and performance. In the next section, we test our hypotheses on a unique sample of entrepreneurial firms internationalizing from China and India. We then discuss our findings and offer conclusions.
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TRANSNATIONAL TRUST IN ADVERTISING MEDIA

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SUMMARY

This study investigates whether and how regional clusters of countries with similar values explain variance in trust in advertising and compares these results with findings from a national culture approach. Media consumption is partially a transnational phenomenon, primarily due to language issues as well as due to shared values across countries. Some countries share common languages and, therefore, consumers within such a regional cluster have a higher probability of homogenous media consumption patterns, media perceptions, and evaluations than consumers from other regional clusters. To understand whether and how consumers from different countries perceive and value advertising media, we refer to trust in advertising media—a variable that describes how consumers perceive and value different media information sources. Previous studies have shown that cultural values are an important antecedent in explaining advertising outcome variables. Following the idea that aggregated variables are important predictors of advertising outcomes and the idea that media perceptions and evaluations are rather homogenous within a regional cluster, we suggest that a regional cluster approach is more appropriate for explaining variance in trust in advertising media than a national culture approach. We further argue that a transnational approach is more appropriate for traditional advertising media than for online advertising media for which a globalization approach might be more appropriate.

Data for our study came from several databases. In order to investigate the influence of cultural orientations, we use data from the GLOBE project that has identified nine core dimensions of culture. Countries included in the GLOBE study were grouped into a set of regional clusters as a result of a conceptual and empirical process, using both cultural practices and values. Societal practices and values are not always positively related, they can even exhibit negative correlations. As for trust in advertising media, both cultural practices and values might influence perceptions and evaluations of consumers.

Data on trust in different advertising channels were provided by Nielsen’s 2009 Global Online Consumer Survey. As a control variable for the impact of cultural values on trust in advertising, we applied the 2009 gross domestic product (GDP) per capita in U.S. dollars as provided by the International Monetary Fund. The Nielsen survey provides trust data for 37 out of 61 countries included in the GLOBE study. They were assigned to eight regional clusters. Although the number of countries represents less than 25% of all countries in the world, these countries cover more than 50 percent of global ad spending in 2009. We test the influence of cultural practices and values and the impact of regional clusters using regression analysis with GDP and either practices, values, or regional cluster membership as predictors for trust in all advertising media, traditional advertising media, and online advertising media.

The results support the superiority of the regional cluster approach for traditional media, but not for online media. The regional cluster approach is an interesting candidate for transnational segmentations and an alternative to either national or global approaches in advertising research and practice. The GLOBE segments provide a useful identification of regional clusters of consumers that share similar values. The segments are still delineated by country boarders that ease the practical application of such segmentation. The findings are interesting for international media planning as they show that transnational media plans are a reasonable alternative when they are based on regional clusters; such media plans promise to be effective and at the same time efficient due to cost-reducing standardizations. Interestingly, the results also show that a regional cluster approach is not superior for online media. Trust related to online media might even show a more global pattern, because the internet can certainly be regarded as the most globalized of all advertising media.

The results further show that cultural practices and values have differential impact on trust in advertising media. An important implication for advertisers is that they should rather focus on cultural values rather than practices as provided by GLOBE when appealing to consumers’ aspirations, since cultural values represent what consumers aspire rather than what common behaviors are, with which they might even be dissatisfied. References are available upon request.
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THE VALUE OF TRADABLE ELECTRONIC SERVICES IN GLOBAL BUSINESS MARKETS: TOWARD A CONCEPTUAL MODEL

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ABSTRACT

Understanding and managing customer value in global markets represents a key issue in practice as well as in academic research. Nevertheless, the conceptualization and modeling of customer value in the area of online service offerings, especially in the B2B context, have not been deeply examined. This paper introduces a preliminary conceptual model on key value components of global electronic B2B services, by taking into account both transactional and relational aspects.

INTRODUCTION

The increased economic focus on the service industry and the latest technological developments in the information technology facilitate the supply and demand of services outside traditional provisioning boundaries. In the recent years, various industries have been moving toward a broad use of Internet instead of traditionally “physical” processes (Baida et al. 2004). Respectively, new service delivery models primarily including software-as-a-service, business process outsourcing, service marketplaces, or integration platforms, have been created in an effort to lower costs and increase the flexibility.

Services that use electronic networks (e.g., Internet, mobile networks or ATMs) as a channel to interact with consumers are called e-services (Rust and Kannan 2003). In this paper, the term e-service refers to an Internet-based version of a traditional service. It can be offered and integrated by different providers and delivered entirely online as a download or software as a service application, or use the Internet only as a user-interface and then be delivered by traditional channels (e.g., service marketplaces).

Most e-service research relates to an e-commerce context (Van Riel et al. 2004) and focuses on the development and provision of services between a company and its external customers. However, reports from Forrester Research and Gartner have shown that greater potential of e-services will be rather in business to business (B2B) than business to consumer (B2C) domain (Croom and Johnston 2003). Companies such as IBM, HP, and SAP are increasingly focusing on services by transforming their products to e-service components (Rust and Kannan 2003). Thus, B2B transactions and operations have become the next generation of services offered and sold in global online environments (The European e-Business Report 2008).

This new orientation raises a number of challenges from both technical and business point of view. Currently, the technological research (e.g., service modeling and the development of Web-based infrastructures that support the service delivery) and research on various business models of B2B electronic markets and customer integration appears to be dominant, whereas service value and its determinants, especially for an e-service context, has received less focus. Only a few research studies analyze and conceptualize customer service value in the electronic context, focusing on consumer rather than business markets (e.g., Chen and Dubinsky 2003; Heinonen 2004). Furthermore, because of the self-service nature of e-services (e.g., Ordanini and Pasini 2008), this paper investigates the importance and impact of service co-production and value co-creation on the customer e-service value construct.

Drawing on this background, the aim of the current study is to analyze and conceptualize customer value of Web-based e-service offerings in global B2B markets. Particular attention is paid to the content of the value dimensions and how they differ from traditional customer value models based on special characteristics of e-service delivery systems. The paper is conceptual in nature and the discussion and conclusions are based on literature analysis. We believe that the main contribution of our paper is the integration of known customer value models and approaches with technological developments, descriptions and specific characteristics of service provision in online B2B environments. The known value dimensions will be re-conceptualized by adding additional, e-service specific determinants. Besides, the phenomena of service co-production and value co-creation in the B2B segment will be explored and integrated into the proposed conceptual model.

The reminder of this paper is structured as follow. We begin with a discussion of main value research streams and studies addressing customer value. We then provide an overview of the e-service concept and its scope. Next, a preliminary conceptual model that integrates key value components of B2B e-services and hypothesizes their respective relations is provided. Lastly, conclusions and directions for future research are discussed.
RESEARCH BACKGROUND

Customer e-Service Value in B2B Context

Customer value is traditionally operationalized as a trade-off between benefits (“what you receive”) and sacrifices (“what you give”) (e.g., Zeithaml 1988). It is created in customers’ value generating processes, when individual or business customers make use of the purchased solution (Grönroos 2000). Most of the studies conceptualize customer value as a single overall concept using a uni-dimensional approach (e.g., Bolton and Drew 1991; Cronin, Brady, Brand et al. 1997; Teas and Agarwal 2000). However, this approach ignores the conceptual complexity of the construct and is thus criticized by several researchers (Lin et al. 2005; Ruiz et al. 2008). To discern the complex nature of customer value “a more sophisticated measure is needed . . .” Sweeney and Soutar (2001, p. 207) and a multi-dimensional approach is employed. Here, several distinct components or dimensions composed the value construct (e.g., Petrick 2002; Williams and Soutar 2000). In our study, we conceptualized customer value as a multidimensional construct. Following customer value studies in service and e-service context, we used trade-off model as a starting point to identify the e-service value components that will be included (e.g., Flint et al. 2002; Heinonen 2004; Ruiz et al. 2008).

By investigating customer value in the B2B context, two distinct research streams can be identified in literature (Lindgreen and Wynstra 2005). The first one adopts a transactional approach focusing on the value of the exchange object, i.e., value of products or service offerings (e.g., Dwyer and Tanner 2002; Parasuraman and Grewal 2000). The second research stream adopts a relational approach and analyses customer value within the context of B2B relationships (e.g., Grönroos 2000; Ravald and Grönroos 1996; Ulaga 2001). The relational perspective on value proposed that the different elements of the buyer-seller relationship aggregate value “above and beyond what is actually exchanged between partners” (Aastrup et al. 2007). Thus, besides hard or quantifiable product and service characteristics such as quality or price, concepts of trust, commitment and relational bonding are becoming increasingly relevant.

Previous conceptualizations of customer e-service value have been based on the transactional approach concentrating primarily on functional and quality e-service dimensions (e.g., Chen and Dubinski 2003). We argue that, especially by analyzing B2B e-services, the relationship perspective is needed to fully capture the nature of this value. Therefore, a relational approach is conducted in our study. We conceptualize the customer e-service value as a higher-order construct having both transaction and relationship dimensions, (e.g., Barry and Terry 2008; Grönroos 2000; Ulaga and Eggert 2005), each comprising the respective benefits and sacrifices components. In doing so, we are building on the work of Ravald and Grönroos (1996) by suggesting that customer value is a function of episode benefits and sacrifices and relationship benefits and sacrifices.

In the recent years, the service-dominant view, in which intangibility, exchange processes, and relationships are central (Ruiz et al. 2008) has emerged in marketing (Vargo and Lusch 2004) and the concepts of service co-production and value co-creation have become a major topic of discussion in the literature (e.g., Bendapudi and Leone 2003; Grönroos 2008; Lusch et al. 2007).

Service co-production takes place in the production process and is based on customer integration in the design, development and delivery of services. It suggests that specific characteristic of the service provision (i.e., the service is always delivered with the active participation of the customer) determines the final service delivery and thus the level of customer value (e.g., Etgar 2008). Value co-creation, on the other hand, takes place in the usage and consumption stage. Value co-creation and co-production are defined as “nested concepts with the former superordinate to the latter” (Lusch et al. 2007, p. 11).

In the context of B2B e-service offerings, the concepts of service co-production and value co-creation are gaining on importance (e.g., Ordanini and Pasini 2008; Spohrer and Maglio 2008), what is primary based on the self-service character of an e-service. Technology service firms have launched new generation of service offerings that rely on strong modulation and can be thus designed and managed directly by customers (Miozzo and Grimshaw 2005). Besides, many services are solutions to a specific demand.

Following the service-dominant paradigm and by suggesting that customers can actively participate in the co-production of e-service solutions by applying their skills and knowledge and thus co-create the value, we add the concept of value co-creation in our proposed conceptual model.

The Nature of B2B e-Services

Literature provides different perspectives on the service concept, varying from traditional business oriented views to purely technical views of electronic services or web services (Kohlborn et al. 2008). Traditional business services, e.g., finance, consulting or logistics are discovered and invoke manually and then realized automatically or by humans. Technical or technology-based services are, on the other hand, based on the adoption of self-
service technologies. They are performed without direct assistance or personal interactions. Booking hotels, ordering books or calculating routes are only some well-known examples of such services provided through the Internet.

As mentioned in the introduction, an e-service is generally defined as the provision of service over electronic networks (Rust and Kannan 2003). For the purpose of this study, we will use the definition given by (Kim et al. 2003), as it adequately reflects our service concept: an e-service is “an integrated solution for customized services that are delivered through the Internet, enabling the dynamic discovery, composition and execution of services.” The services can be offered and integrated by various providers using different delivery models. Currently, the offline model, i.e., services are ordered and priced with no run-time aspect, and the download model, i.e., services are ordered, downloaded and run in the customer context, are the most common ones.

In this paper, we are concentrating on purely automated services delivered through the mediated model. In this case, services are discovered, ordered and realized online and mediation is provided for their execution (mostly through a service marketplace or a service platform). The mediated service delivery model strongly supports the provision of electronic services in the global markets as no spatial and temporal restrictions occur. Three different entities are involved in the service provision process: service provider, service consumer and service mediator. Service provider represents the entity that provides the services and facilitates the functionality for applications. It also defines, often in cooperation with the service consumer, the quality and business conditions of the service delivery process. Service consumer uses the service in his business context by means of passing input and fetching the resulting output. And finally service mediator, most abstract a platform or a marketplace, is the coordinating entity with knowledge of the connections and interdependencies between the different service providers and service consumers.

The selection of the respective service delivery model determines the character of the e-service construct. E-services in offline and download models are considered as value added services. They support the core product or real service to increase its value and to differentiate from competitors. They improve “what is already done, instead of creating something new” (Grönroos 2000, p. 142).

In the mediated model, both the core solution and value added services are offered as an e-service. Here, services are constructed in cooperation with an external factor (usually the service consumer) and the construction and consumption of the service occur at the same time (Janiesch et al. 2008). Based on this fact, both exchange partners (the service provider and the service consumer) are co-creating value and their roles may overlap (Woodruff and Flint 2006). For example, the service consumer requires a tax calculation service that is available on a service marketplace (or on a service platform). After placing the service request and negotiating the service delivery conditions (i.e., price, functionality, quality, etc.) the service is delivered and executed in real time on his computer (or other device). The tax calculation is then carried out by the service consumer, by providing its own resources such as knowledge, skills, etc. These resources are then combined with technical resources and competencies of the service provider, who is responsible for functionality and quality of the provided service. In case of complex electronic services in manufacturing or automotive industry, requirements analysis as well as service co-design with service consumers are taken for granted.

We assume that besides the transaction and the relationship perspective, the concept of value co-creation is needed to fully capture the customer e-service value. Especially by analyzing B2B e-services in global markets.

Many variables have been identified in marketing and e-service literature as having influence on customer value in B2B markets. In our research, we focus on the components that have the strongest theoretical support in order to provide the best generalization to e-service value concept. From the episodic point of view, e-service quality that comprise of service functionality, quality of service and service support; and service costs have been defined as the main e-service value determinants. From the relational point of view, trust, social bonds, shared technology, time/effort costs and perceived risk have the best theoretical basis. In the following section, a discussion of each of these components is provided in order to explain why they should be considered by conceptualizing customer e-service value in the global B2B domain.

CONCEPTUAL MODEL

Following Grönroos (1996) approach and based on Vargo and Lusch (2004) service-dominant paradigm, we attempt to understand customer e-service value by examining e-service-related issues in global business markets. We model customer e-service value as a higher-order construct including benefits and sacrifices components, by using formative rather than reflective indicators (Diamantopoulos and Sigua 2006; Lin et al. 2005).

Grönroos (2000) states that perceived customer value is “created by elements in singular episodes or service encounters as well as by perception of the relationship itself” (Grönroos 2000, p. 140). An episode is defined as an event of interactions with a clear starting and an ending point (Ravald and Grönross 1996). Every episode (service encounter or purchase) produces a benefit and requires a sacrifice, normally in a form of a price that has to be paid. Respectively, we defined e-service quality and costs of
services as core components of customer e-service value at the episode level.

Service quality has been conceptualized as comprising of two dimensions – technical (what is delivered in terms of service outcome) and functional (how is it delivered in terms of service process) (e.g., Grönroos 1982; Parasuraman et al. 1985). Using this conceptualization, Gummerus et al. (2004, p. 177) defined e-service quality as the consumer’s evaluation of process and outcome quality of the interaction with a service provider’s electronic channels. In the context of offline or download service delivery models, the two quality dimensions are clearly distinguishable. In the mediated model they seem to overlap and thus their identification is more difficult. Based on the recent e-service quality frameworks and models (e.g., Grönroos 2000; Heinonen 2004) as well as on the specific nature of the analyzed e-service construct, we characterize the e-service quality as consisting of service functionality and quality of service at the outcome level, and service support at the process level. Accordingly, the following three propositions may be formulated:

Proposition 1: Service functionality has a positive impact on the customer e-service value in the B2B context.

Proposition 2: Quality of service has a positive impact on the customer e-service value in the B2B context.

Proposition 3: Service support has a positive impact on the customer e-service value in the B2B context.

Service functionality is primarily expressed via the service description (“what the service does”) and the interface (“how its interface looks like”). It represents a central issue in creating customer value. The service has to be related to the respective business context in which it is used and meet customers’ needs. Quality of service is characterized through quality parameters such as performance, reliability, availability and security. As quality parameters directly affect the use of a service, high quality standards are a must criterion in the B2B domain. Service support is then primarily specified through the availability and competence of the contact personnel, effective problem solving and fast service recovery.

Taking closer look at the sacrifice components at the transaction level, costs of service referring to the monetary costs of using a service are taken into account. Two types of costs are associated with the e-service delivery by applying the mediated model: direct costs and operations costs. Acquisition costs are considered to be zero and are not taken into account. Direct costs are represented by the purchase price and can be fixed or variable, depending on the e-service type and the respective price model. Operations costs basically consist of support, training, downtime and documentation costs. As suggested in the literature, there is a strong relation between costs (or price) and customer value (e.g., Ravald and Grönroos 1996; Zeithaml 1988). Thus, we propose:
Proposition 4: Costs of service have a negative impact on the customer e-service value in the B2B context.

From the relational point of view, exchanges per se are not seen as most important in today’s marketing and thus, not only the core service and service support, but also the effects of maintaining a relationship have to be taken into account, when examining the perceived-value (Ravald and Grönroos 1996). At this point, relational characteristics comprising trust, shared technology, social bonds, time/effort costs and perceived risk are considered. The below presented characteristics are determined on the basis of a systematic literature research in IS and business marketing.

Trust has been identified as the central construct in business relationships (Anderson and Narus 1998). The application of trust in the traditional business settings is not fully applicable to e-business domain, since interpersonal exchanges and interactions, which are considered as a precondition of trust (Blau 1986), are lacking (Gefen and Straub 2004). Accordingly, the degree of uncertainty in e-business transactions is higher (Kim 2003) and makes the issue of trust more critical. Based on literature review (e.g., Gefen and Straub 2004; McKnight et al. 2003), trust is defined as the belief of a business customer in the ability, benevolence and integrity of a service provider in providing e-services. The absence of interpersonal interactions in the majority of electronic exchanges suggests that online trust is mainly cognitive, i.e., rely on provider reputation and customers’ judgment of the reliability and capabilities of the service provider, and no affective, i.e., based on a bond among individuals (Ribbik et al. 2004).

In the B2B settings, characteristics such as company size, number of years that a firm has been in business, reputation and brand name are considered to influence customer’s trust toward a company (Doney and Cannon 1997). In online environments, the internet presence (e.g., website design, layout, etc.) also influences the trustworthiness of the customers (Chen and Dhillon 2003).

Respectively, relevant relational characteristics such as brand image and reputation as well as company size and internet presence of a service provider are implicitly included in our conceptualization of trust. We propose:

Proposition 5: Trust is positively related to the customer e-service value in the B2B context.

Based on Wilson (1995), we define shared technology as the degree to which customer values the technology contributed by the service provider to the business relationship. The terms technology bonds (mostly used in the manufacturing context) or digital bonds (mostly used in the IT or mobile context) generally refer to the same concept (e.g., Liljander and Strandvik 1995; Salo 2007).

In the context of B2B e-services, technology and process improvements, customization (e.g., brand specific service or service support) and prior technology experience are expected to affect the customer value (e.g., Wang and Shi 2007). The initial digital bond is created by the provision of the service through the internet. It is then strengthened by further service usage and widened by process improvements and customization activities of the service provider.

We assume that shared technology plays a vital role in the download delivery model, where a specific service solution has to be integrated in customer’s software landscape. In the mediated service delivery model, the impact depends on the character of the provided e-service, i.e., it is particularly relevant in the case of a highly specialized solution and not very relevant by a broadly available commodity. We are currently conducting a qualitative study based on experts’ interviews in a global software companies to analyze the determinants of shared technology and its impact on customer e-service value. We propose:

Proposition 6: Shared technology is positively related to the customer e-service value in the B2B context.

Social bonds refer to close interpersonal relationships between service providers and customers, e.g., familiarity, friendship and personal confidence that are formed through exchange processes and interactions (Wilson 1995). We defined social bonds as the degree of mutual personal friendship and linking shared by the service provider and the customer (cf., Wilson 1995, p. 339). Recent research studies pointed out the negative effect of self-service technologies on social bonds (e.g., Selens and Hansen 2001; Beatson et al. 2007) Thus, service providers, who already established strong social bonds with their customers, may have an important advantage compared to those who didn’t. We argue that communication and contact with e-service customers have to be maintained and that service providers operating in the B2B area should not completely rely on the self-service technology. Hence we propose:

Proposition 7: Social bonds between the service provider and the customer are positively related to the customer e-service value in the B2B context.

Relationship costs are defined as non monetary costs that customer give up to acquire a service or to maintain a relationship with a service provider (cf., Grönroos 1996; Lapierre 2000; Zeithaml 1988). In our study, time/effort costs and perceived risk are considered to have a significant impact on e-service customer value (e.g., Hofacker et al. 2007; Lapierre 2000; Ruiz et al. 2008). Time/effort costs refer to the time and effort a customer invests in order to receive and use a particular e-service. Accurate information, service directories for finding
appropriate providers, on-time service delivery or fast service recovery may significantly reduce the time/effort costs for the customer (e.g., Dennis et al. 2002; So 2008). Thus, we propose:

Proposition 8: High time/effort costs have a negative impact on the customer e-service value in the B2B context.

Risk perceptions appear to be critical factors in online B2B marketplaces (e.g., Lin 2005; Pavlou 2002). We define perceived risk as the customer’s perception of uncertainty and adverse consequences of buying and using a particular e-service (e.g., Dowling and Staelin 1994). Different types of perceived risk are related to online exchanges; nevertheless financial (losing money), performance (service product fails to meet customers’ expectations) and privacy (possible misuse of data and information) have been identified as the key risks (Chen and Dubinski 2003; Strader and Shaw 1999). Since several studies pointed out the negative effect of perceived risk on value (e.g., Sweeney et al. 1999; Teas and Agarwal 2000), we propose:

Proposition 9: Perceived risk has a negative impact on the customer e-service value in the B2B context.

The service-dominant logic is based on the proposition that customer is always a co-creator of value. The use of e-services that represent a self-service technology often allows and requires consumers to self-produce (Xie et al. 2007). It is considered that the degree to which the customer is involved in the production and delivery of a service influences customer value (Dong et al. 2007).

Recently, the concept of value co-creation draws significant attention in the information technology science. Steven and Paul (2006), for example, analyze how to align technology and individuals in order to generate value for both service providers and users. Chesbrough and Spohrer (2006) state that the service exchange is co-generated by both service provider and customer, where “each party in the exchange needs the other’s knowledge.” The provider needs the contextual knowledge of the customer’s business, whereas the customer needs the knowledge of provider’s technological capabilities. Furthermore, by dealing with professional services, specialized competences and often highly skilled and educated employees are necessary to create value (Tung and Yuan 2008). We propose:

Proposition 10: Value co-creation is positively related to customer e-service value in the B2B context.

Together, the ten propositions make up the conceptual model (Figure 1), which is currently analyzed in a qualitative study conducted in global business software companies as well as in small and medium enterprises (SMEs) that are dealing with professional B2B e-services. Besides verifying the ten customer e-service value components, a closer look is taken on their determinants (e.g., the value component service functionality is determined by service description, service functionality and service interface; QoS is determined by technical parameters performance, reliability, availability and security). As the final determinants will be specified during the qualitative study, they are not explicitly discussed in this paper.

**CONCLUSIONS AND FUTURE WORK**

The emerging provision of tradable electronic services in global business markets generates new business opportunities for companies that are both providing and consuming these services (Castro-Leon et al. 2007). Innovative business models and customer value creation in this context are thus becoming important research topics.

In this paper, a preliminary conceptual model on ten key value components of electronic B2B services was developed based on an extensive literature research. Our aim was to examine different e-service value components from customer point of view and thus gain better understanding of the concept of customer value in the area of tradable electronic services in the global business environment. For the further refinement and conceptualization of the proposed model a dyadic data approach based on expert interviews with service providers and service consumers operating in global business markets as well as case studies with SMEs is currently applied. Furthermore, a quantitative evaluation of the model will be carried out.

The practical implications of this study lie in the better understanding of the various customer value components and their determinants in the context of B2B e-services. Knowing what customers value and what they expect from a service provider will help companies to improve their performance and to better serve their customers. From the theoretical perspective, the results of our study provide further insights into the conceptualization and understanding of the customer value in the B2B e-service domain.

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THE IMPACT OF SENSORY ORDER ON THE EXPECTED TASTE OF FOODS

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SUMMARY

Consumers tend to have different types of sensory reactions while experiencing food (Shiv and Nowlis 2004) and other sensory-experiential products, such as perfumes, movie clips, and music. For instance, in evaluating food and beverages, consumers are influenced by their visual and olfactory aspects. Similarly, while evaluating a movie, consumers are influenced by the visual and auditory aspects of the products. With the multi-billion dollar food and beverage industry becoming highly competitive with the proliferation of several brands (Fusaro 2009), companies are trying out innovative approaches in terms of package design and aesthetic appeal to lure consumers. The sensory-experiential aspects of food products (such as the color, scent, texture, taste, and appearance) are particularly critical in influencing consumer choices and perceptions.

Prior research, across multiple disciplines, has documented the effects of different types of sensory stimuli inputs on the evaluation of products (e.g., Krishna and Morrin 2008). These studies have typically examined the effects of individual sensory inputs, such as color, shape, scent, and touch. However, no study has examined how the order in which multiple sensory stimuli are encountered can influence product evaluations. This is especially relevant since in many real world situations, consumers might often encounter sequential stimuli that appeal to multiple sensory aspects. We propose that the order in which sensory stimuli are encountered can influence overall judgments. More specifically, we hypothesize that consumers would have a more favorable evaluation of a food sample (such as beverages, cookies) when they encounter the visual/color aspects of the product first, prior to the olfactory/scent aspects (that is, C–S > S–C). Next, in an attempt to more closely examine the process behind this effect, Study 2 examines the order effects of evaluating a food’s visual (color) and olfactory aspects when the color is desirable but the odor is undesirable (henceforth referred to as S’). The results of Study 2 show that perceptions about tastes are higher for C–S’ than for S’–C. Finally, Study 3 examines the moderating effects of satiation (i.e., level of hunger) and demonstrates that the effects observed in Study 1 are reversed under high levels of hunger.

In Study 1, a single-factor (sensory order sequence: C–S vs. S–C) between-subjects design experiment. A beverage was used as the product in Study 1. The results of Study 1 showed that participants expressed higher taste ratings for the beverage in the C–S (vs. S–C) condition. Study 2 attempted to provide additional direct evidence regarding the underlying process for the order effects of evaluating the sensory cues by examining two manipulated effects C–S’ versus S’–C (where S’ implies an undesirable scent). The results of study 2 provided empirical support for the theorizing regarding the interaction between the sensory stimuli, and showed that participants’ perceptions about tastes of the beverages were higher in the C–S’ than for the S’–C condition.

Finally, Study 3 attempted to examine if hunger influences the order effects of evaluating the sensory cues of food color and scent. Study 3 used a 2 (order of sensory cues: C–S vs. S–C) X 2 (level of hunger: low vs. high) between subjects experiment with cookie used as a product. The results of this study showed that when not hungry, participants had higher perceived expected taste of the cookie for C–S, than for S–C; in contrast, under high levels of hunger, participants had higher perceived expected taste of the cookie for S–C, than for C–S.

In conclusion, the results of three experiments reveal interesting results regarding effects of sequential presentation of sensory cues (of food color and smell). The findings have both theoretical and practical implications regarding how the sequential order of sensory cues can influence product evaluations. References are available upon request.
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INFLUENCE OF PERCEIVED COLOR-TEMPERATURE AND COLOR-PREFERENCE ON THE EFFECTIVENESS OF APPEALS OF HELPING

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SUMMARY

Although color is ubiquitous in marketing communication materials that non-profit organizations employ, the impact of color on the effectiveness of persuasive messages has been considered negligent. In the present study, we demonstrate that the effectiveness of positive (uplifting) and negative (heartbreaking) persuasive messages is moderated by the type of color due to the distinct characteristics of warm colors (e.g., red and orange) and of cold colors (e.g., blue and green).

Uplifting messages and heartbreaking messages have different persuasion mechanisms. Uplifting messages are effective when donors are motivated by rewards by helping others when in positive moods (Cunningham, Steinberg, and Grev 1980; Levin and Isen 1975). Cold compared to warm colors are expected to increase positive moods for uplifting messages because cold colors are preferred to warm colors (Crozier 1999; Gustin 1990; Mather, Stare, and Breinin 1971; Saito 1994). Previous studies show that increased positive moods due to color preference affect evaluations for a product or websites (Bellizzi, Crowley, and Hasty 1983; Coursaris et al. 2008; Hall and Hanna 2004; Middlestadt 1990). Therefore, we expect that designing uplifting flyers with cold colors will be more effective in increasing intentions to donate because favorable cold colors enhance positive moods.

On the other hand, heartbreaking appeals are effective when donors are motivated by avoiding punishments when in negative moods (Cialdini, Darby, and Vincent 1973; Cunningham et al. 1980). Prosocial attitudes increase the likelihood of helping others in need to avoid negative moods (Basil, Ridgway, and Basil 2008; Lazarus 1991; Lindsey 2005). People become prosocial when they are exposed to warm stimuli (Williams and Bargh 2008). Negative moods are associated with a decrease of body temperature, which in turn makes salient the warmth of warm colors in heartbreaking flyers because people are more sensitive to warmth when feeling cold (Kearney 1966). Therefore, we expect that designing heartbreaking flyers with warm colors will be more effective because perceived warmth from warm colors is expected to induce prosocial attitudes, which consequently increase intentions to donate.

In Study 1, we show that warm colors compared to other colors actually increase interpersonal warmth. In Study 2, we show that heartbreaking messages make people perceive ambient room temperatures colder than uplifting messages. The findings of Study 2 indirectly support the hypothesis that people would be more sensitive to the warmth of warm colors with heartbreaking messages because they feel colder. In Study 3, on the basis of the results of the previous two studies, we confirm our main claim that color moderates the effectiveness of persuasive messages in terms of a type of message.

In Study 1, we adopted the study of Asch (1946) except that we used an anonymous figure that pictures “Person A” with different background colors: orange for a warm color, blue for a cold color, and grey for a neutral color. “Person A” was described as intelligent, skillful, industrious, determined, practical, and cautious. We measured personality warmth of “Person A” on the same scale that Asch (1946) utilized. Contrast tests show that people perceive “Person A” having personality warmth more with an orange background than with a blue background (p < .05) and with a grey background (p < .05).

In Study 2, we find a significant difference in perceived ambient and actual room temperature discrepancy between readers of uplifting flyers and readers of heartbreaking flyers (p < .05). In other words, readers of heartbreaking flyers reported that the experimental room was colder than readers of uplifting flyers. We also find that negative feelings mediate the messages of heartbreaking flyers on an increase of the discrepancy between actual and perceived room temperature by showing that 95 percent bootstrap confidence interval that does not include zero, which means that negative feelings aroused by heartbreaking flyers made people feel colder.

In Study 3, we used 2 (type of message: uplifting vs. heartbreaking) × 2 (background color: orange vs. blue) between subjects design. We find that people experience more positive moods while reading uplifting flyers (p < .01) and negative moods while reading heartbreaking flyers (p < .01). We find an interaction effect of color and a type of message on informativeness (p < .01). Pairwise comparisons show that the heartbreaking flyers with orange compared to those with blue enhance informative-
ness of the flyers ($p < .05$) and that the uplifting flyers with blue compared to those with orange increase informativeness ($p < .05$).

There is a significant interaction effect of color and a type of flyer on intentions of donation ($p < .01$). Pairwise comparisons show that the heartbreaking flyers with orange compared to those with blue induce greater intentions to donate ($p < .05$) and that the uplifting flyers with blue compared to those with orange lead to greater intentions to donate ($p < .05$).

Finally, we confirm the hypothesized mechanisms of persuasiveness of uplifting and heartbreaking flyers. For uplifting flyers, we find that blue increases positive moods, which consequently increase intentions to donate. For heartbreaking flyers, we find that orange increases prosocial attitudes, which in turn increase intentions to donate.

In conclusion, we show that changing subtle cues like a color can significantly affect the effectiveness of persuasive soliciting messages. Nevertheless, this study has several bounded conditions. First, we controlled other elements of color such as chroma and value. Variations of these two elements may lead to another conclusion. Second, when warm and cold colors are mixed, it will be more difficult to predict the effects of the unique characteristics of warm and cold colors.

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BRAND FAMILIARITY: A COMPENSATORY MECHANISM TO OVERCOME LACK OF TACTILITY IN ONLINE PURCHASE ENVIRONMENT

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SUMMARY

Past researchers have identified the impact of tactile input and role of touch in product evaluation and decision making evaluation respectively (Citirin et al. 2003; McCabe and Nowlis 2003; Peck and Childers 2003). They have not considered the impact of brand familiarity and need for tactile input (NTI) on consumer preference for shopping medium. While brand familiarity has been extensively used in previous research to explain differences in consumer information seeking and choice behavior, little has been known of its effect on compensating for the lack of tactile information cues in online shopping environment. Does familiarity with a brand influence consumers’ behavioral intentions in online environment in the same way as consumers in in-store environment? This is an intriguing issue, particularly for a product that is high in tactile properties which consumers can only evaluate haptically. Consumers are likely to depend on their prior consumption experiences in forming the expectations and evaluations of such products. These expectations are strongly influenced by consumers’ familiarity with a brand and can have effect on their sensory perceptions (Deliza and MacFie 1996). It is expected that for more familiar brands, consumers may exert little cognitive effort in evaluating a brand’s performance as they have well-established knowledge or schema of the brands’ sensory experience. On the other hand, for less familiar brands, consumers have limited prior knowledge and thus face difficulty in evaluating brands performance (Alba and Hutchinson 1987). Moreover, if consumers with high levels of tactile need encounter unfamiliar brands in online purchase environment, they presumably would have less favorable evaluations of the brand. It is reasonable to predict that the relationship between consumers’ need for tactile input and their preference for shopping medium is strongly influenced by the familiarity with a brand.

We conducted two experiments to examine our predictions. In the first experiment, a fictitious brand was used to collect responses from randomly assigned 134 student samples on brand attitude and purchase intentions. We used a 2 (need for tactile input: high versus low) by 2 (purchase environment: touch versus no touch) between subjects design. In the second experiment, brand familiarity, purchase environment and NTI were manipulated to collect responses from randomly assigned 242 student samples on purchase intention. We designed a 2³ between subjects experimental design with two levels for each of the three factors.

All the scales used in our study showed high reliability with Cronbach’s alpha ranging from 0.78 to 0.94. Manipulations were checked and found to have worked in both of the studies. We used ANCOVA and MANCOVA to test our hypotheses and obtained support for most of our hypotheses; all significant effects were as hypothesized. Over all, both Study 1 and Study 2 confirm that individual differences in NTI affect purchase decision depending on the choice of environment. These results validate the moderating role of NTI in determining the consumer choice of purchase environment. Additionally, in Study 2, we observed that brand familiarity moderates the effect of purchase environment on consumers’ purchase intention levels. The results suggest that purchase intentions increase when a less familiar brand is offered in touch environment than in no touch environment. For more familiar brand, we observed no difference in purchase intentions in touch versus no touch purchase environment as consumers have well developed brand knowledge structures in their memory. This provides further support to the argument that consumers are more likely to shop for familiar brands in no touch environment than unfamiliar brands (Lee and Tan 2003).

Despite having some limitations, this study makes three important contributions. First, it shows that tactile inputs have a positive effect on purchase intentions in touch environment, particularly for individuals with high level of NTI. Second, it posits that lack of tactility can be overcome by offering familiar brands in no touch environment. Finally, it shows that for low NTI individuals, lack of tactility does not impede them from making online purchases. However, future studies should employ a variety of product types and sample to enhance the validity of the findings. Future studies should also consider manipulation of interactivity in online environment in investigating the effects of NTI on purchase intentions. This would provide strategic insights for online retailers in marketing less familiar products in no touch environment.
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TOWARD AN UNDERSTANDING OF THE BEHAVIORAL, PSYCHOLOGICAL, AND NEURAL MECHANISMS UNDERLYING AESTHETIC PACKAGE DESIGN

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SUMMARY

Designing and marketing aesthetic products is of growing importance in markets where many basic needs of consumers have been satisfied. As core product attributes, such as quality and functionality, become increasingly homogeneous (Reimann et al. 2010), firms are shifting their differentiation efforts away from concrete product characteristics towards less tangible features such as aesthetics (Brunner et al. 2009). For example, Alessi’s lemon squeezer is functionally poor for squeezing lemons, but the unique design makes it a pleasant and interesting kitchen ornament. Coca-Cola has taken steps to creating special limited edition designs of their famous curved bottle for the Olympics, Christmas seasons, and other special events. In fact, design and aesthetics are said to be major differentiating attributes in the choice and preference of consumer goods (Zolli 2004).

This trend toward aesthetics in product differentiation may be based on the insight that regardless of the consumption domain, aesthetic designs seem to trigger certain positive responses in consumers such as an immediate desire to own the product (Norman 2004); a higher willingness to pay for it (Bloch et al. 2003); and an increased inclination to show off and care for that product (Bloch 1995). More importantly, while products purchased solely for their functional utility may lose their appeal when becoming technically obsolete, products with aesthetic qualities may be treasured long after their functional value fades (Martin 1998).

Despite high managerial relevance and important previous research on the psychological understanding of aesthetics, especially package design (e.g., Hagtvedt and Patrick 2008; Peracchio and Meyers-Levy 1994), little is known about core behavioral, neural, and psychological mechanisms when consumers experience aesthetically designed packages. While prior neuroscientific research has improved our understanding of the neural correlates of beautiful faces (e.g., Aharon et al. 2001), beautiful geometric shapes (e.g., Jacobsen et al. 2006), the neural basis of aesthetic preference for paintings and pictures (e.g., Cela-Conde et al. 2004), and the brain correlates of aesthetic expertise (Kirk et al. 2009), knowledge on the neural underpinnings of aesthetic package experiences is nonexistent in the literature. Although packaging, as an integral design element, has recently been investigated by Orth and Malkewitz (2008), these authors lament that there is no good psychological theory when it comes to packaging aesthetics and further research is necessary.

Reaction time has been shown to be a valid measure of the time it takes to carry out basic mental processes (Luce 1986) and, thus, may help to elicit knowledge about underlying processes of aesthetics (de Tommaso et al. 2008). Additionally, choice as a behavioral measure simply sheds light on individuals’ preference construction (Bettman et al. 1998). Therefore, both reaction time and choice measures seem appropriate to gain further understanding of the underlying processes of aesthetic packaging. By adding functional magnetic resonance imaging (fMRI) to the research, the analysis of psychological processes in the brain at the point in time when they take place – and not in retrospective – becomes possible. This is because fMRI is not subject to cognitive processes overlapping actual affective processes as participants do not have to remember an aesthetic experience as when answering a survey item.

In four experiments, this research sheds light on aesthetic experiences by rigorously investigating behavioral, neural, and psychological properties of package design. We find that aesthetic packages significantly increase the reaction time of consumers’ choice responses; that they are chosen over products with well-known brands in standardized packages, despite higher prices; and that they result in increased activation in the nucleus accumbens and the ventromedial prefrontal cortex, according to functional magnetic resonance imaging (fMRI). The results suggest that reward value plays an important role in aesthetic product experiences. Further, a closer look at psychometric and neuroimaging data finds that a paper-and-pencil measure of affective product involvement correlates with aesthetic product experiences in the brain. Implications for future aesthetics research, package designers, and product managers are discussed.
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EFFECTS OF A SALESPEOPLE’S INTRAfirm FRIENDSHIP NETWORK ON PERFORMANCE

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SUMMARY

Salespeople are part of different intrafirm networks, some appointed to them by their firm (e.g., sales teams or business units) and others that they fashion on their own (e.g., friendship or advice). The purpose of this paper is to identify the role of social capital on sales performance by focusing on the impact of the number of a salesperson’s direct friendship ties and the resources of those contacts. We contribute to the existing sales literature in three ways. First, by drawing on social capital theory and focusing on the intrafirm friendship network, we introduce a theoretically unique approach for explaining variance in salesperson performance. Second, by testing alternative explanations for the number of direct ties (outgoing vs. incoming) and reciprocal ties on performance, we shed light on how salespeople can structure friendship ties to best serve customers. Third, investigating the diversity of friendships maintained by salespeople with other network members provides a starting point for understanding how salespeople gain access to novel and non-redundant information.

Conceptual Framework

The number of people whom the salesperson considers to be friends represents their out-degree centrality, while the number of people whom consider the salesperson a friend represents that salesperson’s in-degree centrality. Those with greater out-degrees are more active in the friendship network and better able to gain support from the network. As a prominent point of communication, this salesperson is likely to be in the mainstream of resource flows or the “thick of things” (Freeman 1979). A salesperson with a high in-degree receives friendship benefits from a larger number of network members. These salespeople are viewed as experts or thought leaders, and their resulting popularity makes them a major channel of resources (Van Den Bulte and Wuyts 2007). Therefore:

H1: In-degree centrality in the friendship network is positively related to salesperson performance.

H2: Out-degree centrality in the friendship network is positively related to salesperson performance.

Reciprocity occurs when a salesperson considers an intrafirm member a friend and that person in turn considers the salesperson a friend. Reciprocal ties represent strong or “philos” friendship ties that build experiences with each other over time, and are motivated to exchange valuable or confidential information with one another (Krackhardt 1992). The effects of these types of ties have been shown to produce mixed results regarding performance. For example, strong ties are useful in times of organizational crises (Krackhardt and Stern 1988). On the contrary, strong ties can be costly to maintain and result in redundant resources, thus limiting their effectiveness (Granovetter 1973). Therefore we predict that they can be either positive or negative:

H3: Reciprocal ties in the friendship network drive salesperson performance.

Network diversity is a configuration characterized as a heterogeneous set of contacts. Üstüner and Godes (2006) argue that contacts must go beyond the sales department. While function diversity is typically the focus of most studies exploring the impact of diversity, other forms of diversity such as tenure diversity have been shown to be critical to performance (Regans and Zuckerman 2001). In addition to functional diversity, we explore the impact of rank diversity or the variety of individuals a salesperson has in their network that come from different hierarchical levels in the organization. Friends that span the organizational chart may provide access to both tactical and strategic resources. Therefore:

H4: Network diversity (a) functional and (b) hierarchical rank in the friendship network is positively related to salesperson performance.

Methodology

We collected whole network data through a self-reported network assessment from all 472 firm employees of a B2B industrial supplier. Network data were collected using two name-generating questions which asked respondents about their friendship ties: Whom would you trust to confide your concerns about work-related issues? Whom would you invite to happy hour after a work day? The survey produced a response rate of 98.3% yielding 464 completed questionnaires. Of the 109 salespeople in the firm, 101 were eligible for inclusion in the study. Two objective performance measures were used: margin captures the individual salesperson’s annual sales margin,
which is computed on the basis of the firm’s financial records, and *average sales* was calculated as the total annual sales divided by total items sold by the sales person. UCINET 6 was used to calculate the social capital variables: degree centrality and reciprocity. We calculated network diversity using the index of qualitative variation (IQV) developed by Marsden (1987) for measuring egocentric network diversity.

**Results and Discussion**

Sales people with high out-degree centrality in the friendship network achieve higher performance in terms of average sales ($\beta = .24, p < .01$) and margin ($\beta = .17, p < .10$). This is in accordance with H2. These results suggest that having a larger network of friendships initiated by the salesperson leads to improved performance as a result of access to a wider pool of intrafirm support and resources. We also find a significant negative effect of tie reciprocity on average sales ($\beta = -.20, p < .05$) and margin ($\beta = -.16, p < .10$), as hypothesized in H3. This suggests that sales people maintaining non-symmetrical relationships perform better. What is not certain is whether the negative effects are due to the costs associated with maintaining such close ties or the redundancy of resources provided by such ties. Last, we find a positive significant effect of diversity hierarchical rank on average sales ($\beta = .16, p < .10$) and margin ($\beta = .25, p < .01$), as hypothesized in H4b. This suggests the importance of contact authority and access to privileged information. For management the study results reveals the necessity for firms to promote a configuration of relationships within the firm that brings to bear the firm’s competencies for managing customer relationships. References are available upon request.

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THE ENHANCING IMPACT OF FRIENDSHIP NETWORKS ON SALES MANAGERS’ TOTAL SALES, NEW PRODUCT SALES, PROSPECTING AND THE CLOSING OF NEW DEALS

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ABSTRACT

This paper examines how relationships with friends moderate the impact of professional networks on sales performance. Based on a sample of 204 sales managers in a professional service company, this study presents evidence that friendship networks increase the impact of sales force’s professional networks on new product sales as well as in prospecting and closing new deals. Our results offer important insights into the socio-cognitive perspective of the sales management literature and suggest that firms should encourage managers to improve their friendship relationships in order to access valuable information that will enhance customer knowledge and support their sales efforts.

INTRODUCTION

Marketing scholars have increasingly recognized the need for salespeople to possess sophisticated knowledge about their firm’s capabilities and competitive advantages in order to identify opportunities and approaches for creating customer value (Weitz and Bradford 1999). As customer problems become more complex and heterogeneous, salespeople must also be able to coordinate the efforts of individuals needed to effectively serve customers and manage relationships (Moon and Armstrong 1994). The salesperson’s ability to amass more and better sales resources from coworkers has been shown to have a direct impact on sales performance (Plouffe and Barclay 2007). More specifically, research suggests that salespeople’s ability to leverage their firm’s relational information processes, in order to gain and subsequently pass on this information about their firm’s expertise and competencies to their customers, has a significant impact on the value derived by both the buyer and the seller (Jayachandran et al. 2005; Palmatier 2006). Consequently, sales researchers have noted the need for more research that identifies the activities that salespeople engage in to form intra-organizational relationships (e.g., via social networks) to gain access to needed resources possessed by other people in their firm (Workman, Homburg, and Jensen 2003).

The network is the social capital created within a firm, resulting in a salesperson’s web of interpersonal ties that are used to secure resources for the purpose of providing value to and managing customer relationships (Coleman 1990). Salespeople draw on the contributions of diverse intra-firm network members in order to: (1) understand their firm’s capabilities and what it can do for their customers, and (2) encourage exchanges with individuals who can provide the resources needed to fashion customer solutions (Jones et al. 2005a; Weitz and Bradford 1999). Research demonstrates that access to members in a dense network, especially through close ties, positively affects sales manager performance (Moran 2005).

While providing valuable insights into sales management, recent trends in theory and practice highlight an important gap in the socio-cognitive sales paradigm. No studies, to our knowledge, have examined the purpose of sales manager friendship networks. The recent literature has stressed the importance of identifying the purpose of forming a network (Krackhardt 1988; Cross and Prusak 2002). In this paper, we consider two types of network: friendship and professional. The friendship network refers to a free set of relationships of affective and social bonds. The professional network addresses who goes to whom for work-related or technical advice. More recently, marketing scholars have proposed that in order to create effective solutions for customers, salespeople must build intra-firm sales networks that are both sparse and dense (Üstüner and Godes 2006). This reinforces the need to address the sales network more deeply.

The goal of our paper is to investigate how relationships with friends moderate the impact of professional networks on a set of sales performance indicators. We developed three hypotheses to study the issue of networks and a sales manager’s performance. Empirical data was collected from 204 sales managers in a professional service firm. We mapped the sales managers’ networks: their friendship network contained 928 ties and their professional network 1,642 ties. Additional profile and sales related information was also drawn to provide control variables for the model.

The concept of network type will be explored in the following section. We shall take up the friendship and advice purposes of networks and then examine the network concept as it refers to the number of ties a sales
person maintains. In the third section, we discuss sales performance indicators and then develop our hypotheses based on the previous network and sales force literature. The methodology is presented in the fifth section and is followed by the results. At the end, we present a discussion of these results and our conclusions.

SALES NETWORKS: PROFESSIONAL AND FRIENDSHIP TIES

Research shows that access to heterogeneous knowledge can enhance the salesperson’s creativity in finding a customer solution as well as the salesperson’s own performance (Rodan and Galunic 2004). For example, research implies that salespeople working within a group or network of intra-firm members are most effective when the group members represent and provide unique knowledge (Cummings 2004). Recently, it has been proposed that integration and information sharing across vastly different functions leads sales teams to discover new ways to satisfy customer needs (Jones et al. 2005b). Given the need to have access to diverse intra-firm information and expertise, a key concern is how salespeople can best motivate others to share what they know with them. Research shows that ties with intra-firm members that are both professionally and friendship based facilitate greater information sharing among individuals (Beckman and Haunschild 2002). Marketing scholars have long recognized the importance of business and friendship roles for inter-firm relationships (Heide and Wathne 2006; Price and Arnold 1999), but more recently have proposed that friendships in a network of intra-organizational ties can influence a range of business outcomes, such as information sharing (Grayson 2007).

Built on Coleman’s (1988) discussion of social capital, Burt (1992) defines this capital by its function. According to these two highly regarded authors, social capital is not a single entity but a variety of different entities having two characteristics in common: they all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure. Like other forms of capital, social capital is productive, making certain goals possible which would not be attainable in its absence. It consists of a social structure formed by people or corporate actors. Unlike other forms of capital, social capital is inherent to the structure of the relationships between and among actors.

In sociological terms, each actor has control over certain resources (i.e., information) and interests in certain resources and events, and social capital constitutes a particular kind of resource available to an actor. The concept of social capital allows for the taking of information and shows the way that different pieces of information can be combined with other resources to produce different system-level behavior or, in other cases, different outcomes for individuals.

Information is essential in any business setting and provides the basis for action in a social structure. Information can be expected to be spread across the various people in a market, but it will circulate within groups before it circulates between groups. However, the acquisition of information is costly. At a minimum, it requires attention which is always in scarce supply. One means by which information can be acquired is by the use of social relations that are maintained for different purposes.

Network relationships may be assessed as a multidimensional concept. One critical issue is which network relationships enable a sales manager to increase net sales? A network composed of incidental communication links, such as a mechanical “How do you do?” may not be as rich in relevant information as a network composed of critical advice relationships. When you meet someone at an event, it is not surprising to find that you have a mutual friend in common. In the literature, the term “small world” is often associated with the tendency for people in different geographic locations to be connected through only a few intermediaries. Granoveter (1973) showed that weak ties are actually a question of the number of intermediaries. Watts (2004) and Barabasi (2003) showed how close someone is to the point where that person is lead back to his or her own ego-network.

Cognitive social structure considers two main different types of networks. First is the advice network which represents the instrumental, workflow-based network in the organization (Krackhardt 1990). Basically, it addresses who goes to whom for work-related or technical advice (Cross and Prusak 2002). Second is the friendship network. This is a free set network. It is not necessarily linked to the routine work done in the organization, but it does capture important affective and social bonds that can affect trust, especially in times of change (Krackhardt and Stern 1988).

HYPOTHESES

For this study, we developed three hypotheses about sales managers’ social networks and sales performances as depicted in Figure 1.

Scholars have long argued that single-purpose relationships are less advantageous than multi-purpose relationships (Stern 1979). People in different kinds of relationships that salespeople maintain in an intra-firm sales network are motivated to exchange resources for different reasons (Adler and Kwon 2002). The enhancing impact of friends may be assessed as the tendency for two or more networks to foster sales performance (Van Den Bulte and Wuyts 2007). The professional relationship acts as a
donor of knowledge based on instrumental motivations such as career advancement, cost reduction, or competitive rivalry (Adler and Kwon 2002). The friendship tie, while not necessarily linked to the routine work done in the sales work, does capture important affective and social bonds that can drive trust (Brass 1984). Friendship exchanges are the sources of shared identities (e.g., organizational) and social support, forged by “consummatory” motivations, or socialization based normative frameworks that guide collective action and bind communities (Podolny and Baron 1997).

Extant research suggests that a friends network may have an impact on a professional network because ties with friends represent robust relationships, based on trust, that are more conducive to knowledge transfer (Beckman and Haunschild 2002), and positively influence resource exchange and cooperation within the sales network (Lazega and Pattison 1999). Sales managers maintain friendly ties that are more stable than professional ones (e.g., work), by making exit more costly, as losing a business associate may also result in the loss of a friend (Seevers, Skinner, and Kelley 2007). Friends contribute to the “total” relational strength between salespeople and their professional contacts, by imparting more opportunities to request support, provide support, and build positive valence (Van Den Bulte and Wuyts 2007). Moreover, the moderating impact of friends increases the number of ways that a favor can be reciprocated between salespeople and others in their network. Professional advice, for example, can be repaid with a dinner, lunch, or an invitation to a social event. In addition, friends’ ties can provide the salesperson with a stronger voice within their firm, via relationship commitments, resulting in their business interests being more highly prioritized by network members (Aguilera and Jackson 2003). Ties that go beyond arm’s-length relations and evolve into close friendships have been shown to be critical to a firm’s market performance and long term survival (Uzzi 1996).

Taking the rationale provided above, we expect that ties with friends will moderate the impact of professional networks on sales performance. By connecting to friends, sales managers can get information about sales leads, client demands, the development of new products, and tools to operationalize solutions more informally – read rapidly and reliably – that may increase the impact of professional networks on total sales. Therefore:
H1: Friend networks increase the impact of professional networks on total sales.

New product sales are complex by nature. Companies develop new products by listening to customer needs and their own personnel and R&D. Sales managers may be trained to offer products that may require specific techniques and sales pitches. Friends may introduce some personnel that can help provide the skills necessary to selling these new products. Friends work as a lubricant for professional networks. Therefore:

H2: Friend networks increase the impact of professional networks on new product sales.

In the sales process there are two critical stages: the identification of prospects and the closing of new deals (Ustuner and Godes 2006). The identification of prospects for new deals depends on a salesperson’s acquiring precise and timely information about opportunities – preferably ones about which the competitors have no idea. Friends in this context may enhance a professional network’s impact by allowing for contacts with others outside the sales territory or within other departments of the company. In the closing the deal stage, the salesperson has to come up with a solution for the prospect’s demand, but a salesperson rarely provides this without help. Success depends on the manager’s ability to activate his professional network by means of friends who are trusted people and quick responses from others within his own organization. Friends tend to be more open to relating experiences about how opportunities were identified and were converted into sales. Through trusting relationships with friends, a sales manager can use these experiences to activate a professional network to explore opportunities and convert them into sales; even for clients from different industries. Friends can help mobilize and coordinate these professional ties. Therefore:

H3: Friend networks increase the impact that professional networks have on identifying new opportunities and converting them into sales.

METHODOLOGY

Data was collected from 204 sales managers from a professional service company. The focal company is the Brazilian branch of a British multinational in the IT and Market Intelligence sectors whose primary product is a credit evaluation tool. As the leader in its industry, this company has reached over a half billion dollars in sales and has about 150 thousand direct clients and 400 thousand indirect clients who belong to several industries (e.g., fast consumer goods retailers, electronics retailers, and industrial firms). The company is an interesting empirical object because of its vast number of sales people and the complexities of its sales which require tailor-made solutions and customer service.

In the professional service business, information is critical. Sales managers are always consulted for technical advice. They visit clients in order to identify specific needs and bundle an array of products for the whole cycle of client demands. This firm has 60 offices with independent operations spread all over the country.

Research measures. Four measures of performance were used. The measure of individual total sales was computed (US$) on the basis of the financial records for the years 2008/09. New product sales were computed in (US$) on the basis of sales and financial records for the same period. The identification of prospects is accounted for by the dollars registered by sales managers in the company’s operational system. Finally, the conversion of new deals is computed on the basis of the dollar sales from successes in relation to prospect identification. Prospects and conversions are computed for the years 2008/09.

The network measures are based on a name generating questionnaire for two types of networks, namely professional and friendship. The name generating questions used for this study were adapted from Burt (1992) and Podolny and Baron (1997). To identify the sales manager professional network, the following questions were asked: Whom did you go to for any professional help or advice over the last month? Whom do you talk to when you miss a work-related meeting? Who are the people that could replace you in case of your promotion? To identify the sales manager friendship network, the following question was asked: With whom would you discuss personal matters (e.g., family matters, confidential issues)?

Each of the 310 sales managers received an email with a login and password to access an electronic questionnaire. Three follow-ups were emailed every seven days. To ensure high quality responses, all directors and regional managers were personally informed of the importance of the research. The senior Human Resource (HR) Executive and the research team were in charge of follow-ups. Of the 310 targeted sales people in the firm, 297 were available. There were six on leave, seven on medical leave. After a twenty-five-day data collection effort, the survey produced a response rate of 69 percent yielding 204 completed questionnaires.

All names were entered in UCINET 6 to draw the network and estimate the degree centrality metric. Each name generated in the questionnaire was coded and entered as a 2 by 2 matrix of contacts. To estimate degree centrality, we followed the procedure of Borgatti, Everett, and Freeman (2002). They consider the number of direct contacts to a given point in the network (i.e., number of
persons) in a symmetric graph. This allows us to estimate the number of ties received by a given point in the network and the number of ties initiated by that given point. The degrees (in and out) then consist of the sums of the values of the ties. This estimate is normalized by dividing by the maximum possible degree and expressing this as a percentage. There is a measure for the professional network and another measure for the friend network.

We included five control variables. The measure for experience represents the number of years that the respondent has been involved with sales or commercial activities in the company. We also included a variable to control for the education level of the manager, considering the number of years of schooling that the sales manager has completed. This is a categorical variable ranging from no formal schooling (0) to a graduate degree (8). Size of client portfolio is a direct count of the number of clients for which each sales manager is responsible. Distance is the total number of miles that separate the sales manager from the firm’s headquarters. The measure for team effect is the net sales of the individual minus the total sales of the office to which he or she belongs. The correlations between the measures do not suggest problems of pairwise collinearity that would preclude the use of all constructs in the estimation.

**RESULTS**

We mapped the sales managers’ networks: their friend network contains 928 ties and the professional network 1,642 ties. Figure 2 shows the sociogram of the sales force’s professional and friend networks. The professional network has a centralized shape with high-ranking sales managers and directors in the center. The friend network has an interesting sparse design with an island of ties. This isolated group of individuals is composed of sales people with short tenures and a new office territory.

Table 1 summarizes the results of ordinary least square regression analysis. The variables used in the analysis were mean centered and VIF tests were below the threshold value. This table presents the standardized coefficients of the estimated regression model. The standardized coefficient allows for a comparison of “coefficient size” because all measures are in the same metric, namely, standardized normal deviates. The equations were statistically significant below the 0.01 level in the F-test. The adjusted R² values for the significant equations are above 0.222, which indicates that the results of the estimated equations present a robust explanatory power. The explanatory power of the equations supports

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>Results of the Ordinary Least Square Regression</th>
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<tr>
<td><strong>Variable</strong></td>
<td><strong>Total Sales</strong></td>
</tr>
<tr>
<td><strong>Network Variables</strong></td>
<td></td>
</tr>
<tr>
<td>Professional Network</td>
<td>.157 (1.20)</td>
</tr>
<tr>
<td>Friend Network</td>
<td>.156 (1.27)</td>
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<tr>
<td><strong>Network Enhancing Factor</strong></td>
<td></td>
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<tr>
<td>Professional Network * Friend Network</td>
<td>.327 (1.65)†</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
</tr>
<tr>
<td>Experience (years)</td>
<td>.205 (3.27)**</td>
</tr>
<tr>
<td>Education level</td>
<td>.191 (3.21)**</td>
</tr>
<tr>
<td>Size of Client Portfolio</td>
<td>.134 (1.97)*</td>
</tr>
<tr>
<td>Distance from headquarters (miles)</td>
<td>.128 (-1.78)†</td>
</tr>
<tr>
<td>Team Effect (US$)</td>
<td>.320 (4.42)**</td>
</tr>
<tr>
<td>R²</td>
<td>0.432</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.406</td>
</tr>
<tr>
<td>F-statistic</td>
<td>18.31**</td>
</tr>
</tbody>
</table>

**Notes:** †p < .10; *p < .05; **p < .01. The table reports standardized coefficients with t-values in parentheses.
the examination of individual coefficients and the testing of the effects of each individual variable.

CONCLUDING REMARKS

Our study aims to investigate the enhancing impact of friendship networks on the effect of professional networks on a set of sales performance indicators. While past studies in marketing have examined the direct effects of knowledge structure characteristics (Sujan, Sujan, and Bettman 1988; Szymanski and Churchill 1990) on performance, our findings offer insights into the socio-cognitive perspective of the sales management literature. In general terms, the social network literature has put forward the idea that the better a sales manager’s network, the better the better the outcome. This is associated with the information benefits one might expect in terms of the control of information or being the first one to access information. People who do well are somehow better connected. The perspective we take in this paper follows the metaphor in which the social structure defines a kind of capital that can create advantages for groups or individuals in pursuing their goals. Our study shows that sales managers enhance performance by embeddedness (Granovetter 1985). The friend network allows for sales managers to rely on social norms and the trust of friendship.

The current study adds to the sales manager literature by identifying the role of intra-firm social capital for improving sales performance. By combining sales management theory with social network theory, this study sheds light on the ways in which managers acquire the information and cooperation from intra-organizational members that they need to effectively serve customers. The study focuses on the impact of two predominant network types: professional and friend. In addition, we identify important individual and sales profile factors that influence sales performance. This study is interesting in that it uses network data to test hypotheses that predict a sales manager’s access to information and the cooperative support embedded in an intra-firm network.

MANAGERIAL IMPLICATIONS AND FUTURE RESEARCH

Considering the results of our study and the discussion provided in the hypotheses presentation, it appears to be important for sales managers to have accurate perceptions of their network. Without this, any evaluation of the costs and benefits of alternative responses to customers based on the information obtained from the network could be misguided. More specifically, if managers either over or under estimate the potential positive impact of information obtained from their close-knit group of friend contacts, their sales effort response cannot be set up properly. Firms can foster manager initiatives toward improving relationships with other sales managers and staff personnel that may be the sales managers’ friendship networks. This will allow them to access valuable information to support their sales efforts. The mere process of gathering information from known ties and developing new ties of information may substantially enhance the chances of sales success.

The implications of our study are best viewed within the context of a practice oriented approach in regard to the trend toward increasing customer knowledge and sales performance. Almost without exception, such an approach tends to view customer relationships as a universally desirable idea – this is because some customers are not as profitable as others. We advise managers to complement this approach with our hypotheses and results. It is worth noting that the basic postulate of our work is that a sales manager may increase customer knowledge by setting up
relationships with others. In the professional service settings we tested our hypotheses; sales managers have looked for new ways to satisfy customers. In this particular situation, there are enough advantages for sales managers to organize themselves to set up close friend and professional network structures. In the absence of competitive advantages, the social networks do not have beneficial effects and, given the costs associated with maintaining the contacts within the network, it is likely to be detrimental to performance. At the very least, our study should serve as a cautionary tale about the conditions that create the need for crafting network relationships. The value of a relationship is not defined inside the relationship; it is defined by the social context around that relationship (Burt 2005).

In a future study, the relationship within a network may be investigated in terms of its structure and tie strength. The strong and weak tie literature (Granovetter 1973; Lin 1988) presents interesting findings in the context of a sales force. Future research must consider other concepts studied in the social capital literature. For instance, network diversity may cause an impact on sales performance. Network diversity has been studied as the wide variety of contacts a sales manager may have: be they commercial within a department or with other departments (e.g., administrative, financial, IT, and logistics). Our study focused on the professional service industry which requires a great deal of customization and customer solutions. Future studies may also address other industries and contexts to test the moderating impact of friendship networks.

We model social capital as a positive driver of sales manager performance. While this is the approach taken by most research, scholars recognize that social capital development can come with risks (Adler and Kwon 2002). Future research should identify the “dark side” of social capital effects on sales manager performance. For example, managers whose networks are well developed could manipulate information exchanges in a negative fashion as their contacts may be unable to monitor all exchanges. In addition, identifying the impact of social capital on relational information processes (Jayachandran et al. 2005) and customer solution processes (Tuli, Kohli, and Bharadwaj 2007) could be a fruitful stream of research. Finally, future research may address the hierarchy of contacts, be they friendly or professional ties. Maintaining contacts with top executives can help managers foresee future movements of the company (e.g., investments, territory expansion, overall strategy), which helps managers in defining priorities and efforts. These well-positioned sales managers may be the first ones to know.

In our research, this impact is implicitly considered. In addition, identifying the impact of social capital on relational information processes (Jayachandran et al. 2005) and customer solution processes (Tuli, Kohli, and Bharadwaj 2007) could be a fruitful stream of research. Finally, future research may address the hierarchy of contacts, be they friendly or professional ties. Maintaining contacts with top executives can help managers foresee future movements of the company (e.g., investments, territory expansion, overall strategy), which helps managers in defining priorities and efforts. These well-positioned sales managers may be the first ones to know.

In our research, this impact is implicitly considered. Future research may address this issue explicitly.

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MIXED-GENDER SELLING TEAMS AND THE ROLE OF FEMALE PRESENCE IN IMPROVING TEAM PERFORMANCE:
THOUGHT DEVELOPMENT AND PROPOSITIONS

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SUMMARY

Team selling and gender diversity are two noteworthy current trends in sales research. This paper aims to integrate research in these areas by proposing a framework and related propositions that demonstrate three mechanisms by which mixed-gender selling team compositions are beneficial versus all-male compositions. The presence of females should improve performance (as measured objectively through revenue, sales productivity, and/or team member bonuses) by reducing average turnover within the team; increasing team adoption of traditionally feminine attitudes and behaviors with regard to relational skills, organizational citizenship behaviors, and shared leadership; and introducing favorable “mere-heterogeneity” effects.

First, several studies have reported lower intentions to leave for saleswomen than for salesmen. For example, Moncrief et al. (2000) found that women had a significantly lower propensity to leave than men. Ladik et al. (2002) found that high-performing industrial saleswomen had a higher propensity to stay with their organizations over the long-term (up to one year) than high-performing salesmen. High levels of turnover have been shown to have deleterious effects on organizations, in the form of higher recruitment and training costs, and a reduction in productivity due to the loss of skills, abilities, and social capital (Dess and Shaw 2001). Hence:

P1: Mixed-gender selling teams will have lower overall turnover than all-male selling teams.

P2: Lower overall turnover will lead to improved team performance.

Second, scholars have begun to recognize that rather than attempting to emulate masculine traits (e.g., Comer and Jolson 1991), female salespeople may benefit from taking advantage of traditionally female traits (Lane and Crane 2002). The presence of women in selling teams not only directly increases the likelihood that feminine traits will exist in the team, but should lead over time to the “feminization” Fondas (1997) of the team as a unit. Among the traits a mixed-gender team would be expected to adopt are relational skills, organizational citizenship behaviors (OCBs), and shared leadership, all of which have been shown to improve sales performance (Yilmaz and Hunt 2001; Netemeyer et al. 1997; Perry, Pierce, and Sims 1999). Both conceptual support from the Bem sex-role inventory (reviewed in Jolson and Comer 1992) and empirical support from the sales and leadership literatures (e.g., Mulki, Jaramillo, and Marshall 2007; Buttnor 2001) point to the strength of relational skills—such as the ability to show sympathy and to preserve working relationships—among women overall. Similarly, extant research has shown that individuals with a female identity tend to engage in altruistic OCBs more than those with a male identity (Kidder 2002). Moreover, female managers have been shown to prefer relational and participatory leadership styles, which favor the same concept of distributed influence that shared leadership entails (Fondas 1997). Thus:

P3: Mixed-gender selling teams will display better relational skills, and increased organizational citizenship behaviors and shared leadership than all-male selling teams.

P4: Improved relational skills, and increased organizational citizenship behaviors and shared leadership in selling teams will lead to improved team performance.

The final mechanism by which a mixed-gender team composition may improve team performance is through what we have termed the “mere heterogeneity” of the team. Cognitive resource diversity theory predicts that heterogeneous teams will be more creative and will avoid groupthink (Horwitz 2005). Bowers, Pharmer, and Salas 2000 also posit that in diverse teams, members will tend to compare themselves along efforts-to-rewards ratios (productivity) rather than along other dimensions, and—based on equity theory—will tend to increase productivity, if the team is well-motivated. Empirical research has found that in difficult tasks, mixed-gender teams performed significantly better than both all-male and all-female teams (Bowers et al. 2000). Thus:

P5: Mixed-gender selling teams will display the effects of mere heterogeneity, namely diverse cognitive resources, and motivation of low performers to improve in order to match high performers.
P₇: The mere heterogeneity of mixed gender selling teams will lead to improved team performance.

The framework proposed awaits specific empirical support in team selling contexts, as well as an examination of potential moderating variables such as type of industry, relative proportion of male to female salespeople on the team, specific skill set of the team members, and customer receptivity to various selling team compositions. Pending empirical validation of the model, managers should take its findings into consideration in two broad areas: (1) salesperson placement vis-à-vis the structuring of selling teams, and (2) performance evaluation and rewards.

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THE JANUS FACE OF SALESPERSONS’ SOCIAL IDENTIFICATION:  
NEGATIVE OUTGROUP STEREOTYPES AND THEIR IMPACT  
ON SALES PERFORMANCE

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SUMMARY

The literature documents thoroughly that people define themselves at least partly in terms of the groups they belong to (Ellemers, de Gilder, and Haslam 2004; Ashforth and Mael 1989; Tajfel and Turner 1986). The process by which a group becomes directly linked to the member’s sense of self is referred to as social identification (Shamir and Kark 2004). Social identification is based on the perceived overlap of individual and group identities (Kreiner und Ashforth 2004).

Social identification in organizations has traditionally been regarded as something desirable by marketing and management scholars (e.g., Olkkonen and Lipponen 2006; Bhattacharya and Gruen 2005). However, there is no research examining potential negative outcomes of identification processes in marketing research. This lack of attention is surprising given the fundamental prediction of social identity theory that identification with in-groups drives negative out-group stereotypes (Tajfel and Turner 1986), which, in turn, lead to negative or even antisocial behaviors, such as discrimination against the targeted group (e.g., Caprariello, Cuddy, and Fiske 2009; Heilmann and Okimoto 2008).

In this article the janus face of social identification in organizations is introduced. Building on sales representatives’ negative headquarters stereotypes as central construct with potential harmful consequences for sales performance and customer satisfaction, the janus face proposes that outcomes of identification vary in their valence (i.e., increased stereotyping vs. decreased stereotyping) as a function of different identification foci. Furthermore, the article investigates how an external threat to one’s social identity, in the form of perceived competitive intensity, affects social identification and intergroup stereotyping in organizations.

Using a large scale multilevel dataset of 1548 sales representatives, nested in 299 sales districts, we find support for the theorized janus face. More specifically, our results show that social identification in terms of broader categories (e.g., the whole organization) leads to positive outcomes – that is, to decreased intergroup stereotyping. By contrast, subgroup-based identification (e.g., with the work team) contributes to the prevalence of negative stereotypes, which in turn, decrease sales performance and customer satisfaction. Furthermore, our findings show that competitive intensity fosters identification at both the subgroup and the holistic organizational levels.

Based on our findings, stereotypes appear highly relevant for further research in marketing and sales. This high relevance is underpinned by the contention of the social identity approach (e.g., Tajfel and Turner 1986) that stereotypes are inevitable intertwined with identification process.

The current study also provides crucial insights for managers. Since meta-analytic evidence suggests that identification with organizational subgroups tends to be more salient than identification with organizations (Riketta and van Dick 2005), a key implication of the janus face for management practice is that stereotypes and their negative performance outcomes are prevalent in most organizations. Thus, managers should take stereotypes very seriously.

The best strategy for managers to minimize intergroup stereotyping in organizations is to foster identification with the whole organization. This connection can be achieved best with specifically organization-level procedures, such as giving sales representatives the chance to voice their opinion on important organizational matters (Olkkonen and Lipponen 2006).

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CUSTOMER RETURNS EXPERIENCE: AN EXPLORATORY MODEL OF THE IMPACT OF RETURNS ON ATTITUDES AND ACTIONS

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SUMMARY

Interest in the dynamics within channels of distribution has increased tremendously over the past 20 years. Much of the research has focused on maintaining competitive marketplace advantage using market focused (e.g., Day 1994) and long-term relational strategies (e.g., Morgan and Hunt 1994). This research agenda has directed much of the investigations of distribution issues on “downstream” operations, that is, from manufacturer to end user. However, a significant, yet relatively neglected issue is reverse logistics, in which products move the “wrong way” in the distribution channel (Lambert and Stock 1982).

Reverse logistics have primarily been investigated from the firm perspective to develop and understand operational activities. Issues such as closed loop supply chains (e.g., Guide, Harrison, and Wassenheim 2003), which examine the active management of the returns processes and organizational guidelines to develop returns processes (Rogers, Lambert, Croxton, and Garcia-Dastugue 2002) have been investigated. Recently, research has focused on one of the points of origins of returns, the end consumer with Autry, Hill and O’Brien (2007) examining firm’s perceptions toward consumers when making a return. However, scant attention has been directed at consumer perceptions of the returns processes. This dearth of research is especially interesting since it is estimated that over $180 billion of goods are returned annually by end consumers (The Retail Equation 2009). Compounding the staggering value and amount of returns, retailers are also faced with the realities of return abuse and fraud which account for approximately 8% of all returns (The Retail Equation, 2009).

We examine relevant literature in areas such as market orientation, reverse logistics and services to develop a model that details the relationship between consumer’s perceptions of the firm’s returns management orientation, return service quality, servicescape and the subsequent returns experience. We examined these relationships with a convenience sample obtained through a mail survey of 182 participants which assessed the last return a participant completed. Results suggest that perceptions of the firm’s returns management orientation influenced participant’s returns decision as well as satisfaction with the return.

Theoretically, we contribute to the literature through the broadening of the scope of reverse logistics by examining consumer perceptions of a firm at the starting point of one of the origins of the reverse logistics process, a customer return. From a practical viewpoint, our modeling of perceptions of the reverse logistics process by consumers allows a firm to analyze how their policies regarding returns can influence the decision making of consumers and their experience during the process. References are available upon request.
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ABSTRACT

When purchasing an extended warranty, buyers often lack the ability to assess or fail to utilize objective measures in making this decision and are left to rely on a combination of personal predispositions and external cues. The propositions in this paper identify factors that influence the decision-making.

INTRODUCTION

“Profit margins (for extended warranties) typically range from 40 percent to 80 percent” (Berner 2004). “Few purchasers end up needing to use (extended warranties)” (Hudson 2005).

Retailers offered extended warranties (EWs) are contracts that provide consumers with coverage beyond the manufacturers’ warranties. For retailers, these contracts are very profitable and for some may be the main or only source of profitability (Berner 2004). Profit margins on the warranties are estimated to range from 50–80 percent compared with the typical ten percent margin for electronic goods (see for example Alexander et al. 2002; Berner 2004; Bruns 2004). Industry analysts suggest that warranty sales accounted for all of Circuit City’s operating income in 2003 and almost half of Best Buy’s (Berner 2004). However, for consumers as a group, the economic benefits of these warranties are questionable (Consumer Reports Buying Guide 2006; Consumer Reports 2008; Buss 2006) since only 10 to 20 percent of EW buyers make claims under the warranty (Sinanoglu 1995). Despite the concerns raised in the popular media, large numbers of consumers continue to purchase EW coverage. The question is, why? What are the factors that motivate the customer to buy or not to buy an EW when presented with the choice? We developed propositions to suggest possible answers to these questions based on marketing decision making concepts.

PRIOR RESEARCH

Despite their magnitude and profitability EWs have received relatively little attention in the marketing and insurance literatures (Voss and Ahmed 1992; Hollis 1999; Ho et al. 2006; Chen, Kalra, and Sun 2009). The one in-depth study of EWs was by Kelly and Conant (1991) but this research focused on manufacturer’s EWs and not ones offered by retailers. The authors surveyed consumers and found that 84 percent had purchased a product in the last three years that offered an optional EW with a little less than half of these buyers (47%) purchasing an EW. A majority (51%) of the EWs were for vehicle purchases, 29 percent for major appliances and 20 percent for vacuum cleaners, electronics and other electric appliances. Thirty-eight percent of these purchasers of EWs had made a claim under the contract. When compared to non-claimants, claimants were more negative toward certain features of the EW since they found the EW terms were more difficult to interpret, were more likely to believe EWs did not signal product quality, and were more likely to just be revenue centers for manufacturers.

In Padmanabhan and Rao’s (1993) study, a little over a third of their respondents had purchased an extended service contract. They found that respondents who were risk adverse, single, had higher incomes and purchased more expensive cars were more likely to purchase extended service contracts. The demographic findings are at odds with Day and Fox’s (1985) proposition that larger families with moderate to high incomes are the most likely buyers of EWs; but Day and Fox did predict younger buyers, which may be a surrogate for singles, were more likely to buy EWs due to inexperience with the brand and product.

Most recently, Chen et al. (2009) provided an empirical study based on retail panel data of over 600 households who purchased both electronics and associated EWs. They examined the extent to which (1) product characteristics (hedonic versus utilitarian, manufacturers’ warranty), (2) retailer actions (promotions, feature advertising), and (3) individual characteristics (income, age, gender, etc.) influence the purchase likelihood of EWs. The probability of purchasing EWs is greater for products with high hedonic value, perhaps due to consumers’ tendency to value hedonic products more than utilitarian products (Dhar and Wertenbroch 2000). The results seem to suggest that consumers are willing to pay a premium to protect their additional valuation. They also found support for the prediction that advertised or unadvertised promotions (i.e., unexpected gains) increase the likelihood of purchasing EWs because there may be a psycho-
logical increased-income effect realized from the savings in the price of the product. Thus, buyers could spend some of these savings on an EW purchase. They also find that, as compared to high-income consumers, low-income consumers are more likely to purchase EWs, and the subsequent analyses revealed that low-income consumers buy insurance to hedge against the out-of-pocket costs of replacing the product.

EXPLORATORY STUDIES

As exploratory research, we conducted a survey and two sets of interviews. First, 21 undergraduate marketing students were surveyed about their experiences with EWs. In the past year, 72 percent (15/21) had purchased a product that would typically have an EW as an option. There were 17 products purchased (two respondents purchased multiple products) and for 14 products an EW option was mentioned. Overall, if offered a warranty, 72 percent (10/14) of the buyers would purchase an EW. Reliability concerns were mentioned 50 percent of the time as the reason the respondents purchased the EW. Four respondents noted the possibility of them damaging the product as their motivation to purchase the contract. The other two reasons mentioned were expense of repair and ease of repair. There were four reasons given for not purchasing the EW. Two were related to the EW being too expensive and two were related to high quality of the products and as a result an EW was not needed.

Second, two sets of in-depth interviews were conducted with two groups of salespeople at an electronics and appliance retailer (two locations). Salespeople at the retailer are encouraged to sell EWs as part of an employee incentive package where the salesperson receives a fixed remuneration for the sale of an EW and also participates in a bonus program that offers additional rewards for the total sales of add-ons, such as EWs. The retailer’s EWs are backed by the retailer and not underwritten by a third party underwriter. At location number one, all four salespeople (all males) were in agreement that the rule-of-thumb is that out of a group of five prospects for an EW purchase, “two always buy, one (is) on the fence, and two never buy.” Additionally, they believed that females and younger buyers are more likely to buy EWs, while older buyers expect products to last longer and typically do not buy an EW. These older buyers also may be overwhelmed with information and just shut out information (salesperson appeals) beyond the purchase of the specific product. The salespeople were also in agreement that the bigger the price tag on the item, the more likely an EW purchase would be made (even though EW prices at this retailer are proportional to the price of the item with lower priced items having a lower cost EW). Technology was also mentioned as one of the key factors, such that the more cutting-edge the technology, the more likely that buyers will add EWs to their purchase.

At location number two, five salespeople were interviewed (two females, three males), and the percentage of EW purchase rate ranged from five to 60 percent, depending on the salesperson (one 5%, one 25%, two 50%, and one 55–60%). Consistent with the first location, technology and price tags do seem to correlate with the likelihood of EW purchases. All but one agreed that younger buyers are more likely to purchase EWs. There were mixed views of gender influence on EW purchase where some thought females are more likely to buy EWs while others observed no difference. Two mentioned that shoppers buy EW’s if they know people who have had problems or if the shoppers have had personal experience with products not performing.

In sum, prior research and our exploratory investigation suggest that even though objective publications such as Consumer Reports suggest that consumers should not purchase EWs for most products, a majority of actual shoppers still purchase this product. This suggests we need to investigate what drives consumer decision making related to purchasing EWs. To this end we develop the research propositions in the next section.

RESEARCH PROPOSITIONS

We now turn our attention to the broader literature associated with decision-making to serve as our backdrop for a discussion of the purchase decision for EWs. The rational choice theory (Scott 2000) assumes that individuals choose the best action according to stable preference functions and constraints facing them as they try to maximize their benefits and minimize their costs – which would seem to provide a reasonable basis for consumer motivations. However, the dominant view in the consumer decision-making literature is that the rational choice theory is incomplete and/or flawed as an approach for understanding how consumers actually make decisions (Bettman et al. 1998).

According to Bettman et al. (1991), three major classes of contingent factors are present in any given choice: (1) decision problem (task at hand), (2) personal factors, and (3) social context. First, on the decision task, choice among options depends on how the choice set is presented or framed. Also, choice among options is context dependent. The relative value of an option depends on both the characteristics of that option and those of other options in the choice set. Second, decision-maker characteristics such as ability and knowledge can also influence contingent decision behavior (Bettman et al. 1990). Lastly, social context is also a key component in understanding one’s choice; even if an individual is making a decision for her/himself, she/he may feel accountable to others, such as family members. Some suggest that the need to justify one’s decision leads consumers to choose options that provide easy rationales or justifications (Simonson and
Nowlis 2000). Based on both our exploratory studies and the extant research, we develop propositions derived from the three classes of contingent factors described above.

Decision Task and Framing

In this section, we discuss dissimilar EW decision situations. Specifically, consumers’ disposition to buy EWs when the situation is presented and framed (1) as a loss, (2) as a gain, and (3) at differing probability and loss magnitudes. An EW can be understood to be a loss when the expected utility (or benefit from anticipated warranty-paid repairs) is less than an EW’s cost and a gain when expected utility (or benefit from potential repairs) exceeds an EW’s cost. Consumers’ feelings of regret and the risk related to making decisions may be relevant to the response to the aforementioned three elements.

Extended warranties may serve to accomplish both purposes. First, when purchasing an EW, the consumer reduces the need for searching for a place to have the item repaired. In effect the EW is a performance guarantee. The EW also reduces the consequences of product failure. It reduces the effort to have the item repaired and it also eliminates the costs of the repairs. Risk and risk evaluations are related to expected utility theory (EUT) which assumes that individuals are able to accurately quantify various alternatives and make rational decisions based on the value that they assign to each alternative.

Prospect theory (PT) is an alternative to EUT and emerges out of behavioral economics. According to the theory, the way in which alternatives are framed can influence their attractiveness to the decision-maker (Tversky and Kahneman 1979). For example, Tversky and Kahneman (1979) show that people are motivated by both losses and gains, which are positive and negative changes to a reference point, but people usually give greater emphasis to losses (see also Kanouse 1984) and it implies that loss-framed messages will be perceived as more persuasive than gain-framed arguments (Cox and Cox 2001). This is particularly true when the consequences of an action are in the future. A decision weight given to an outcome is “discounted as a function of the delay of its delivery” (Madden 2000, p. 16) and that gains in the future are often discounted to a greater extent than future losses (Simpson and Vuchinich 2000). In the present context consumers may be more inclined to buy an EW when it is framed as a way to avoid a loss rather than to achieve a gain. From this we propose:

P1: Consumers will be more likely to buy an EW when it is framed as a way to avoid a loss rather than to achieve a gain.

Contrary to what PT and EUT might suggest, Slovic et al. (1977) found in a laboratory setting that people purchase more insurance against events having a moderately high probability of a small loss than against a low probability of a high loss event. “The experiments reported above suggest that people’s natural disposition is to protect against high probability hazards and ignore rare threats” (p. 255). This is contrary to the predictions of PT and traditional EUT and is speculated to stem from consumers’ refusal to protect themselves when the probability is below a certain threshold. Based on this we propose the following proposition:

P2: Consumers will prefer an EW (i.e., insurance) against high probability-low loss (repair cost) events than over low probability-high-loss events when expected values are equal.

It is likely that a consumer may behave differently when presented with information that varies the likelihood of gaining something. Prospect theory suggests that people typically do not weigh the utility of outcomes by their respective probability as is assumed in utility theory but rather tend to overweight outcomes believed to be certain, relative to those that are probable. This disposition is called the certainty effect. A study by Tversky et al. (1990) indicated that in a high probability (78%) gamble to win a low amount ($10) of money versus a low probability (8 percent) of winning a larger amount ($100) of money, consumers preferred the high probability option. Although this setting was one that involved gambling, our goal is to understand whether the certainty effect is relevant to the purchase of EWs. Thus, we propose the following:

P3: Consumers will prefer EWs (i.e., insurance) when it is framed as a high probability of a small gain as opposed to a low probability of a high gain when expected values are the same.

On the issue of magnitude, Weber and Chapman (2005) found that people are more risk seeking for small gambles than for large gambles. The example used in Weber and Chapman’s paper is as follows: “I might prefer to take a 10 percent chance of $100 over $10 for sure, but given the same choice at a higher monetary level I would choose $100 for certain over a 10 percent chance of $1000” (Markowitz 1952). Here we see that people are more inclined to take risks when playing for little amounts. This is called the “peanuts effect” and is not easily explained by PT (Weber and Chapman 2005). Extending this to an EW purchasing decision, we may expect that consumers if faced with the same probability of a repair will be less likely to buy insurance on a less expensive product versus a more expensive product when expected values are the same. Essentially, they will be more willing to absorb the risk (not buy insurance) with lower priced items (playing for “peanuts”). This belief may rest in consumer consciousness. Buss (2006) stated “For con-
sumers, a sales pitch to buy a warranty can be particularly annoying when the cost of the product itself is under $100. If the product fails, it is often not a big deal to just buy another one.” This is consistent with comments made through our exploratory interviews. A salesperson at a major electronics chain who when asked why he purchased the EW for his new television stated that he could not afford to pay for a repair. Consistent with this we propose the following:

P4: Consumers will prefer EWs (i.e., insurance) when the anticipated absolute cost of repair for the product being purchased is higher holding constant the probability of repair.

**Personal Factors**

No two individuals are alike and therefore differ in their ability and knowledge that can influence decision-making. Prior research provides empirical evidence that suggest gender and income have certain effects on EW purchase decisions. Chen et al. (2009) show that even though females are found to be more risk averse and perceive higher likelihood of product failure, there was no significant differences between males and females in the likelihood of purchasing EWs. As for personal income, there have been mixed findings (Padmanabhan 1995; Padmanabhan and Rao 1993; Chen et al 2009) where sometimes the level of income was related to purchasing EWs and at other times there were no significant differences on EW purchase based on income.

In addition to the influence of demographics, of particular interest to the present research are consumers’ prior experience with EWs, brand trust, product class knowledge, and attitude toward EWs. As Chen et al. (2009) demonstrate, consumers who have encountered product failure and used EWs for that product in the past increase their estimates of subsequent product failures and are also less sensitive to the prices charged for EWs. Consistent with their findings, we expect there to be a positive correlation between prior experience and EW purchase.

P5: The more positive an experience a consumer has had with EWs the greater the likelihood of purchasing a future EW.

Many recent studies have focused on relationship aspects of brand-consumer interactions, such as the degree to which consumers have fostered trust in a brand (e.g., Fournier 1998; Singh and Sirdeshmukh 2000). There have been a number of articles that discuss manufacturer warranties which were part of the original product offering as signals of product quality (Blair and Innis 1996; Boulding and Kirmani 1993; Innis and Unava 1991; Kelley 1988; Purohit and Srivastava 2002; Shimp and Bearden 1982; Soberman 2003; Wiener 1985). The general conclusion was that longer more complete warranties sent a signal of higher quality products.

Notably, Chaudhuri, and Holbrook (2001) defined brand trust as “the willingness of the average consumer to rely on the ability of the brand to perform its stated function” (p. 82). We posit that the more the consumer trusts the brand, the less likely they are to expect future repairs and thus less likely to need an EW.

P6: The higher the trust the consumer holds for the manufacturer’s brand, the less the likelihood of purchasing an EW.

As for the role of product class knowledge, Alba and Hutchinson (1987) suggested that experts process product information more deeply, while novices are more influenced by external factors. Several studies have confirmed that consumers who are inexperienced in the product class are more susceptible to context and response mode manipulations. Novices have also been found to weigh attributes more heavily when they are made salient through promotion (Wright and Rip 1980). Also, novices were more susceptible to the influence of priming an attribute (e.g., reliability) as compared to experts (Bettman and Sujan 1987; Mandel and Johnson 2002). Taken together, in decisions to buy or not to buy EWs, we expect novices to be more likely to be persuaded to buy an EW.

P7: The more knowledgeable the consumer is of the product class, the less likely they are to be influenced by the salesperson’s recommendation to purchase an EW.

Attitude research has significantly improved the predictive validity of relating knowledge of attitudes to predicting future behaviors. As Petty and Strathman (1991, p. 241) mentioned, a critical assumption of this area of study is that consumers make purchase decisions based mainly on their overall attitudes toward the objects. Fazio and Williams (1989) showed that the more accessible the attitude (either positive or negative), the more likely that people act on it. Knowledge of these attitudes may not be perfect predictors of behavior because there may be some personal factors such as frugality, ability to perform that behavior, previous patterns (or habits) as well as situational factors such as extraneous events (“sold-out”), and the availability of alternative behaviors that may cause attitude-behavior discrepancies (see Lutz 1991).

However, attitude toward EW purchases could be a significant indicator of subsequent EW purchase behavior.

P8: The more the consumer holds negative attitudes toward EWs, the less likely they are to buy an EW.
Social Context

Even when an individual is making a purchasing decision, a consumer may feel accountable to others, such as family members. At the same time, the shopper is susceptible to social cues, such as from the interactions with the salesperson that may in turn influence the decision to buy or not to buy an EW.

Motives providing justifications to others for an individual’s decisions are discussed in a number of literatures. In the consumer literature, the focus of consumers’ decision making process shifts from the choice of good options to the choice of good reasons, particularly reasons that are verbalized, accessible, plausible, and/or self-enhancing (Simonson and Nowlis 2000). Consumers are said to make purchase decisions based on their self-identity and their expectations of how others will react to their purchase decisions (DeBono 1987; Shavitt 1989; Snyder and DeBono 1989). If the group to which the individual belongs subscribes to the prevailing wisdom that EWs are not often a wise decision, then the attractiveness of EWs should decrease (Grewal et al. 2004). Studies have also shown that the increase in negative emotion leads to increased avoidance of choice (Luce 1998). Social referent influence (or subjective norm: Fishbein and Ajzen 1975) has been demonstrated to have an important role in one’s behavior (Ajzen 1991), and in the context of EW purchasing decisions, conforming to the opinions of an immediate social group makes the purchasing decision easier. Based on these, we posit that one is less likely to purchase an EW when she/he believes that her/his immediate social group has negative attitudes toward EWs.

P9: The more the consumer’s immediate social group has a negative attitude toward EWs, the less likely she/he is to purchase an EW.

We also posit a positive association between trustworthiness and the intent to purchase. This trust is related to both the salesperson and organization. Doney and Cannon (1997) found that trust in a salesperson is positively related to the salesperson’s expertise, likability, similarity and frequency of contact. Matt Frankel, VP of American International Group’s AIG Warranty Division, stated “Light floor traffic gives sales personnel more time to focus on customers and to do a better job selling accessories and services” (Wolf 2002, p. 19).

P10: Trust in salesperson, as perceived by the consumer, will be positively related to EW purchase.

Liu and Leach (2001) also found that trust in salesperson is positively related to salesperson expertise. A consumer may be influenced by the salesperson’s level of product and EW knowledge. The more the shopper views the salesperson as an expert on the product and product category of their purchase; they may be more likely to purchase the EW.

P11: Salesperson expertise as perceived by the consumer is positively related to EW purchase.

Doney and Cannon (1997) found that large companies were perceived to be more trustworthy. They believed that buyers thought large companies had more to lose if it was not honest. Thus, size may be a surrogate for reputation. The larger the retailer the more likely it is known and if it is known the shopper may be able to evaluate the reputation. The better the reputation the more likely the person will buy an EW. Reputation may also be related to the shopper belief that the bigger the company with the better reputation, the more likely the company will remain in business for the duration of the warranty. As expressed by a vice-president of sales and operations for an appliance retailer, “With warranties, it’s all about making the consumer comfortable and letting them know you’ll be there to back everything up” (Klosek 2007, p. 66). Of course, it is possible that a retailer may be large yet be perceived by consumers as lower in trust. It also may be true that smaller retailers that have been in business for decades could be perceived as trustworthy.

P12: Trust in retailer, as perceived by the consumer, will be positively related to EW purchase.

DISCUSSION

Based on the literature review and exploratory research, the propositions in this paper take a decision making approach in identifying factors that influence the decision to purchase an extended warranty. The next step is to test our propositions using empirical data. For propositions 1–4, a series of experiments would be appropriate in order to pinpoint the systematic influences of decision tasks and framing. The remaining propositions may be tested using descriptive research.

The marketing discipline, both at the academic and practitioner level, would likely have an interest in the testing of these propositions and the results of the analysis because of the focus on decision-making. Given the informational asymmetries inherent in the EW transaction and the associated high retailer profit margins, the participants to the actual transaction and those charged with protecting the interests of specific entities, i.e., consumer protection agencies, warranty underwriters and distributors, etc., will also find these findings revealing but for diametrically opposing reasons. Thus the benefits from this research would not solely accrue to retailers enabling greater EW sales, but rather, have the potential to fall
under the rubric of a transformative consumer research orientation (Mick 2006). The results may suggest not only how consumers and their advocates could help buyers make a more informed decision on whether an EW will provide consumer benefits, but also provide retailers with insights and benefits.

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THE IMPACT OF EMOTIONAL LABOR WITHIN A COLLECTIVIST
RETAIL SETTING

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SUMMARY

It is essential for organizations to understand and manage salespeople’s emotions in the workplace. By monitoring the effects of emotions on the job, management can promote and enhance its sales force. In the past, however, the literature on salespersons’ emotions has been largely overlooked. This paper establishes an integrative emotional labor process model to better understand the emotional component of the sales force in a retail context. In addition, the findings advance the current knowledge on the emotional labor process in an international setting.

The role of emotions in service encounters is underdeveloped despite the emerging literature in recent years (Henning-Thurau et al. 2006). Given the limited research in the area, organizational behavior scholars have begun to call for a broader integrative view of emotions in the workplace (Bono et al. 2007). The present study has two primary purposes. First, the study seeks to establish an emotional labor process model to better understand emotional components impact on both job satisfaction and commitment. Second, this study takes place in South Korea using a sample of retail sales employees to further develop our understanding of the emotional labor process model within a collectivist culture.

Affective events theory is relevant in studies that examine emotions in organizations (e.g., Cole et al. 2008; Walter and Bruch 2009). According to the theory, the nature of the job and the requirements for emotional labor affect behavior and work attitudes (Weiss and Cropanzano 1996).

Researchers have been examining consequences of emotional labor (e.g., Glomb and Tews 2004), particularly between emotional labor and job satisfaction. Wharton (1993) revealed that performance of emotional labor was positively related to job satisfaction in a study of banking and hospital industries. Positive consequences of emotional labor have been found in studies that examined front-line, interactive service employees or jobs that involved a high level of interaction with customers (e.g., Pugliesi 1999). Based on past findings, a positive relationship between emotional labor and job satisfaction is hypothesized.

H1: As the level of emotional labor increases, the level of job satisfaction will increase.

Babakus et al. (1999) and Jaramillo et al. (2006) found a significant negative relationship between emotional exhaustion and job satisfaction in an international service organization and in financial institutions, respectively. In both studies, emotional exhaustion was a predictor of job satisfaction.

H2: As the level of emotional exhaustion increases, the level of job satisfaction will decrease.

To date, no study has examined the direct linkage between emotional labor and affective organizational commitment. Based on previous findings that commitment to the organization and commitment to a work team are related to a number of desired employee outcomes (e.g., Bishop et al. 2000), the following hypothesis to the literature is derived:

H3: As the level of emotional labor increases, the level of affective organizational commitment will increase.

A linkage between emotional exhaustion and affective organizational commitment is established within the literature (e.g., Lee and Ashforth 1996; Rutherford et al. 2009). The samples in all of these studies were from individualist cultures. Hence, the linkage between emotional exhaustion and commitment in collectivist cultures remains unclear. For example, Tan and Akhtar (1998) found that emotional exhaustion had a nonsignificant negative correlation with affective commitment using employees in Hong Kong. In the study, the applicability of affective commitment measures (e.g., Allen and Meyer 1990) across cultures was questioned. The following hypothesis is generated for exploratory purposes and parallels the findings from individualist cultures.

H4: As the level of emotional exhaustion increases, the level of affective organizational commitment will decrease.

The positive relationship between job satisfaction and organizational commitment has been found in the sales and marketing literature (e.g., Singh et al. 1996).
Kirkman and Shapiro (2001) suggested that there is a tendency for higher levels of collectivism to be associated with greater job satisfaction and organizational commitment.

H5: As the level of job satisfaction increases, the level of affective organizational commitment will increase.

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THE ROLE OF PERCEIVED CONTROL IN CUSTOMERS’ JUSTICE PERCEPTIONS OF SERVICE RECOVERY: A DUAL PROCESS MODEL

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SUMMARY

Customers’ justice concerns are acknowledged by existing literature as essential for understanding firms’ service recovery performances after service failures (e.g., Goodwin and Ross 1992; Homburg and Fürst 2005). In evaluating service recovery performance, customers care not only about the fairness of a firm’s decision making outcome (i.e., distributive justice), but also about the fairness of the firm’s decision making process (i.e., procedural justice). However, to date, the antecedents as well as the psychological process that lead to customers’ distributive and procedural justice perceptions of service recovery encounters have not been very well understood. First, most studies use the experimental manipulation of a narrow set of firms’ objective service recovery activities as the proximal predictors of customer justice (Tax, Brown, and Chandrashekaran 1998) and failed to address the impacts of customers’ subjective evaluations of these activities. Second, most studies have failed to recognize that service recovery is an encounter wherein not only economic resources are exchanged but also are psychological and social resources (Smith, Bolton, and Wagner 1998). Finally, customers’ role in the encounter of service recovery has not been widely investigated. Consumers want to exert influence on, or have control over the service delivery process (Namasjvayam 2004), especially when they sense the loss of control after service fails (Chang 2006). Therefore, consumers’ sense of control may play an important role in their fairness evaluations of a firm’s service recovery performance.

This paper intends to fill in the aforementioned gaps in the literature. By integrating equity theory, control theory and group-value theory from the legal literature, this research attempts to develop a dual process model of customer perceived control and their justice perceptions of service recovery. In this model, three types of customer perceived control including information control, decision control and process control are proposed to affect their justice perceptions. Furthermore, the effects of these three types of customer perceived control on customer justice perceptions are proposed to be carried over via two distinct psychological processes: customer perceived outcome favorability of a service recovery and customers’ organization-based self-esteem. In addition, customers’ satisfaction with the recovery performance as a consequence of customers’ justice perceptions in service recovery is discussed.

Data were collected from a web-based survey with a sample of 283 U.S. consumers. A two-step structural equation modeling (SEM) procedure was employed to establish the construct validity and test the hypotheses. The findings of this paper provide important theoretical and managerial implications. First, this study suggests that customers’ perceived control plays an important role in their justice perceptions of a firm’s service recovery performance. Customers may feel more in control and perceive a higher distributive justice when an informed communication is made and their participation in the compensation decision outcomes is allowed. Moreover, customers may have a higher perception of procedural justice when an informed communication is made and their participation in the firm’s decision making process of service recovery is facilitated. Customers feel the need to regain control when service fails. By allowing customers to influence or have control over the firm’s service recovery process, the firm can make customers feel that the inequity they have experienced in a service failure is restored to balance. Second, this study indicates that three types of customer perceived control differ in terms of their impacts on customers’ justice perceptions. By examining the total effects of three types of customers’ perceived control on customers’ justice perceptions, we find that information control has a larger total effect on distributive justice than does decision control. Furthermore, information control has a larger total effect on procedural justice than do process and decision control. These results imply that keeping customers informed and feel assured in service recovery is critical in a firm’s service recovery efforts. Last but not least, by establishing the two mediators in the model, this study suggests, in seeking justice, customers may not only care about the economic relative gains that can be promoted by customers’ control in service recovery. Rather, customers may also be concerned about their social identity symbolized in firms’ efforts of restoring control. In other words, when making fairness judgments of service recovery, customers may not only evaluate a company’s redistribution of economic resources, but also assess the redistribution of social resources (Smith, Bolton, and Wagner 1998). References are available on request.
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