MARKETING IN THE SOCIALEY-NETWORKED WORLD
Challenges of Emerging, Stagnant & Resurgent Markets

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2012 AMA Educators’ Proceedings

Marketing in the Socially-Networked World: Challenges of Emerging, Stagnant, and Resurgent Markets

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Volume 23

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Preface and Acknowledgments

Welcome to the 2012 American Marketing Association Summer Educators’ Conference and to Chicago, the home of American Marketing Association. This is AMA’s 75th anniversary, so don’t miss the festivities at our special Saturday evening reception, which is co-sponsored by three exemplars of centers of marketing thought 75, 50, and 25 years ago.

The University of Illinois represents the early years, after the AMA was founded there in 1937. Representing 1962 and the subsequent era is The Ohio State University, which saw developments such as the meeting which laid the foundation for the Association for Consumer Research. Northwestern University represents 1987 and marketing’s maturation as a rigorous discipline encompassing diverse research methodologies and innovations in education. Heartfelt thanks to these co-sponsors for their contributions to the reception and to the video that will debut Saturday evening.

What is our exemplar of a center of marketing thought for 2012? Centers of marketing thought have become more diffuse and virtual. You and your network of co-researchers are, or can be, a center of marketing thought! More than ever before, cutting-edge researchers are found in all types of universities and in numerous countries, collaborating across vast distances and time zones. We marketing academics thrive in the socially-networked world!

Thus, we are pleased that the theme of this conference is “Marketing in the Socially-Networked World: Challenges of Emerging, Stagnant, and Resurgent Markets.” We encourage you to examine the range of intriguing papers exploring the implications of the rise of social media. Please also note the special sessions and competitive paper sessions that address the challenges and opportunities of emerging markets and economies in other stages of development. We have a great program featuring quality research papers and special sessions spanning diverse topic areas and methodologies, presented by researchers from a plethora of countries around the globe.

We are honored to have had the opportunity to organize this conference. Our deepest thanks to our indefatigable track chairs, who were the key players in assembling the participants and content of the sessions. To those who submitted work and are featured at this conference, we appreciate your willingness to share your ideas in this venue. We particularly appreciate the reviewers, the unsung heroes and heroines, who are critical to ensuring quality presentations. Thanks to all others who contribute to this conference, including session chairs, sponsors, exhibitors, AMA’s academic leadership, and the many AMA staff members without whom this conference would not occur. We must make special note of the role program manager Jessica Thurmond-Pohlonski has played; thank you, Jessica, for your positive, can-do attitude and championing some of our crazy ideas behind the scenes at AMA.

In contrast to specialty conferences, a broad-based conference such as this one offers a venue in which all research areas and methodologies are welcome. We encourage you to take advantage of this characteristic and expose yourself to diverse ideas. We hope that you find your activities here intellectually stimulating, meet old friends, form new connections, leave here with new ideas, and have a great time in the process!

Lisa K. Scheer
University of Missouri

Todd J. Arnold
Oklahoma State University
Best of Conference Award
“The Impact of Proactive Marketing at the Fuzzy Front End of Innovation”
Fiona Schweitzer

Best Paper Awards by Track

Advertising and Promotion
Enrique M. Becerra, Sindy Chapa, and Delonia O. Cooley

Branding and Brand Management
“Do Personality Traits Influence Brand Related Activities in Social Networks? An Empirical Study”
Philipp A. Rauschnabel, Björn S. Ivens, and Gunnar Mau

Consumer Psychology and Behavior
“How Close Brands Are Included in the Self: Psychological and Neural Processes”
Martin Reimann, Raquel Castaño, Judith L. Zaichkowsky, and Antoine Bechara

Emerging Markets
“MNCs and Food Security in Emerging Markets: Provocations from India”
Susan M. Mudambi, Thomas Reardon, and Bart Minten

Ethical, Legal, Social, and Public Policy Issues
“Does Corporate Social Responsibility Save Firms? An Exploration of Corporate Social Responsibility, Firm Capability, Environmental Influences, and Firm Default Risk”
Wenbin Sun

Global and Cross-Cultural Marketing Issues
“The Effects of Product Diversification and Globalization on the Performance of Large International Firms”
Tianjiao Qiu

Innovative Marketing Technology
“The Effects of Product Diversification and Globalization on the Performance of Large International Firms”
Tianjiao Qiu

Interorganizational Issues in Marketing
“Managing Exclusive Channels for Relationship Effectiveness”
Alberto Sa Vinhas

Marketing Education and Teaching Innovation
“Using the RFM Model to Rank Doctoral Marketing Programs”
Matt Elbeck and Brian A. Vander Schee

Marketing Strategy and Marketing Management
“When Customers Show Divided Attitudinal Loyalty: Using Channel Intermediaries to Increase Behavioral Loyalty”
Sridhar N. Ramaswami, S. Arunachalam, and Kirti Rajagopalan

New Product Design and Development, Product Management, and Entrepreneurship
“The Impact of Proactive Marketing at the Fuzzy Front End of Innovation”
Fiona Schweitzer

Personal Selling and Sales Management
“Managing Salesforce Selling Behaviors and Performance: The Interactive Effects of Sales Control Systems”
C. Fred Miao and Kenneth R. Evans

Research Methods and Analytics
“Effects of Store Manager Climate upon FLE Commitment, Customer Loyalty and Store Financial Performance”
George D. Deitz, John D. Hansen, Thomas E. DeCarlo, Emin Babakus, and Kristopher J. Preacher

Retailing and Pricing
“Accepting or Fighting Piracy: Can Firms Reduce Piracy for Digital Media Products by Optimizing Their Marketing?”
Felix Eggers, Alexa Burmester, Michel Clement, and Tim Prostka

Services Marketing
“Does Technology Orientation Matter in Technology Services Organizations?”
Nacef Mouri, Maheshkumar P. Joshi, and Sidhartha R. Das

Sports Marketing
“Segmenting Fans of a New Team: ATypology of Early Adopters”
Heath McDonald, Civilai Leckie, and Adam Karg
2012 AMA Summer Educators’ Conference
List of Reviewers

A
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Yueming Zou, Old Dominion University
TABLE OF CONTENTS

PREFACE AND ACKNOWLEDGMENTS iii
BEST PAPERS BY TRACK iv
LIST OF REVIEWERS v
TABLE OF CONTENTS xi

RESEARCH METHODS AND ANALYTICS

The Application of Structural Equations to the Attributes in Discrete Choice Models
Cam M. Rungie 1

Anchoring in Choice Experiments: Influence of the Experimental Design on Willingness-to-Pay
Felix Eggers, Franziska Völckner 10

The Dynamics Underlying Performance Signaling: Insights from the Professional Sports Market
Stefan Hattula, Hauke A. Wetzel, Maik Hammerschmidt, Hans H. Bauer 12

Effects of Store Manager Climate Upon FLE Commitment, Customer Loyalty, and Store Financial Performance
George D. Deitz, John D. Hansen, Thomas E. DeCarlo, Emin Babakus, Kristopher J. Preacher 14

Do Group-Buying Deals Induce More Coupon Regret?
Xueming Luo, Yiping Song, Pengdong Fan 16

Distribution of Changes in Consumer Purchasing Behavior
Giang Trinh, Cam Rungie, Malcolm Wright, Carl Driesener, John Dawes 17

INTERORGANIZATIONAL ISSUES IN MARKETING

Are Suppliers Inaccurate in Judging Their Price Fairness in Buyer-Seller Relationships?
Christian Homburg, Jan Allmann, Dirk Totzek 19

Gratitude Versus Entitlement: An Antagonistic Process Model of the Profitability Impact of Customer Prioritization
Hauke A. Wetzel, Maik Hammerschmidt, Alex R. Zablah 21

Do Seller Perceptions of Fairness Lead to Sales Growth? A Latent Growth Curve Analysis
Ghasem Zaefarian, Zhaleh Najafi Tavani, Stephan C. Henneberg, Peter Naudé 23

Reciprocity in Interfirm Relationships: A Review and Extension
Jessica J. Hoppner, David A. Griffith 25

Sales and Value Creation: A Synthesis and Directions for Future Research
Alexander Haas, Nina Stuebiger 27
Implementing Service Growth Strategies at the Industrial Sales Force Level: Key Challenges in Selecting and Managing the Service-Savvy Sales Force
James M. Loveland, Wolfgang Ulaga

Ready to Pitch? Proposal and Vendor Attractiveness as Mediators of Vendor Success in Competitive Tenders
Eva K. Steinbacher, Christian Schmitz, Dirk Zupancic

Managing Exclusive Channels for Relationship Effectiveness
Alberto Sa Vinhas

EMERGING MARKETS

Are Chinese State-Owned Enterprises Lagging Behind in Product Innovation?
Xiaomin Zhao, Ping Lan

From Innovative and Marketing Capabilities to Firm Performance: Empirical Comparison on Different Paths in Two Emerging Nations
Xina Yuan, Sohyoun Shin, Sang Yong Kim

MNCs and Food Security in Emerging Markets: Provocations from India
Susan M. Mudambi, Thomas Reardon, Bart Minten

Adding to the “Missing Link” Perspective in Emerging Economy: The Role of Product Innovation in Russia
Maria Smirnova, Vera Rebiazina, Alexander Krasnikov, Sergey Kusch

Evaluation of Retail Services: A Developed vs. Emerging Markets Perspective
Piyush Sharma, Sherriff T.K. Luk, Ivy S.N. Chen

Factors Influencing Growth Potential of E-Commerce in Emerging Economies: A Multi-Theoretical Approach and Research Propositions
James Agarwal, Terry Wu

Driving the Value Premium Through Cultural, Symbolic, Economic and Social Capital Management
Goran Vlasic, Josef Langer, Zoran Krupka

Microfinance Market Failures in Emerging Markets
Joseph Hansen-Addy, Esi Abbam Elliot, Joseph Cherian

Reactance Vs. Acceptance: Emerging Market Consumers’ Perceptions of Local Brands After an MNC’s Acquisition
Martin Heinberg, Markus Taube

Kofi Q. Dadzie, Charlene A. Dadzie, Evelyn M. Winston

Expanding “Brotherhood” in Emerging Markets: Methodological Approach and Cultural Value Analysis
Richard Michon

Still on the Road to Capitalism? Weighing the Visible Hand of Government Intervention in the Chinese Property Market
Tao Zhu, Killian J. McCarthy
INTERORGANIZATIONAL ISSUES IN MARKETING

Studying Emotions in Business Relationships
Andreas Zehetner 63

Interorganizational Favor Exchange as a Cooperative Behavior
Adam Nguyen 72

Using Dyadic Agent-Based Simulations to Model Strategic Decision Making in Business Relationships
Sebastian Forkmann, Di Wang, Stephan C. Henneberg, Peter Naudé, Alistair Sutcliffe 74

Reinstitutionalizing Surveillance Through Social Media: Healthcare Market Case
Handan Vicedan 76

The Mediating Role of Marketing Process Improvement in the Market-Based Asset Framework
Anthony K. Asare, Thomas G. Brashear, Jing Yang, Jun Kang 78

How Integration Enables Marketing to Become More Accountable
Andreas Waschto, Malte Brettel 79

Why Do Manufacturers Engage in Private Labels Production? Market Strategy and Channel Relationship Perspectives
Ho-Taek Yi, Chae-Un Lim 81

ADVERTISING, PROMOTION AND MARKETING COMMUNICATIONS

Quantifying the Sales Impact of Location-Targeted Mobile Ads
Xueming Luo, Zheng Fang, Megan E. Keith 90

How Advertising Works Embedded in New Media: Consumer Media Experience Model
Mark Yi-Cheon Yim, Minette E. Drumwright, Vincent J. Cicchirillo 92

Viral Advertising and Its Place in the Advertising Framework
Maria Petrescu, Pradeep Korgaonkar, Tamara Mangleburg, Ann Root 94

The Role of Facebook for Advertising: Advertising Effectiveness of Social Networks Compared to Traditional Online Advertising, Including Synergies and Time Lags
Jens-Christian Reich, Malte Brettel 96

Buying the Forthcoming: A Prelaunch Information and Value Congruence Model
Kyung-Ah Byun, Junghwan Kim, Gavin L. Fox 98

The Role of Financial Gift Formats on the Persuasiveness of the Advertising Messages
Qing Yao, Rong Chen 100

A Framework to Understand Customer Data Quality in CRM Systems for Financial Services Firms
Debra Zahay-Blatz, James Peltier, Anjala Krishen 102

The Role of Fit and Similarity in Social Sponsorship Communications
Ravi Pappu, T. Bettina Cornwell 103
Should Firms Name Competitors in the Ads?
Chun-Kai Tommy Hsu, Leona Tam 105

Regulatory Focus and Daily Deal Message Framing: Are We Saving or Gaining with Groupon?
Iryna Pentina, David G. Taylor 107

An Investigation of the Attitude Resistance Process on Negatively Framed Comparative Ads
Russell Laczniak, Kristine Ehrich, Darrel Muehling, Akshaya Vijayalakshmi 109

The Effect of Analytic and Holistic Thinking on Consumers’ Attitudes’ Toward Holistic or Attribute Advertising
Beichen Liang 111

Using Self- Versus Other-Benefit Messages in Ads for Green Products: The Moderating Role of Perceived Consumer Effectiveness and Consumer Guilt
Ceren Ekebas, Kiran Karande 113

The Impact of Violent Humor on Advertising Success: A Gender Perspective
Kunal Swani, Marc Weinberger 115

Ad Strategy for Multi-Ethnic Markets: The Influence of Cosmopolitanism
Enrique P. Becerra, Sindy Chapa, Delonia O. Cooley 117

Stronger Environmental Norms Increase “Green” Buying Intentions but Not Behavior: Implications for Advertisers
Melissa M. Bishop, Nelson A. Barber 119

BRANDING AND BRAND MANAGEMENT

#Loweshatesmuslims: Consumer Ethical Decision Making Related to Corporate Advertising Choices
R. Nicholas Gerlich, Kristina Drumheller, Emily Kinsky, Meagan Brock, Marc Sollosy 121

Brand Heritage in the Luxury Industry: Creating and Delivering Continuous Value to Consumers
Nadine Hennigs, Steffen Schmidt, Thomas Wuestefeld, Klaus-Peter Wiedmann 129

Loss of Brand Equity in Crises: The Impact of Emotions and Attributions in Product and Non-Product Negative Publicity
Haodong Gu, Ashish Sinha 131

Investigating How Word-of-Mouth Drives Information Search for a Brand
Andrew M. Baker, Naveen Donthu, V. Kumar 133

Employees as Internal Brand Consumers: the Nature of Relationships
Lucy Gill-Simmen, Andreas B. Eisingerich 135

To Be Familiar or to Be There? Brand Familiarity, Social Presence, and Online Retailing
Xiaoping Fan, Feng Liu, Jia Zhang 137

Do Personality Traits Influence Brand Related Activities in Social Networks? An Empirical Study
Philipp A. Rauschnabel, Björn S. Ivens, Gunnar Mau 139
Identity Presentation and Conflict in a Social Network: Implications for Branding in Social Games
Ginger Killian, John Hulland

Risk Reducing Portfolio Effects: Uncertainty Avoidance in Brand Extensions
Matthew A. Hawkins, Jatinder Jit Singh

Sub-Branding Affect Transfer: The Role of Product Category Crowdedness and Brand Loyalty
Yi He, Qimei Chen, Ruby P. Lee, Leona Tam

Explicit and Implicit Measures of Brand Information Processing and Its Impact on Brand Perception and Brand-Related Behavior
Sascha Langner, Nadine Hennigs, Steffen Schmidt, Klaus-Peter Wiedmann

Diminishing Effects of Perceived Fit on Vertical Extensions
Nicolas Pontes, Mauricio Palmeira, Colin Jevons

Managing Brand Architecture: State-of-the-Art and Decision-Making
Christopher Kanitz, Michael Schade, Christoph Burmann

Branding with Political Theories: An Interdisciplinary Approach
Tony Yan

Constructing Bayesian Network and Nomological Network of Performance-Based Usability of Mobile Devices
Taewon Suh, John Ford, Jang-Ho Park, Kyungdoc Kim, Chi-Hyuck Jun

Investigating the Effects of Vagueness in Advertising Slogans on Brand Preference
Widyarso Roswinanto

CONSUMER PSYCHOLOGY AND BEHAVIOR

Consuming Ethically: The Role of Emotions
Diana Gregory-Smith, Andrew Smith, Heidi Winklhofer

Does In-Store Marketing Reduce the Attitude-Behavior Gap for Ethical Products?
Gulberk Keysan, Vishal Talwar, Amitav Chakravarti

Understanding Teenage Poker Gambling: Policy and Consumer Behavior Implications
Sudhir H.Kale, Natalina Zlatevska

“It’s Not My Fault” and “Money Can Buy Anything”: Recovering from Ethical Failures
Sekar Raju, Priyali Rajagopal

Word-of-Mouth Behavior, Online Activity and Company’s Communication Strategy
Danny P. Claro, Silvio A. Laban Neto, Priscila B.O. Claro

The Role of Resistance and Positive Coping in Consumption of Mobile Apps
Anubha Mishra, Mary Ann Eastlick

Strategies for Increasing Online Survey Participation
Mary Foster, Anne Warner, Adam Froman
Too Much Facebook: An Exploratory Examination of Social Media Fatigue
Stacy Landreth-Grau, Laura F. Bright, Susan Bardi Kleiser 182

On Materialism, Coping and Consumer Behaviors Under Traumatic Stress
Ayalla A. Ruvio, Eli Somer 184

The Green Side of Materialism
Pia Furchheim, Steffen Jahn, Cornelia Zanger 186

Subjective Well-Being and its Influence on Consumer Purchase Behavior of Luxury Items Do Materialism and Affective Autonomy Have an Impact?
La Toya M. Russell 188

The Impact of Esoteric Product Specifications on Choice
Chelsea Wise, Paul F. Burke, Sandra J. Burke 194

Conformity, Uniqueness, and Social Class Mobility Consumer Self Identity in the Yard
Elizabeth C. Hirschman, David L. Kendall 195

How Close Brands Are Included in the Self: Psychological and Neural Processes
Martin Reimann, Raquel Castaño, Judith L. Zaichkowsky, Antoine Bechara 205

The Referral Backfire Effect: The Identity Threatening Nature of Referral Failure
Bart Claus, Kelly Geyskens, Kobe Millet, Siegfried Dewitte 206

Self-Other Differences in Purchase Uncertainty and Contingent Decision Strategies
Demetra Andrews, Stephanie Oneto 208

Corporate Social Responsibility and Consumer Relationships: An Application of the Motivator-Hygiene Theory
Russell Lacey, Pamela Kennett-Hensel 210

A New Tool for Customer Segmentation: Defining and Measuring Relationship Proneness
Stephanie M. Mangus, Jacob L. Hiler, Benjamin D. McLarty 212

Determinants of Customer Loyalty: The Role of Relational Benefits in the Context of Customer Club
Kevin Yu, Song Yang 213

Turning a Lion into a Kitten: The Role of Apology Timing and Relational Expectation
Kyeong Sam Min, Jae Min Jung, Kisang Ryu 222

The Impact of Parent-Child Buying Communication Strategies on Self-Brand Connections
Farrah Arif, Wayne D. Hoyer, Omar Merlo 224

Making Brand Associations and Brand Elements Memorable in Elderly Consumers
Praggyan (Pam) Mohanty, S. Ratneshwar, Moshe Naveh-Benjamin 226

On the Interpersonal Transmission of Luck
Chun-Ming Yang, Edward Ku, Chung-Chi Shen 228
Personal and Historical Nostalgia: Investigating Consumption Consequences of Two Different Types of Nostalgia
Tina Kiessling, Steffen Jahn, Cornelia Zanger 230

When I Can’t Touch: An Examination of the Role of Purchase Involvement and Regulatory Orientation in Online Shopping Decisions
Atefeh Yazdanparast, Nancy Spears 231

Differences in the Influence of Choice Confidence and Outcome Quality on Satisfaction as a Function of Information Diagnosticity
Demetra Andrews, Alexis M. Allen, Edward Blair 233

Self-Efficacy and Self-Prophecy Effects on Preventive Health Behavior
Carmen-Maria Albrecht, Hans H. Bauer, Kai Bergner, Tamara Gogia, Daniel Heinrich, David E. Sprott 235

The Role of Goal Specificity in Initial and Subsequent Decisions Regarding Consumption of Healthy or Unhealthy Foods
Meredith E. David, William O. Bearden 236

Checkout Frustration: Investigating Consumer Reactions Using Frustration Theory
Eric Van Steenburg, Nancy Spears, Robert O. Fabrize 238

Antecedents and Consequences of Situated Learning in Stressful Service Experiences: A Cross-Cultural Perspective
Mousumi Bose, Lei Ye 240

The Pursuit of Extraordinary Experiences: An Exploration of Triggers
Colleen Harmeling, Mark Arnold 242

Consumer Goal Dynamics: An Empirical Illustration
Shilpa Iyanna 244

ETHICAL, LEGAL, SOCIAL, AND PUBLIC POLICY ISSUES

CSR-Related Communication in Different Industries: A Qualitative and Quantitative Study Based on Corporate Annual Reports
Thomas Kilian, Nadine Hennigs 245

Does Corporate Social Responsibility Save Firms? An Exploration of Corporate Social Responsibility, Firm Capability, Environmental Influences, and Firm Default Risk
Wenbin Sun 247

Communicating Corporate Social Responsibility Using Social Media: Implications for Marketing Strategists
Amy Lyes, Nitha Palakshappa, Sandy Bulmer 249

Customer Outcomes of Corporate Social Responsibility in Supplier-Customer Relationships
Christian Homburg, Marcel Stierl, Torsten Bornemann 257

Measuring Consumer Confusion Evoked by Design Copycats: The Influence of Evaluation Mode
Steffen Herm, Jana Möller 259
Consumers View Nutrition Facts Through Cultural Lenses
Annie Cui, M. Paula Fitzgerald, Karen Russo France 260

Willing to Pay for a Better Brand: Consumer Responses to CSR Performance Scores
Laurel Aynne Cook, Ronn J. Smith, Yao Jin 262

Environmentally Friendly Consumer Behavior: A Scale Review, Modification, and Validation
Lynn Sudbury-Riley, Florian Kohlbacher, Agnes Hofmeister 264

Afro-Descendants in Children’s Television Advertisements: A Content Analysis Study in the Brazilian Context
Claudia Rosa Acevedo, Marcello Muniz, Jouliana Jordan Nohara 266

How Companies Should React on Social Misconducts: The Role of In- and Extra-Domain Compensation
Isabell Lenz, Hauke Wetzel, Maik Hammerschmidt 268

How Big a Concern? Privacy, Targeted Advertising and Social Media: The Canadian Corporate and Consumer View
Avner Levin, Bettina West, Mary Foster 270

Developing a Corporate Social Responsibility Process Scale of Individual Stakeholder’s Perception
Seongjin Kim, Clarissa Chaiy, Seoil Chaiy 271

NEW PRODUCT DESIGN AND DEVELOPMENT, PRODUCT MANAGEMENT AND ENTREPRENEURSHIP

The Roles of Marketing and Sales in New Product Development
Wim G. Biemans, Avinash Malshe 281

Sales Integration and Its Performance Effects in New Product Development: The Moderating Role of Innovativeness
Malte Brettel, Andreas Waschto 283

Resources in New Product Development: An Investigation of Resource Flexibility, Augmentation, and Leveraging
Sanjay R. Sisodiya, Jean L. Johnson, Stephen M. Wagner 285

Incremental Service Innovation, Service Employees’ Innovative Activities, and the Enabling Factors
Jun Ye 287

Examination of the Link Between New Product Preannouncements and Firm Value: The Case of the U.S. Automotive Industry
M. Billur Akdeniz, M. Berk Talay 289

Learning Marketing Management and Leadership Practices from Peers: The Case of Industry Peer Networks
Ada Leung, Huimin Xu, Kyle Luthans, Susan Jensen 290

The Impact of Proactive Marketing at the Fuzzy Front End of Innovation
Fiona Schweitzer 292
I Don’t Need It and I Don’t Want to – Examining Effects of Situational and Cognitive Resistance to Innovations
Sven Heidenreich, Matthias Handrich

RETAILING AND PRICING

The Pricing of Soft and Hard Information: Lessons from Screenplay Sales
Milton Harris, S. Abraham Ravid, Suman Basuroy

The Entrant’s Pricing Dilemma: Linking Low Price Entry Strategies to Aggressive Price Responses by Incumbents
Alexander J. Mrozek, Tomas Falk

Accepting or Fighting Piracy: Can Firms Reduce Piracy for Digital Media Products by Optimizing Their Marketing?
Felix Eggers, Alexa Burmester, Michel Clement, Tim Prostka

Framing Effects on Evaluation of Coupon Offers: Assessing the Performance of Alternative Face Value Frames
George Baltas, Grigorios Painesis, Paraskevas Argouslidis

I Thought It Was All Over and Now It Is Back Again: Customer Reactions to Time Extensions of Sales Promotions
Ina Garnefeld, Eva Muenkhoff, Andrea Bruns

Purchase Behavior and Psychophysiological Responses to Different Price Levels
Outi Somervuori, Niklas Ravaja

Social Commonalities and Subjective Discounting
Mark S. Rosenbaum, Richard Wozniak, Carolyn Massiah

Price-Quality Relationships and the Price Heuristic
Mark J. Kay

Product Masking: Effects of Consumer Embarrassment on Shopping Basket Size and Value
Bridget Satinover Nichols, David Raska, Daniel J. Flint

Examining the Role of Cognitive Dissonance After Purchase on Product Return Intentions
Devdeep Maity

Assessing Customer Satisfaction and Unplanned Buying Behavior in Grocery Retailing
Maria Pilar Martínez-Ruiz, Alicia Izquierdo-Yusta, Phil Megicks

Flow Experience in Physical Retail Stores
Liz C. Wang, Daniel F.J. Hsiao

Effects of Illumination on Store Atmosphere, Price, and Quality Perception, and Shopping Intention
Stephan Zielke, Thomas Schielke

The Hybrid Online Shopping Environment
Jeffrey Hu Xie
**Temporary Stores: Consumer Responses to a Limited Assortment and Limited Time Horizon**  
Doréen Pick, Marko Schwertfeger  
322

**Do Customer Experiences Enhance Retail Brand Equity?**  
Alexander Leischng, Marko Schwertfeger  
323

**Antecedents of Primary Store Disloyalty in a Stagnant Market**  
Peter J. McGoldrick, Daniel P. Hampson  
325

**Signaling E-Tailer Trust: Exploring Source Influences of Internet Trustmarks**  
K. Damon Aiken, Vincent Pascal, Sohyoun Shin  
326

**A Comparison of Brand Extensions for Private Labels and National Brands**  
Monica Grosso, Sandro Castaldo  
328

**MARKETING STRATEGY AND MARKETING MANAGEMENT**

**An Experimental Examination of Buyers’ Responses to Relationship Failures**  
Donald J. Lund, John D. Hansen, Thomas E. DeCarlo, Lisa K. Scheer  
330

**When Customers Show Divided Attitudinal Loyalty: Using Channel Intermediaries to Increase Behavioral Loyalty**  
Sridhar N. Ramaswami, S. Arunachalam, Kirti Rajagopalan  
332

**Customer Reactions to Massive Workforce Reductions: When Is Satisfaction Affected?**  
Martin Klarmann, Christian Homburg, Johannes Habel  
334

**A Customer-Centric Approach to B2B Market Segmentation**  
Yihui (Elina) Tang, Murali Mantrala, Esther Thorson  
336

**A Stratified Examination of the Drivers and Outcomes of Marketing Cross-Pollination**  
Jeff S. Johnson, Amit Saini  
338

**The Role of Franchisee Marketing Commitment on Promotion Execution and Performance**  
Joseph Matthes, Amit Saini  
340

**Determinants of the Adoption of a Mobile Commerce Strategy: The Perceived Benefits to the Firm**  
Esther Swilley  
342

**The Moderating Effect of Creativity on Consensus and Performance: A Moderated Polynomial Regression Model**  
Linda M. Orr, Frederik Beuk, Hyeong-Gyu Choi  
343

**Does CEO Tenure Really Matter? The Mediating Role of Employee and Customer Relations**  
Xueming Luo, Vamsi K. Kauri, Michelle Andrews  
345

**When the Fog Dissipates: The Choice of Strategic Emphasis in a Partner**  
Todd Morgan, Sergey Anokhin  
347
Why Quality May Not Always Win: The Impact of Product Generation Life-Cycles on Quality and Network Effects in High-Tech Markets
Richard T. Gretz, Suman Basuroy

GLOBAL AND CROSS-CULTURAL MARKETING ISSUES

Foreign Direct Investment Impact on Retail Structure
Boryana V. Dimitrova, Bert Rosenbloom

The Differential Effect of Internet Trustmark Source: An Exploratory Study of Korean and U.S. Consumers
Sohyoun Shin, K. Damon Aiken, Vincent J. Pascal

Market Orientation and Business Performance in MNC Foreign Subsidiaries: The Moderating Effects of Integration and Responsiveness
Riliang Qu

Emergence of Online Shopping in India: Shopping Orientation Segments
Kenneth C. Gehrt, Mahesh N. Rajan, G. Shainesh, David Czerwinski, Matthew O’Brien

It’s Nice to Be Important, But It’s More Important to Be Nice: Country-of-Origin Effects in Product Failures
Huimin Xu, Ada Leung, Terry Yan

The Effects of Product Diversification and Globalization on the Performance of Large International Firms
Tianjiao Qiu

What Happens to “Brand Japan” When Toyota Suddenly Accelerates? The Spillover Effects of Brand Transgressions on Country Image and Related Brands
Peter Magnusson, Vijaykumar Krishnan, Srdan Zdravkovic, Stanford A. Westjohn

The Real Mccoy: Product Ethnicity, Authenticity, and Cosmopolitanism in Evaluations of Search and Experience Goods
Michael Wachter, Jieun Park

The Hofstede Paradox: Fact or Fiction?
Terry Clark, Songpol Kulviwat, Juan (Gloria) Meng

Ethnocentrism, Consumer Ethnocentrism, Religion and Religiosity: A Conceptual Reformation
Daniel Friesen, Attila Yaprapak

Consumers’ Global Identity and National Identity: An Empirical Study
Joyce X. Zhou, Nitish Singh, Jun Yu

INNOVATIVE MARKETING TECHNOLOGY

The Effect of Blog Interactivity and Perceived Trust on Visitor Response: The Moderating Role of Blogger Expertise and Consumer Involvement
Yueming Zou, Kira Karande

How Quality of Life Affects Social Networking Site Use Intention: Role of Perceived Self Disclosure and Social Tie Quality
Chung-Chi Shen, Jyh-Shen Chiou, Chun-Ming Yang, Szu-Yu Chou
<table>
<thead>
<tr>
<th>Title</th>
<th>Author(s)</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factors Affecting Online Trust in Online Shopping: The Role of Network Externality and Internet Skill</td>
<td>Kazuhiro Kishiya, Nao Yamamoto</td>
<td>371</td>
</tr>
<tr>
<td>Effects of Personalized E-Mail Messages on Perceived Risk: Moderating Roles of Control and Intimacy</td>
<td>Sung-Won Lee, Ji Hee Song, Hye Young Kim</td>
<td>379</td>
</tr>
<tr>
<td>Linking the Virtual World with the Real World: How to Build Online Relationships That Lead to Offline Interactions</td>
<td>Sukanya Seshadria, Werner H. Kunz</td>
<td>381</td>
</tr>
<tr>
<td>101 People Like This: Evaluating the Facebook Message Strategy Effectiveness of Fortune 500 Companies</td>
<td>Kunal Swani, George R. Milne, Brian P. Brown</td>
<td>382</td>
</tr>
<tr>
<td>Does Social Media Matter for Marketing? The Effects of Social Media Engagement on the Consumer-Brand Relationship</td>
<td>Benedikt Jahn, Werner H. Kunz</td>
<td>384</td>
</tr>
<tr>
<td>Social Networking Sites and Planned Behavior</td>
<td>John T. Gironda, Pradeep K. Korgaonkar</td>
<td>387</td>
</tr>
<tr>
<td>What Consumers Really Think of Targeted Online Advertising: A Segmented Approach</td>
<td>Bettina West, Avner Levin, Mary Foster</td>
<td>389</td>
</tr>
<tr>
<td>Engaging the Facebook User to Foster Sales: Drivers of Advertising Effectiveness in Social Networks, Incorporating Synergies and Time Lags</td>
<td>Jens-Christian Reich, Malte Brettel</td>
<td>391</td>
</tr>
<tr>
<td>Social Media Marketing Intensity and Its Impact on the Relation Between Dynamic Capabilities and Business Performance</td>
<td>Felipe Uribe, Josep Rialp, Joan Llonch, Henry Robben</td>
<td>393</td>
</tr>
<tr>
<td>Netnography and Metaphysical Branding</td>
<td>Steve Oakes, Noel Dennis, Helen Oakes</td>
<td>395</td>
</tr>
<tr>
<td>Integration vs. Regulation: What Really Drives User-Generated Content in Social Media Channels?</td>
<td>Welf Weiger, Hauke Wetzel, Maik Hammerschmidt</td>
<td>397</td>
</tr>
<tr>
<td>Is There a Dark Side to Customer Co-Creation? Exploring Consequences of Failed Co-Created Services</td>
<td>Matthias Handrich, Sven Heidenreich</td>
<td>399</td>
</tr>
<tr>
<td>The Role of Moral Identity in Online Consumer Review Behavior</td>
<td>Nan Zhang, Mavis T. Adjei</td>
<td>401</td>
</tr>
<tr>
<td>Who Cares About Crowdsourcing from a Virtual Brand Community? The Case of Marvel.com</td>
<td>Paul G. Barretta</td>
<td>403</td>
</tr>
</tbody>
</table>
The Omnichannel Luxury Retail Experience: Building Mobile Trust and Technology Acceptance Through Symbolic Self-Completion
Charles Aaron Lawry, Laee Choi

Can You Hear Me Now? How Product Attributes Influence Online Phone Reviews
Elliott Manzon, Richard Gonzalez, Colleen M. Seifert

Design of Reward Systems in Customer Referral Programs
Christoph Look

The Power of a Tweet: An Exploratory Study Measuring the Female Perception of Celebrity Endorsements on Twitter
Nicole Cunningham, Laura Bright

Consumers’ Online Responses to the Death of a Celebrity
Scott K. Radford, Peter H. Bloch

Extending the Electronic Technology Acceptance Model: Consumer Adoption of Augmented Reality-Based Marketing Tool
Mark Yi-Cheon Yim, Shu-Chuan Chu

MARKETING EDUCATION AND TEACHING INNOVATION

Do Personal Response Systems (Clickers) Enhance Learning and Retention of Knowledge in Higher Education: An Empirical Investigation
Erin Cavusgil

Using the RFM Model to Rank Doctoral Marketing Programs
Matt Elbeck, Brian A. Vander Schee

Impact Dynamics of Marketing Scholarship: Going Beyond Journal Quality
Shibo Li, Eugene Sivadas, Mark S. Johnson

The Effects of Individual and Team Characteristics on Simulation-enhanced Critical Thinking: A Multilevel Analysis
George D. Deitz, Alexa K. Sullivan, Robert Evans Jr.

SPORTS MARKETING

Without the Volunteers the Event Cannot Go On: Examining Retention with a Behavioral Reasoning Theory Approach
Mya Pronschinske, Mark D. Groza, Mark Peterson

Motivating Factors for Participation in National and Olympic Sports in Kazakhstan
Elmira Bogovlyeva

Segmenting Fans of a New Team: A Typology of Early Adopters
Heath McDonald, Civilai Leckie, Adam Karg

The Service Profit Chain in a Professional Sports Setting
Adrien Bouchet, James J. Zboja

SERVICES MARKETING

The Effect of Formal and Informal Marketing Controls on Customer Contact Employee Performance
Ryan C. White, Roger J. Calantone, Clay M. Voorhees
Give-and-Take in Loyalty Programs: The Asymmetric Effects of Medium Magnitude
Sören Köcher, Markus Blut 488

The Bright and Dark Side of Endowed Status in Hierarchical Loyalty Programs
Andreas Eggert, Ina Garnefeld, Lena Steinhoff 490

New Insights in the Moderating Effect of Switching Costs on the Satisfaction-Loyalty Link
Thomas Rudolph, Liane Nagengast, Heiner Evanschitzky, Markus Blut 492

PERSONAL SELLING AND SALES MANAGEMENT

Managing Salesforce Selling Behaviors and Performance: the Interactive Effects of Sales Control Systems
C. Fred Miao, Kenneth R. Evans 494

Do Salesperson Perceptions of Management-Directed Technology-Enabled Transparency Influence Their Behavioral Ethicality?
John E. Cicala, Alan J. Bush, Daniel L. Sherrell, George D. Deitz 496

A New Customer Typology for Adaptive Selling
Jeffrey S. Larson, Sterling A. Bone 498

Salesperson’s Acculturation Behavior and its Impact on Buyers’ Commitment
Halimin Herjanto, Sanjaya S. Gaur 500

Solution Selling Teams: A Multi-Perspective Review of the Impact of Cross-Functionality
Doreen Wienhold, Michael Nippa 502

The Strategic Alignment of Organizational Development Interventions for Salesperson Value Management with a Salesperson Lifecycle Management Model
Joon-Hee Oh 504

Demystifying Network Strategies: Increasing Product Quality, Customer Satisfaction, and Profitability Through the Strategic Deployment of Influential Hubs
Cinthia B. Satornino, Michael K. Brady, Michael Brusco, Clay Voorhees 506

A Nuanced View of the Marketing-Sales “Activity” Interface: A Case of Small B2B Firms
Avinash Malshe, Wim G. Biemans 508

Investments in Customer Relationships and Relationship Strength: Evidence from Insurance Industry in China
Guicheng Shi, Yuan Ping, Yonggui Wang, Matthew T. Liu 510

Salesperson’s Personality and Relationship Quality: Are You a Friend or a Customer?
Kaveh Peighambari, Setayesh Sattari, Maria Ek Styvén, Lars Bäckström 511

Knowledge Transfer Antecedents and Consequences: A Conceptual Model
Nicholas Kolenda, Lee McGinnis, Brian Glibkowski 519
Intrafirm Information Advantage and Brokerage: Effects on Salesperson Performance
Gabriel R. Gonzalez, Danny P. Claro

SPRINTS MARKETING

Befriending Sport Celebrities Through Mediated Relationships: Parasocial Interactions and Relationships with Athletes in Social Media
Mujde Yuksel

The Effect of Sport Event Advertising on Brand Attitude
Wonseok Jang, Yong Jae Ko, Songhyun Cho

Branding Higher Education Through PSAS: Producing Global Citizens for the 21st Century
Michael J. Clayton, Kevin V. Cavanagh

A Cutting Edge Approach to Achieve Vivid Destination for Sport Sponsorship
Alireza Faed, Afsaneh Ashouri, Morteza Saberi

AUTHOR INDEX
THE APPLICATION OF STRUCTURAL EQUATIONS TO THE ATTRIBUTES IN DISCRETE CHOICE MODELS

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ABSTRACT

The paper demonstrates the integration of the methods of structural equation modeling into the modeling of the attributes in discrete choice models and in particular discrete choice experiments. The approach generates outcomes well known to research and to structural equation modeling but previously not available within discrete choice models.

Key Words: discrete choice, structural equation, latent variable, attribute, choice set.

INTRODUCTION

Recently, methods known as structural choice modeling (SCM) have been developed for including latent variables and structural equations in discrete choice models (DCMs). The methods allow for the modeling of associations in the utilities for the attributes, and their levels, over one or more DCMs. SCM gives structure to the variance covariance matrix of random coefficient models and allows the analyst to operationalise a priori knowledge and theory. This paper reviews the outcomes, and what has been learnt so far, from eight studies using SCM undertaken in five countries. The first observation in applying SCM is of a technical nature. Parsimonious models fit the data better than the traditional fixed and random coefficient models. There is always structure in the unobserved heterogeneity of DCMs. However, the more interesting and useful observations relate to the interpretation and nature of the outcomes. SCM leads to segmentation, hypothesis testing, modeling across product category, analyst of joint decision making, evaluation of the association between attitudes and behavior, state dependent and temporal models. These outcomes are not new to research but are new to DCMs.

The marketing literature over the past 30 years has seen substantial growth in the use of structural equation modeling (SEM) and DCM but as relatively separate fields. SEM has offered an outstanding ability to operationalize and evaluate theory particularly with regards to consumer behavior. In contrast DCM has offered outstanding ability in measurement and demand estimation, and is used especially in those fields where predictive validity is at a premium including econometrics, transport planning and non-market valuation. In DCMs, and in particular in discrete choice experiments (DCEs), the respondent makes a selection from each of several different choice sets containing a discrete number of alternatives in a manner similar to how consumers make choices on a daily basis. From the pattern of selections over the respondents it is possible, using random utility theory (RUT), to estimate and evaluate the impact and elasticity of the attributes of the alternatives, and the variability of this impact over respondents. In DCEs the analyst manipulates the choice sets so as to optimize identification, estimation and causal inference. SCM integrates SEM into DCM and so combines the better operationalization of theory of SEM with the better observation, measurement, causal inference, and predictive validity of DCM. SCM is old, it draws on two well-established modeling approaches, and it is new, it integrates the two and generates outcomes previously not available. The outcomes are demonstrated below.

The paper reviews the literature and the outcomes from the eight studies and then finishes with a discussion emphasizing the new contributions and expanded role of DCMs.

LITERATURE

In their paper, evolving from the Choice Symposium, Ben-Akiva et al. (2002) develop the hybrid choice models containing latent class (LCM) and latent variable (LVM) models. They present a diagram, which is reproduced in Figure 1 but to which has been added a third form of model, structural choice (SCM) (Walker 2001; Rungie 2011; Rungie, Coote, and Louviere 2011).

LVM and SCM are examples of the techniques designed to incorporate latent variables and structural equations into the analyses of discrete choice models (DCM) and more generally into choice processes and RUT (McFadden 1974, 2001). There are indeed several important precursors and examples. Firstly, factor analytic choice models have been applied to the study of brands preferences using revealed preference (RP) data. This is as if “brand” is an attribute with the individual brands as levels. One or more factors have been applied across the brands and other attributes (Elrod 1988; Elrod and Keane 1995; Keane 1997; Walker 2001). Secondly, factor analytic choice models have been applied to the characteristics of respondents using indicator variables based on RP and SP data (Walker 2001; Ashok, Dillon, and Yuan 2002; Morikawa, Ben-Akiva, and McFadden 2002; Temme, Paulssen, and Dannewald 2008; Bolduc and Daziano
Thirdly, methods using latent variables have been developed for combining RP and SP data (Ben-Akiva and Morikawa 1990; Hensher, Louviere, and Swait 1999; Louviere et al. 1999; Ben-Akiva et al. 2002; Louviere et al. 2002; Morikawa, Ben-Akiva, and McFadden 2002). The approaches differ in the nature of the covariates. In the first the covariates are the attributes of the alternatives and in the second the characteristics of the respondents. However, the approaches are similar in their mathematics and in their use of factor analytics. SCM adapts this mathematics and, as in SEM (Jöreskog 1970, 1973; Bollen 1989; Jöreskog and Sörbom 1996), adds the capacity to specify autoregressions, structural equations and correlations for the factors.

In the traditional random coefficient model (e.g., Ben-Akiva et al. 1997; McFadden and Train 2000; Dube et al. 2002; Train 2003, 2009) the coefficients for each covariate are independent random variables with means and variances estimated from the data. That is, the variance covariance matrix, $\Sigma$, for the random coefficient is diagonal. Various approaches have been applied to allow $\Sigma$ to be other than diagonal including adding the correlations to the random coefficient model and latent class models LCM (Kamakura and Russell 1989). In SCM, the coefficients have a multivariate distribution where, through the prudent and parsimonious use of factor analytics, autoregressions, structural equations, and specific correlations, $\Sigma$ can be other than diagonal. The number of parameters need not be excessive and the number of disturbances can be less than the number of random coefficients. SCM allows the analyst to specify structure for $\Sigma$. A priori knowledge, hypotheses and theory can be operationalized and competing specifications for $\Sigma$ can be tested empirically.

The covariates for a DCM can record the attributes of the alternatives and the characteristics of the respondents. LVM and SEM both conceptualize latent variables as being the process driving the observations of indicator variables which are characteristics of the respondents. In contrast, SCM conceptualizes latent variables as preferences driving the utilities for the attributes and their levels. The latent variables are higher order utilities for overarching and meta attributes or constructs. By-and-large,
LVM concentrates on the characteristics of the respondents while SCM concentrates on the attributes of the alternatives.

As a general tendency revealed preference (RP), while being excellent data, is constrained to the alternatives commercial suppliers make available and does not always record the choice set from which each selection is drawn. By comparison stated preference (SP) data, particularly when collected through the use of DCEs (Louviere, Hensher, and Swait 2000), can provide more information on preferences for attributes and better identification, estimation and causal inference. Thus, of the eight studies using SCM reviewed below seven use data from DCEs and only one from RP.

From RUT (McFadden 1974, 2001), let the utilities for the alternatives in a DCM be \( u \) comprising of a systematic components \( v \) and idiosyncratic disturbances \( e \) where \( u = v + e \). The vector and matrix notation for SCM is presented in detail by Rungie, Coote, and Louviere (2011) and in summary here. Let the covariates be \( x \) with random coefficients \( \eta \) where \( v = \eta x \). The variance covariance matrix for \( \eta \) is \( \Sigma \). SCM specifies that has a factor analytic structure based on the latent variables \( \xi \) where \( \eta = \gamma \xi \). The \( \gamma \) are constants to be estimated from the data and can be referred to as regression coefficients, factor loadings or weights. The \( \xi \) have a distribution over respondents but for each respondent are latent and fixed. SCM specifies that the factors \( \xi \) can be autocorrelated where \( \xi = \beta \xi + \delta \). The \( \beta \) are constants to be estimated from the data and can be referred to as autoregression or structural regression coefficients. Over respondents, the disturbances have a distribution, such as a multivariate Gaussian with selected correlations. For each respondent the \( \delta \) are latent and fixed. Solving gives:

\[
\eta = \gamma (1 - \beta)^{-1} \delta \quad \text{where} \quad v = \eta x \quad \text{and} \quad u = v + e
\]

The scope for DCMs has been expanded through recognition of the potential to simultaneously model more than one discrete choice data set recorded from the same respondents (Rungie, Coote, and Louviere 2011). Latent variables have a new role to play in linking the utility models specified for each data set. The potential to operationalize constructs and to generate new outcomes is greatly enhanced through allowing the different data sets to reflect different choice tasks but with similar attributes. Of the eight studies reviewed below six combine data sets with different choice tasks. Latent variables are modeled across product categories, across people in joint decision making, to model the associations between attitudes and behavior and across time periods.

The more technical aspects of SCM are not represented here. A lot is now known about validity and identification of SCMs, as discussed by Walker (2001) and Rungie, Coote, and Louviere (2011). The syntax for SCM is described in detail by Rungie (2011). Software, known as DisCoS (discrete choice software), is available for beta testing in academic research from the author’s home page (http://people.unisa.edu.au/Cam.Rungie). Rather than discuss technical issues, the motivation of this paper is to review the new outcomes and contributions of SCM. The paper shows what can be achieved using discrete choice data and SCM.

THE STUDIES

In each of the eight studies a comparison is drawn between an SCM model and the traditional models using fixed coefficients, where \( \Sigma = 0 \), and random coefficient, where \( \Sigma \) is diagonal. Not surprisingly, the SCMs fit the data better as assessed using log likelihood values, AIC and BIC, as seen in the Tables 3 and 4. The SCMs have slightly more parameters than the random coefficient model – ranging, over the eight studies, from only 5 percent more to 25 percent more – as shown in Table 3. However, most of the SCM have fewer disturbances, as shown in Table 5. In this trade-off where there are fewer sources of randomness but more parameters it can be argued that the SCMs are parsimonious. They simplify \( \Sigma \). However, a low P value in a likelihood ratio test and a better fit to the data is a relatively inconsequential outcome. Of far greater relevance are the theoretical and practical outcomes of the new (and better fitting) models. Over eight studies SCM leads to segmentation, hypothesis testing, evaluations of antecedents, and modeling across product categories, time and people in joint decisions. The review that now follows emphasizes these new outcomes and contributions for DCMs.

1. Postgraduate research candidates completed a DCE on preferences for post doctorial employment (Rungie, Coote, and Louviere 2010). With candidates trading off status, security and life style, high levels of colinearity were expected in the utilities for the attributes and their levels. A separate single factor was applied to the levels within each attribute and then an overarching factor was applied to these attribute factors. The result was a model that confirmed the existence of the colinearity and demonstrated the considerable segmentation in the market; reputation of university department versus family life style. When making post doctoral appointments, schools within one segment could see from the study how much, and on which attributes, they competed with other schools in the same segment and the schools in the other segments.

2. Consumers completed a DCE on preferences for beef where the attributes included price, brand, feed conditions, fat content and marbling (Umberger and
3. In a study of an Islamic market two attributes of packaging and labeling were used in three separate DCEs across different product categories; soup, chocolate and detergent (Abou Bakar, Lee, and Rungie 2011; Rungie, Abou Bakar, and Lee 2012). The two packaging and labeling attributes were the crescent shaped moon, which was either present or absent, and the background color, which was red or green. The study was undertaken in Pakistan, an Islamic market where culturally symbols are of importance, particularly the crescent moon and the specific color of green. The aim was to measure the impact of the symbols and to explore if this impact can be attributed to religiosity or nationalism. Both symbols have religious importance and both are part of the Pakistan national flag. The study showed different preferences for symbol and color. The preferences varied between respondents. Most respondents were relatively consistent over the three categories. The requirement for religious considerations and Halal processing are not the same for the three product categories. Thus, given the consistency, for individual respondents, of the utility for the attributes over the three categories, the study concluded that the variation between respondents in preference was more appropriately attributed to nationalism than religiosity. The study demonstrates the additional contribution from simultaneously modeling the same attributes over multiple product categories.

4. In a study in China of country of origin (COO) effects two separate DCEs measured the preferences for wine and for seafood. For the COO attribute, two levels – China and Australia – were common across both DCEs as was the price attribute. Thus, three correlations across the two DCEs were specified. It was proposed that the utility for price (i.e., money) would have a high correlation over the two DCEs, as the same respondents would not mind paying a little more. It was also proposed that COO-China would be correlated but not as highly, because there would be differences between respondents in their preference for goods produced in China, which would tend to be generic and consistent across categories. For COO-Australia it was proposed that the correlation would be less. Preference would be experience and stimulus based reflecting specific categories. A respondent, positively influenced regarding Australian wine may develop a preference for it, but may not transfer the preference to seafood, and vice versa. Hence, it was proposed that the three correlations between the two DCEs would be positive with price the highest, followed by COO-China and then COO-Australia. The actual variances for the coefficients were all large and the correlations were price 0.42 \((p = .0000)\), COO-China 0.22 \((p = .0025)\) and COO-Australia 0.09 \((p = .35)\). This style of choice analysis of consumer behavior using DCEs across product categories is quite new.

5. SCM was applied to the study of water quality in which the impact of individuals on joint decision making by couples was evaluated (Rungie, Scarpa, and Thiene 2011). Three DCEs were used, one completed by each of two adults in a household and then the third completed jointly by the couple. Water quality was assessed using six attributes. In the SCM the attributes were specified to be latent variables and the structure linked the three experiments. The SCM measured how much each individual influenced the joint decisions. The influence was measured overall and separately for each attribute. Women in general had greater influence but not on all attributes. This is the first formal statistical method for fully evaluating joint decision making using DCEs.

6. One of the most pressing public policy issues today is to understand consumers’ preferences for carbon mitigation. Two DCSs were undertaken by the same respondents but with different choice tasks (Coote, Rungie, and Louviere 2011; Rungie, Coote, and Louviere 2011). The first recorded preferences for generic mitigation strategies of a government policy nature and the second recorded the selection of product that embodied the strategies. The DCEs showed which strategies were preferred and which would have actual impact. The latent variables linked the similar constructs across the two DCEs through regressions the contribution of which was evaluated using \(R^2\) goodness-of-fit measures. The study evaluated the associations between attitudes and behavior.

7. SCM was applied to the study of the antecedents for the selection of brands of airlines (Rungie, Coote, and Louviere 2011). Two DCEs were completed by the same respondents; the first recorded the qualities of each of the major brands available in the market and the second recorded the selection of a journey where brand was one of the attributes. The brands were modeled as latent variables which linked the two DCEs. The SCM showed how the brands influenced the choice of journey and which qualities influenced
the perception of the brand. Thus, the role of the qualities on the selection of brand was assessed.

8. Of the eight studies only one analyzed RP data. It examined changes over time in the purchases of wine classified by three attributes, price, format and denomination (regional quality and production standards) (Corsi and Rungie 2011; Rungie, Coote, and Louviere 2011). A separate random coefficient model was specified for each year. The models were linked and fitted to the data simultaneously using latent variables and regressions. The outcome was a process for separating the various forms of state dependence and demonstrated how to validly model changes in utility, rather than the specific choices, over time. The method, applied in the study to RP data, is equally applicable to DCEs with a temporal component such as before/after treatment/control designs.

### TABLE 1
**Studies**

Seven of the Eight Studies Used Stated Preference DCEs

<table>
<thead>
<tr>
<th>Study</th>
<th>N</th>
<th>Country</th>
<th>Data</th>
<th>Number of data sets</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Post Doc</td>
<td>797</td>
<td>USA</td>
<td>DCE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Beef</td>
<td>1846</td>
<td>Australia</td>
<td>DCE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Islamic</td>
<td>241</td>
<td>Pakistan</td>
<td>DCE</td>
<td>3</td>
<td>Across categories</td>
</tr>
<tr>
<td>4 COO</td>
<td>1033</td>
<td>China</td>
<td>DCE</td>
<td>2</td>
<td>Across categories</td>
</tr>
<tr>
<td>5 Water</td>
<td>80</td>
<td>Italy</td>
<td>DCE</td>
<td>3</td>
<td>Joint decisions</td>
</tr>
<tr>
<td>6 Carbon</td>
<td>1204</td>
<td>Australia</td>
<td>DCE</td>
<td>2</td>
<td>Attitude v behaviour</td>
</tr>
<tr>
<td>7 Airlines</td>
<td>200</td>
<td>Australia</td>
<td>DCE</td>
<td>2</td>
<td>Attitude v behaviour</td>
</tr>
<tr>
<td>8 Wine</td>
<td>693</td>
<td>Italy</td>
<td>RP</td>
<td>3</td>
<td>Across time (years)</td>
</tr>
</tbody>
</table>

### TABLE 2
**Choice Tasks**

Six of the Studies Combined DCM with Differing Choice Tasks

<table>
<thead>
<tr>
<th>Study</th>
<th>Choice Task</th>
<th>Number of Attributes</th>
<th>Number of Choice Sets</th>
<th>Choice Set Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Post Doc</td>
<td>Select employment</td>
<td>7</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>2 Beef</td>
<td>Selection of beef</td>
<td>9</td>
<td>16</td>
<td>5</td>
</tr>
<tr>
<td>3 Islamic</td>
<td>Selection of soup</td>
<td>2</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Selection of chocolate</td>
<td>2</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Selection of detergent</td>
<td>2</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>4 COO</td>
<td>Selection of wine</td>
<td>3</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Selection of seafood</td>
<td>3</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>5 Water</td>
<td>Selection by female</td>
<td>6</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Selection by male</td>
<td>6</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Selection by couple</td>
<td>6</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>6 Carbon</td>
<td>Mitigation program</td>
<td>5</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Select Refrigerator</td>
<td>9</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>7 Airlines</td>
<td>Corporate qualities</td>
<td>6</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Selection of trip</td>
<td>7</td>
<td>16</td>
<td>5</td>
</tr>
<tr>
<td>8 Wine</td>
<td>Purchase wine 2007</td>
<td>3</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Purchase wine 2008</td>
<td>3</td>
<td>10</td>
<td>12</td>
</tr>
</tbody>
</table>
### TABLE 3
Log Likelihood Values
For Each Study the SCM Fitted the Data Better

<table>
<thead>
<tr>
<th>Study</th>
<th>Fixed Coefficient Model</th>
<th>Random Coefficient Model</th>
<th>SCM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># par</td>
<td>LL</td>
<td># par</td>
</tr>
<tr>
<td>1 Pos Doc</td>
<td>19</td>
<td>-2,326</td>
<td>38</td>
</tr>
<tr>
<td>2 Beef</td>
<td>31</td>
<td>-40,390</td>
<td>62</td>
</tr>
<tr>
<td>3 Islamic</td>
<td>6</td>
<td>-2,759</td>
<td>12</td>
</tr>
<tr>
<td>4 COO</td>
<td>12</td>
<td>-21,128</td>
<td>18</td>
</tr>
<tr>
<td>5 Water</td>
<td>36</td>
<td>-1,250</td>
<td>72</td>
</tr>
<tr>
<td>6 Carbon</td>
<td>33</td>
<td>-26,847</td>
<td>68</td>
</tr>
<tr>
<td>7 Airlines</td>
<td>29</td>
<td>-13,253</td>
<td>57</td>
</tr>
<tr>
<td>8 Wine</td>
<td>8</td>
<td>-31,512</td>
<td>16</td>
</tr>
</tbody>
</table>

### TABLE 4
AIC and BIC
As in Table 3, for Each Study the SCM Fitted the Data Better

<table>
<thead>
<tr>
<th>Study</th>
<th>Fixed Coefficient Model</th>
<th>Random Coefficient Model</th>
<th>SCM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AIC</td>
<td>BIC</td>
<td>AIC</td>
</tr>
<tr>
<td>1 Post Doc</td>
<td>4690</td>
<td>4818</td>
<td>4566</td>
</tr>
<tr>
<td>2 Beef</td>
<td>80842</td>
<td>81099</td>
<td>58424</td>
</tr>
<tr>
<td>3 Islamic</td>
<td>5530</td>
<td>5568</td>
<td>4646</td>
</tr>
<tr>
<td>4 COO</td>
<td>42280</td>
<td>42373</td>
<td>39248</td>
</tr>
<tr>
<td>5 Water</td>
<td>2572</td>
<td>2772</td>
<td>2324</td>
</tr>
<tr>
<td>6 Carbon</td>
<td>53760</td>
<td>54013</td>
<td>47962</td>
</tr>
<tr>
<td>7 Airlines</td>
<td>26564</td>
<td>26760</td>
<td>23974</td>
</tr>
<tr>
<td>8 Wine</td>
<td>63040</td>
<td>63100</td>
<td>47146</td>
</tr>
</tbody>
</table>

### TABLE 5
Number of Disturbances*
Given the Ability of SCM to Specify Structure for the Unobserved Heterogeneity They Often Fit the Data Better While Having Fewer Disturbances than the Traditional Random Coefficient Model

<table>
<thead>
<tr>
<th>Study</th>
<th>Disturbances in Random Coefficient Model</th>
<th>Disturbances in SCM δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Post Doc</td>
<td>19</td>
<td>8</td>
</tr>
<tr>
<td>2 Beef</td>
<td>31</td>
<td>9</td>
</tr>
<tr>
<td>3 Islamic</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>4 COO</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>5 Water</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>6 Carbon</td>
<td>35</td>
<td>14</td>
</tr>
<tr>
<td>7 Airlines</td>
<td>29</td>
<td>14</td>
</tr>
<tr>
<td>8 Wine</td>
<td>8</td>
<td>8</td>
</tr>
</tbody>
</table>

*Excluding the RUT idiosyncratic disturbances, \( e = u - v \).
DISCUSSION

The eight studies demonstrate that applying latent variables to attributes has new, useful and relevant outcomes that contribute to the subject area to which the DCMs and their choice tasks are applied. The outcomes are not new to research; they are just new to DCMs. Study 1 used factors to identify segments. Study 2 tested hypotheses. Studies 3 and 4 examined patterns over multiple product categories. Study 5 examined patterns over people in the same household and modeled joint decision making. Studies 6 and 7 modeled the associations between attitudes and behavior. Study 8 modeled changes over time. All eight studies deliver statistical process and outcomes prevalent in research but generally not in the analysis of DCMs.

Through applying latent variables to the utilities of attributes SCM has been demonstrated to be a useful tool in generating a range of new outcomes for DCMs. There are other approaches that make contributions in the same areas, most notably LCM and random coefficient models with correlations. Statistically speaking, to DCMs (i) LCMs bring cluster analysis, (ii) traditional random coefficient models with correlations bring mixture models, and (iii) LVMs and SCMs bring factor analysis and SEM. The formal comparison between the approaches, covering issues such as the nature of the outcomes, operationalization of constructs and theories, parsimony, fit and predictive validity are left to further research.

Turning now to the nature of the covariates, latent variables are conceptualized by (i) SCM as influencing the utilities for the attributes, and (ii) by LVM and SEM as influencing the observed characteristics of the respondent such as demographics, attitudes and indicator variables. There appears to be a chasm separating the two types of covariates but there is not. Characteristics can be explored using DCEs. Studies 6 and 7 both use a DCE to measure attitudes. Constructs which might initially be seen as being only operationalized as observed characteristics of the respondent can be operationalized through the alternatives in DCEs with specifically selected choice tasks. Furthermore, the characteristics of the respondents and the attributes of the products they select can be modeled simultaneously by combining separate DCEs, one eliciting the respondents and the other eliciting the products, as in studies 6 and 7. For covariates, the demarcation between attributes and characteristics is now not as clear as it once was.

CONCLUSION

SCM is a new method for modeling the attributes, relationships, and covariance matrix in discrete choice models. The paper has documented briefly the outcomes from eight studies to which SCM has been applied. The topics for the studies were post doctoral employment, beef, Islamic markets, country of origin, water quality, carbon emissions, brands of airlines, and wine. The subject areas were conceptual and quite varied including segmentation, hypothesis testing, across category analysis, joint decision making, the impact of attitudes on behavior, antecedents to brand preference, and state dependence. In each study latent variables were specified for the attributes and then procedures were specified linking the latent variables. The outcomes from this form of modeling are not new to research, but are new to discrete choice modeling.

REFERENCES


Presented at the Australia and New Zealand Marketing Academy Conference, Perth, Australia.


ANCHORING IN CHOICE EXPERIMENTS: INFLUENCE OF THE EXPERIMENTAL DESIGN ON WILLINGNESS-TO-PAY

Felix Eggers, University of Hamburg, Germany
Franziska Völckner, University of Cologne, Germany

SUMMARY

In the consumer behavior and marketing research literature there is increasing evidence that, to some extent, consumer preferences are constructed in the decision context rather than retrieved from memory (Amir and Levav 2008; Dhar 1997). This notion can explain why consumers’ decisions are susceptible to context effects and external anchors, such as external reference prices (ERP; see Mazumdar et al. 2005 for a review). That is, in order to make a purchase decision consumers judge a specific product relative to their prior knowledge and other cues that are externally available. For example, list prices or price promotions provide an external input that consumers compare with their memory of prior purchase experiences, i.e., their internal reference price (IRP). If the information differs consumers may update their knowledge which leads to IRP shifts and a modified willingness-to-pay (WTP; Adaval and Monroe 2002; Kalyanaram and Winer 1995; Mazumdar et al. 2005; Simonson and Drolet 2004; Suk et al. 2010; Tversky and Kahneman 1981). Consumers’ (nonconscious) need to rely on external information to make a purchase decision can be very strong so that they use external cues as an anchor even if these cues are unrelated to the choice context (Adaval and Wyer 2011; Ariely et al. 2003; Nunes and Boatwright 2004).

Knowledge of the interplay between ERP and IRP is important for managers when setting prices but also for researchers when measuring WTP. Regarding the latter, there is a research gap to what extent the experimental design of WTP elicitation methods serves as an anchor for consumers and how this anchor may bias the WTP estimates. For example, conjoint analysis as one of the most popular experimental methods for measuring consumers’ WTP presents stimuli to respondents that differ in predetermined attribute levels, including prices. Based on prior research about reference prices (Adaval and Monroe 2002; Adaval and Wyer 2011; Park et al. 2011) we argue that respondents may use these prices as an external anchor so that their IRP shifts into the direction of the price levels of the experimental design. If this is the case, WTP estimates are biased and the results are only internally but not externally valid.

In an empirical study with four conditions and 137 respondents we examine if the results of conjoint choice experiments may be influenced by the experimental design. For the conjoint section, we selected brand and price as attributes, each having three levels, and manipulated the price levels across the experimental conditions, i.e., the overall magnitude of the price levels as well as the order of the price information across choice sets. As an indicator of the consumer’s IRP we used a directly stated WTP measure for each of the brands of the conjoint design, which we elicited after the choice section. Similarly, we asked for quality ratings for each brand ranging from 1 (very high) to 5 (bad).

The results show that there is a general reference price effect in choice experiments caused by the price levels used in the experimental design that influences consumers’ IRP and derived WTP measures, such that consumers have a higher (lower) absolute WTP for brands when higher (lower) prices are provided during the conjoint procedure. Apart from shifting the IRP, external prices also influence the quality perception such that consumers have higher (lower) quality ratings for brands when higher (lower) prices are provided during the conjoint procedure (Wathieu and Bertini 2007). Apart from this general reference price effect, we have found no evidence of a brand-specific primacy of recency effect, i.e., the initial price of the brand in the procedure does not provide an anchor for subsequent questions and overall WTP (Aprahamian et al. 2007; Bhatia 2005; Flachaire and Hollard 2002; Whitehead 2002).

These results stress the importance of setting price levels in conjoint methods according to a realistic market scenario so that the ERP in experiment and market match. However, if no market prices exist, e.g., when researching innovations, our results show that the implications of choice experiments can be biased by the experimental design. In this case, marketing researchers should systematically test different price ranges to determine the extent to which consumers’ WTP might be influenced by the price levels used in the study. A bias can also occur when market prices are distributed heterogeneously across the product category, e.g., when researching strong (national) brands in association with (relatively weak) store brands. To account for this problem, brand-specific prices should be implemented into the experimental design to increase realism.

This study presents a first of several planned applications to explore the extent to which methods for measuring consumers’ WTP may be biased by their experimental design. Moreover, it provides the basis for further research.
that examines the formation of internal reference prices and mechanisms that are able to diminish the biasing effect of the experimental design in marketing research applications, e.g., incentive-aligned procedures which relate decisions to a real outcome, i.e., reward product (Ding et al. 2005; Ding 2007; Dong et al. 2010). References are available upon request.

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THE DYNAMICS UNDERLYING PERFORMANCE SIGNALING:
INSIGHTS FROM THE PROFESSIONAL SPORTS MARKET

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SUMMARY

Over the past decades, professional sports have become an important and top-selling industry. The $414 billion professional sports market accounts for 2.8 percent of the GDP of the United States and is growing rapidly at 3.8 percent per year (Price Waterhouse Coopers 2010). Characterized by information asymmetry between the producer (i.e., sports clubs) and consumers (i.e., fans, spectators), the entertainment services the sports market provides in the form of matches are a typical example of an experience good (Sainam, Balasubramanian, and Bayus 2010). Sports are live events and the “people factor” is of major importance. As compared to other experience goods such as motion pictures (Basuroy, Desai, and Talukdar 2006), technological mediation is virtually infeasible. Owing to its high degree of intangibility, the performance of sports clubs that consumers evaluate in terms of enjoyment value cannot be standardized, is difficult to foresee, and is characterized by high variation. Hence, consumers interpret multiple signals that improve their assessment of future performance and determine their purchase behavior (Funk et al. 2009).

Team expenditures and brand equity are two powerful signals available to consumers for overcoming uncertainty about future performance. For sports clubs, the team and the brand represent two major assets that act as effective levers for influencing consumer purchase behavior (Yang, Shi, and Goldfarb 2009). However, the need to master more than one signal discloses several gaps that prior research has left unaddressed.

In closing these gaps, our investigation contributes in several ways. First, prior research has widely neglected the role of dynamics in a signaling context (Erdem, Keane, and Baohong 2008), and we address this void by exploring temporal differences in the effectiveness of performance signals. Organizational life cycle (OLC) theory implies that the availability of a club’s specific signals changes over time (James 1974). Building on prior research in other domains, we propose that in earlier stages of the OLC only the team expenditure signal is established, whereas in later stages the brand enters the signal portfolio (Shankar, Carpenter, and Krishnamurthi 1999). The potential for change in consumers’ signal use patterns raises the question of whether consumers (a) stick to the initial signal, (b) adopt a partial shift and make complementary use of both signals, or (c) shift signals completely and replace one signal once another becomes available.

We find that the signaling power of both signals exhibits a cyclical sensitivity, as proposed by the cue scope framework. Specifically, for team expenditures, we find a countercyclical movement in that the relevance of this signal is highest in the nascent stage and declines as a club moves through the life cycle until its role as a signal is lost in the mature stage. In contrast, the impact of brand equity is subject to a pro-cyclical movement as the effect of brand equity on consumer purchase behavior is established in the growth stage and bolstered in the mature stage. Thus, team expenditures as a low-scope signal are completely replaced by the high-scope brand equity signal across the OLC. These results suggest that much prior research on signaling effects may be subject to a maturity bias, as previous studies have mostly analyzed established firms that may be in the mature stage (Joshi and Hanssens 2010).

Second, prior research has not investigated interrelationships (e.g., bi-directional causality) between multiple signals (Kirmani and Rao 2000). Consideration of interrelationships is important because one signal could be a prerequisite for another signal to unfold in the future. As a consequence, simultaneous investments into both signals or, even worse, sequential investments in the wrong order would harm efficiency (Engers 1987). Thus, we simultaneously consider two signals – team expenditures and brand equity – and explore how the causalities between them evolve over a club’s life cycle.

We find that reverse causality between our signals exists. The results show that team expenditures help in establishing the brand equity signal, implying that players are a powerful medium for building brand equity. Further, a strong brand serves as a performance claim, and sports clubs are eager to fulfill this promise by increasing team expenditures as a vehicle to secure superior on-field performance. However, the findings suggest that the two causalities that form the interrelationships are temporarily asymmetric. That is, the reinforcement pattern of both
signals follows a sequential trajectory, where the causality between the signals is fully reversed over time. Across the OLC stages, team expenditures lose their brand-building capability while the brand evolves as a strong predictor of team expenditures, showing that inter-signal relationships strongly depend on the OLC stage. These results encourage future studies with multiple signal settings to consider interrelationships between different signals.

Third, this study offers one of the first large-scale empirical tests of OLC theory, which has not been tested comprehensively owing to a lack of data and methodology (Jap and Anderson 2007). This undertaking is noteworthy. While the literature on the OLC proposes the cycle to be a fairly rigid sequence of stages with sharp boundaries between the stages, it does not provide empirical support for the number and length of stages (Jawahar and McLaughlin 2001). In this investigation, we take advantage of the strength and flexibility of a mixed analysis methodology by employing vector autoregressive (VAR) modeling and nonlinear regressions. VAR modeling is a powerful technique that accounts for the rich dynamic structure of longitudinal settings, because in VAR models the effects between variables are not restricted a priori in direction, time, sign, or magnitude (Dekimpe and Hanssens 1999). Nonlinear regressions are helpful in identifying the stages of the OLC in a scientifically sound manner. This identification allows us to fit stage-specific VAR models and to reveal shifts in the importance of the signals across different life cycle stages.

The results imply a very slow movement through the life cycle with relatively long-lasting stages. Thus, the professional soccer market can be characterized as a slow-growth and stable industry where clubs pass through predictable stages.

In summary, our goal is to shed light on the dynamics of signaling – a vital but poorly understood issue of this important marketing instrument. We hope that our paper provides an impetus to other researchers to make the dynamics of signaling the focus of their work. References are available upon request.

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EFFECTS OF STORE MANAGER CLIMATE UPON FLE COMMITMENT, CUSTOMER LOYALTY, AND STORE FINANCIAL PERFORMANCE

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SUMMARY

Because frontline employees (FLEs) can be an important source of competitive advantage (Beatty et al. 1996), establishing a favorable work climate that enhances FLE attitudes and behaviors has been posited as critical factor in improving firm performance. Indeed, it is now commonplace for firms to explicitly formalize “employee-first” corporate strategies within their mission statements and annual reports. In recent years, however, top managers seeking to sustain employee-focused strategies have been faced with the difficult act of balancing the interests of FLEs with those of investors and other key stakeholders. Such disconnects between employee-centered strategies and FLE perceptions and attitudes toward the organization are widespread, suggesting a pervasive failure in implementation.

Several scholars have pointed to the importance of workplace climate in seeking to resolve questions relating to human resource strategy implementation gaps. Organizational climate is a key element in firm efforts to influence FLE attitudes and behaviors because it represents the shared perceptions of the activities and practices that are supported and rewarded by the organization (Reichers and Schneider 1990). To date, however, the role of the retail store manager in enacting favorable climates and fostering higher FLE commitment has received insufficient attention. This study presents findings from a multilevel model linking store managers’ psychological climate of the firm’s concern for employees with stronger FLE commitment, which in turn, affects customers’ willingness to promote the store and sales growth.

Open systems theory suggests that what happens to one individual affects other individuals within the same network (Gharajedaghi 1999). With respect to spillover effects deriving from managers’ perceptions, the present study focuses upon store manager climate pertaining to top management’s concern for employees (CFE). Climate theory suggests that individuals’ climate perceptions are formed based upon cognitive evaluations of employee experiences with organizational policies and practices. For most boundary-spanning workers, the content of these interpretations as well as the degree to which shared perceptions of climate emerge are shaped by their interactions with managers. Supervisory support behaviors on the part of a store manager signal a credible commitment to FLEs that top management’s “people-first” message is not simply a slogan. In turn, high levels of supervisory support may create feelings of obligation, whereby employees feel an obligation to engage in behaviors that support organizational goals. Greater FLE commitment, in turn, should favorably influence customer attitudes and promote sales growth. Based on this brief discussion, we propose:

H1: Store manager supervisory support positively mediates the relationship between store manager psychological climate-CFE and FLE commitment.

H2: FLE commitment will be positively associated with same store sales.

H3: FLE commitment will be positively associated with store NPS ratings.

H4: Store NPS ratings will be positively associated with growth in same store sales.

H5: Store manager climate-CFE will be positively associated with store NPS ratings.

The extensiveness of a focal store’s competitive intensity (CI) is an especially salient factor within retailing contexts. We reason the extra demands placed upon store managers in such environments may make it more difficult for them to devote as much time to coaching and mentoring individual FLEs. Thus:

H6: The indirect effect of store manager psychological climate-CFE upon FLE commitment through supervisory support will be negatively moderated by CI.

Findings

Hypotheses were tested using multi-source data collected as part of a comprehensive employee and customer survey sponsored by a national retail chain supplemented by corporate archival data. The data followed a two-level
framework and were analyzed using MPlus 6.2. The main effects model showed adequate fit to the data (Satorra-Bentler $\chi^2(26) = 37.35$, RMSEA = 0.012). Using the product of coefficients method for testing mediation, we found the indirect path proposed by H1 was significant ($\beta = 0.02$, $p < .01$). The relationship between commitment and same store sales advanced in H2 found mild support ($\beta = 0.02$, $p = .06$), but the proposed link between commitment and customers’ store NPS ratings (H3) was not significant. Store NPS was positively associated with store sales growth ($\beta = 0.01$, $p < .01$), supporting H4. Store manager climate would be positively associated with store NPS ratings ($\beta = 0.02$, $p < .05$), bolstering H5.

H6 proposed that the Store Manager Climateà- Supervisor SupportàFLE Commitment mediation sequence supported in H1 was a conditional indirect effect, moderated by the level of CI facing the focal store. As initial results provided but moderate support ($\beta = -0.03$, $p < .10$), we proceeded to probe the significance of this path at varying levels of CI (Bauer and Curran 2003). We found the effect was significant at low ($\beta = 0.036$, $p < .01$) and moderate ($\beta = 0.023$, $p < .01$) levels, but not at high (+1 SD; $\beta = 0.011$, $p = .19$) levels of CI. Thus, we concluded H6 was supported. Further, we noted the CommitmentàSales Growth parameter was significant after accounting for the interaction effect, providing insight to the more tepid support for H2 in the main effects model. The full paper concludes with a discussion of the theoretical, methodological and managerial implications of these findings. References are available upon request.

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DO GROUP-BUYING DEALS INDUCE MORE COUPON REGRET?

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SUMMARY

Recently, online daily group-buying deals have seized increasing attention among marketers. According to the Local Offer Network’s study, in the U.S. market, revenues from online daily deal and discounts sites such as LivingSocial, topped $2.67 billion in 2011, up 138 percent from 2010. The leading company, Groupon, was valued recently at over $15 billion and has expanded its business to 88 cities in the U.S. and 230 markets of 29 countries. In China, the online group-buying was launched in January 2010, and more than 1,200 companies had entered into this promising area by August 2010. Lashou, the leading group buying site in China, covers more than 100 cities such as Shanghai. It successfully launched 659 deals with daily revenues of about 4 million RMB (1US$ = 6.3RMB) in its first six months.

An interesting phenomenon of online group-buying is that while consumers prepay the online coupon, not all of them will redeem it. Industry surveys suggest that approximately 20 percent to 32 percent of the purchased online group-buying coupons are not redeemed. Millions of deals, savings, and even the pre-payments for consumers are lost eventually each year. From traditional economic theory, coupon price is a sunk cost because consumers have already paid for the group-buying coupon. So, failing to redeem it would cause consumers to feel regret due to wasted spending. Additionally, prospect theory suggests that people are loss-aversion biased. Thus, consumers’ loss perception would motivate them to redeem the coupon. In other words, paying for the coupon would not only enhance consumers’ rational thinking toward their coupon purchases, but also motivate them to redeem their coupons to avoid the sunk cost. As such, if not redeemed, the group-buying coupons are a net loss, and coupon regret is inevitable.

Given the popularity of online group-buying deals on the one hand and the large amount of unredeemed deals on the other, this research seeks to model the coupon redemption of group-buying and accounts for the price sensitivity of coupon regret. A key difference between online group-buying coupons and offline traditional deals is that consumers get traditional coupons for free, but must pay for group-buying coupons. Prior studies have modeled redemption of traditional free coupons. Particularly, Ward and Davis (1978) developed a coupon response model in which the redemption rate monotonically decays over time. Later, Inman and McAlister (1994) extend the model and find that after the initial decay, the coupon redemption rate climbs back up until the expiration date, the effect they dubbed as “coupon regret.” However, these prior models address traditional coupons for which the coupon price is not considered. Yet, price is always a crucial factor influencing consumer behaviors. Thus, without explicitly accounting for coupon price, prior models may not adequately explain the redemption rates for the recent business platform of group-buying coupons.

This study proposes a new coupon redemption model for the online group-buying deals. Compared to the existing models, its advantage is three-fold: It fixes the redemption “data overflow” problem. Its model fitness is significantly better in terms of in-sample and out-of-sample indices, along with better predictions of redemption rates. It includes coupon price as a key variable. Price cannot only affect group-buying coupon redemption rates and decay, but also affect coupon regret. Substantively, the new model reveals that coupon prices influence coupon regret: low prices reduce it, and high prices enhance it, but median prices have no impact. Follow-up analyses suggest that the price sensitivity of coupon regret is driven by coupon values, business maturity, and deal popularity. We also find that deal popularity of group-buying is not driven by coupon price or face value, but rather by business maturity, deal debut time, and deal selling duration. References are available upon request.

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SUMMARY

Marketers spend substantial sums of money to change consumer behavior toward their brands, for example, by increasing consumers’ propensity to buy the brand. Much research has been done to explain how different marketing stimuli (e.g., sales promotion, advertising, distribution breath, and product innovation) lead to such changes, however, there has been little research on the form that such changes take. That is, how are increases in sales distributed among brand buyers? Theoretically, as previous research has not identified the form that sales changes take, it has not comprehensively explained the relationship between marketing stimulus and changes in purchasing behavior.

Several authors have proposed models for benchmarking changes in consumer purchasing behavior. The two best known such models are the negative binomial distribution (NBD) and the Pareto/NBD. Both have been used with considerable success in benchmarking changes to buyer behavior. The NBD model is used for brands in packaged goods context to identify whether an overall sales change is accounted for by the previous non buyers, light buyers or heavier buyers of the brand, whereas, the Pareto/NBD model is used at the organizational context to identify inactive customers (those who change from active to inactive purchasing). Yet a critical question of analyzing changes in consumer behavior has not been addressed: when there is a sales trend, what is the distribution of changes – are the changes due to nudging or radical conversion? This is an important question with obvious managerial applications.

Suppose a brand manager would like to increase brand sales. Essentially, the two main options are to direct marketing efforts toward making a small change in purchase propensity among a large group of buyers, or alternatively toward making a big change in the purchase propensity of a small group of buyers. The question of which option to take, and how sales increases will then be manifested in the distribution of purchases will inform the correct choice of marketing strategy. For example, if sales increases mainly come from a small group of buyers then segmentation and targeting play a potentially important role in brand growth. On the other hand, if sales increases come from a large group of buyers, increasing reach becomes crucial, and so consequently mass marketing is more important.

However, typically brand managers cannot answer this question due to the stochastic nature of actual purchasing behavior. For example in a two-year period, comparing year two to year one, some buyers would have increased their brand purchasing by one unit and some other buyers would have increased by five units, and some no longer buy, even if the overall brand sales are unchanged. This may all be normal stochastic fluctuation in purchases in a stationary market, including the normal regression to the mean expected from each buyer class in the subsequent period. In order to find out which group is causing sales increase or decline, a benchmark that quantifies this stationary behavior, and stationary market regression to the mean, is needed. Unfortunately, there has not been any method available to benchmark changes in buyer purchasing behavior at this disaggregate level, particularly as empirical benchmarks will confound regression to the mean with dynamic change.

This paper therefore proposes a method that helps brand managers answer the question of how sales changes are distributed across the population of buyers. The method is based on the distribution of changes that is generated from a special case of a bivariate compound Poisson distribution for the analysis of consumer behavior in two sequential time periods, where the compound Poisson distribution for the second period is assumed to have the same parameters as that of the distribution for the first period (stationary condition).

The distribution of changes describes the stochastic nature of changes in purchase frequency. Some buyers purchase the brand one, two, three...x times more, some buyers purchase less, and some others purchase the same amount from one time period to another. The method allows us to identify those classes of buyers who have changed their buying behavior more than is expected, by comparing the changes against the bivariate compound...
Poisson benchmarks that describe the expected stochastic regression to the mean. The method creates theoretically expected benchmarks of the extent of changes in purchasing behavior. Importantly, comparison between the observed data and the predicted distribution of changes allows brand managers to determine if a sales increase or decline is due to a small shift in purchase propensity of a large group of buyers, or a big change in purchase propensity of a small group of buyers. Practical examples of the method are also presented. References are available upon request.

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ARE SUPPLIERS INACCURATE IN JUDGING THEIR PRICE FAIRNESS IN BUYER-SELLER RELATIONSHIPS?

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SUMMARY

In buyer–seller relationships, perceptions of suppliers and customers can differ on many issues. Such perceptual differences are frequently inevitable. In particular, price fairness – a key concept for understanding price evaluations – can be seen from two different points of view. First, the customer firm has a certain perception of the supplier’s price fairness. Second, the supplier has his own idea of price fairness. If the supplier believes his prices to be fairer than actually perceived by the customer, a judgment inaccuracy on the side of the supplier occurs. Prior work implies that such inaccuracies could lead suppliers to diminished relational efforts or investments in the business relationship.

In the B2B context, there are only a few studies on judgment inaccuracies or perceptual discrepancies in buyer-seller relationships and none with respect to price fairness. In particular, prior research highlights the need to identify factors driving judgment inaccuracies, ideally with dyadic and cross-sectional data. This study thus addresses three questions: Are suppliers in B2B markets inaccurate in judging their price fairness? What are the consequences of price fairness judgment inaccuracies for suppliers? Which supplier pricing elements promote or weaken price fairness judgment inaccuracies?

Addressing these issues, the basic idea of our study is to analyze both the antecedents and outcomes of supplier price fairness judgment inaccuracies. The inaccuracy of price fairness judgment is modeled as the difference between the supplier’s and the customer’s price fairness judgments. Price fairness is defined as the perception that prices are right, just, or legitimate. We consider two key outcome variables of buyer-seller relationships accounting for both relational (customer satisfaction) and price-related success (customer’s willingness to pay a price premium) with a customer firm. As perceptual inaccuracies are very difficult to detect, identifying conditions that favor inaccuracies can support suppliers in becoming aware of the potential pitfalls of certain pricing parameters. This study focuses on central supplier pricing parameters in B2B settings and considers, in particular, the supplier’s emphasis on cost-plus pricing, the emphasis on a low price positioning, and the degree of price differentiation. Furthermore, we address price interaction variables, particularly, the seller’s emphasis on benefit selling as well as the frequency and intensity of price negotiations as potential preconditions impacting the supplier’s price fairness judgment inaccuracy.

We empirically test our framework with a cross-industry sample of 150 matched buyer-seller dyads from different industries (e.g., manufacturing, metal processing, electronics, logistics, chemicals). Dyadic data came from a survey of purchasing managers (customer firm) and their respective sales contact person (supplier firm). An initial examination of our data reveals that suppliers substantially self-enhance in their price fairness judgment: 119 (~79%) of the 150 suppliers overestimate their price fairness; 61 (~51%) of those do so by more than one scale point (on a seven-point scale). Twelve suppliers evaluate their price fairness equally to the customer; 19 suppliers underestimate their price fairness.

To test our model and hypotheses we use an innovative technique: latent congruence modeling. The model is able to consider both the level and congruence of two interdependent price fairness measures from suppliers and customers. Since latent congruence modeling allows for considering the general level of price fairness in the same model, we are also able to examine the antecedents and consequences of the level of price fairness in buyer–seller relationships.

Results show that all hypothesized relationships are supported. In particular, supplier price fairness judgment inaccuracies negatively affect the customer firm’s willingness to pay a price premium and satisfaction. Looking at the supplier’s pricing preconditions, the use of cost-plus pricing and the degree of price differentiation negatively impact price fairness judgment inaccuracies. An emphasis on low price positioning, however, has no effect. The emphasis on benefit selling and the frequency of price negotiations reduce price fairness judgment inaccuracies. The intensity of price negotiations increases inaccurate price fairness judgments. Finally, the results highlight that the level of price fairness is a positive determinant of customer’s willingness to pay a price premium and satisfaction.

The findings of this study advance academic knowledge in four ways. First, suppliers are indeed highly inaccurate in judging their own price fairness: They are subject to a self-enhancement bias. Second, price fairness
judgment inaccuracies negatively affect the customer’s willingness to pay a price premium and satisfaction. Third, there are major pricing conditions under which inaccuracies are more or less likely to occur. Fourth, latent congruence modeling overcomes major weaknesses inherent in other approaches to analyze congruence.

One practical implication of this study is that suppliers in business markets need to be aware of their tendency to overestimate their price fairness. More importantly, both monetary (customer willingness to pay a price premium) and relational (customer satisfaction) goals within a buyer-seller relationship are negatively impacted by being inaccurate with respect to price fairness judgments. Moreover, our findings provide suppliers in B2B markets with guidelines as to which pricing setups are likely to lead to accurate versus inaccurate judgments. References are available upon request.

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GRATITUDE VERSUS ENTITLEMENT: AN ANTAGONISTIC PROCESS MODEL OF THE PROFITABILITY IMPACT OF CUSTOMER PRIORITIZATION

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SUMMARY

Customer prioritization, the allocation of organizational resources to individual accounts based on their importance to the firm, is a critical element of relationship management practices in business-to-business (B2B) markets. Several studies have affirmed that customer prioritization initiatives lead to “bright side” or performance-enhancing outcomes such as customer gratitude (e.g., Homburg, Droll, and Totzek 2008; Palmatier et al. 2009).

While these findings are encouraging, the literature also suggests that the desirable effects of customer prioritization programs on high-priority accounts may be tempered by a “dark side” (Anderson and Jap 2005). Specifically, concerns are growing that prioritization efforts may undermine account profitability by encouraging customers to expect more for less (Boyd and Helms 2005; Lacey, Suh, and Morgan 2007). Surprisingly, empirical attention has not been devoted to understanding how and why this dark side undermines the performance-enhancing outcomes of prioritization, what triggers this dark side as compared to the bright side, and when it prevails.

In an attempt to redress this critical knowledge gap, we extend the literature in several ways. First, we present an initial study that empirically contrasts bright side and dark side phenomena of prioritization efforts. Specifically, we consider customer gratitude as the key process variable that accounts for the proposed bright side of prioritization (Palmatier et al. 2009). We also introduce customer entitlement (Boyd and Helms 2005) as a relevant construct to the literature on prioritization and argue that it plays an important intervening role in the proposed dark side process of prioritization. This study thus improves understanding of why prioritization efforts might also result in undesirable (i.e., dark side) outcomes.

Second, this study improves our understanding of why prioritization-induced responses influence customer profitability (Drèze and Nunes 2009). While prior research finds that significant variation exists in the revenue-to-service-cost ratios of top-tier customers (Niraj, Gupta, and Narasimhan 2001), a substantive explanation as to why this occurs is still lacking. We propose and find that customer gratitude enhances account profitability by increasing sales, while customer entitlement has the opposite effect by increasing the costs necessary to service customer accounts. The findings thus suggest that variation in the revenue-to-service-cost ratios of top-tier customers may be attributed to differences in the levels of gratitude and entitlement each experiences when dealing with a particular provider.

Third, by isolating bright side and dark side processes we also offer critical insights regarding the differential levers that are likely to “trigger” both processes. In a clear departure from prior research, we disentangle prioritization benefits in order to answer the call for research to simultaneously assess how different prioritization benefits combine to influence relationship outcomes (Henderson, Beck, and Palmatier 2011; Lacey, Sue, and Morgan 2007). Specifically, this research demonstrates that non-social and social prioritization benefits operate in different ways to “activate” the competing processes that account for the bright side and dark side consequences of prioritization efforts. Both non-social and social benefits are posited to increase gratitude. In contrast, we find that entitlement – the intervening construct of dark side prioritization outcomes – is only triggered by social benefits.

Finally, we consider how contextual factors alter the relative impact of perceived prioritization benefits on gratitude versus entitlement. Therefore, our results offer valuable knowledge regarding the conditions under which the different types of perceived prioritization benefits are more or less likely to have a positive or negative effect on account profitability.

In sum, our study results offer managers clear guidance as to the factors that trigger both desired and undesired prioritization outcomes and how context affects the profits derived from prioritization efforts. Managers can utilize this knowledge to design prioritization programs that emphasize the right benefits and maximize profit growth. References are available upon request.
DO SELLER PERCEPTIONS OF FAIRNESS LEAD TO SALES GROWTH?
A LATENT GROWTH CURVE ANALYSIS

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SUMMARY

Today’s competitive environment has increased the importance of building and maintaining effective relationships with supplying companies. The fundamental assumption of supply chain management is that long-lasting relationships between a manufacturer and its suppliers can provide significant opportunities for gaining competitive advantages and achieving superior performance (Choi and Hartley 1996; Jap 1999; Johnston et al. 2004). Perceptions of fairness in such relationships between manufacturers and suppliers become a vital factor in the sustainability and quality of these long-term relationships (Gassenheimer et al. 1998; Kumar et al. 1995b).

Despite the growing research interest in the issue of perceived fairness (justice) in business relationships, a review of the extant literature reveals that the fairness literature is skewed toward research studies conducted in the business-to-consumer. The fairness research in business-to-business settings in general and buyer-supplier relationships in particular has been somewhat neglected. In addition, although some studies have investigated the impact of fairness on different aspects of business relationships, including trust and commitment, the literature fails to provide empirical evidence for examining the long-term effects of fairness on both relationship quality and sales growth, specifically with regard to the seller’s perceptions of fairness. Finally, it has been argued that the degree of dependence may lead to contradictory results in justice perception studies (Grégoire and Fisher 2008; Kumar 1996). Therefore, while fairness perceptions as well as relationship quality may impact a suppliers’ sales growth, it is not clear whether such associations are equally relevant in situations of different degrees of dependency within the business relationship. As such, we posit that the lack of attention regarding the issue of dependency in examining the impact of justice perceptions in manufacturer-supplier relationships limits our current understanding.

We aim to address these gaps by investigating the direct and indirect impact of justice perceptions on relationship quality and on sales growth, based on a seller perspective. To do this, we report the results of a longitudinal study based on both subjective data collected from 212 automotive suppliers in 2009 using where possible two key informants from the supplier side of the business relationship, and objective sales data for these suppliers from an automotive manufacturer, i.e., the buyer side of the dyadic buyer-supplier relationship over a three-year period after 2009.

We employ a latent growth curve model, which reveals that seller’s organizational justice perceptions considerably enhance the quality of the relationship between the automotive manufacturer and its Automotive Parts Suppliers (APSs). Our findings also show a strong positive effect of relationship quality on sales growth, in line with previous results (Kumar et al. 1995a). However, there was no direct impact of seller’s fairness perceptions on sales growth, i.e., the effect of seller fairness assessments are fully mediated (by relationship quality). Nevertheless, this indirect effect of fairness perceptions on sales growth is considerable.

In addition, a multi-group moderation analysis suggests that whilst for suppliers with low levels of dependency, relationship quality significantly increases long-term sales growth, for those with high levels of dependency this effect becomes insignificant. One interpretation is that when the APS is highly dependent on the car manufacturer, it cannot easily switch to other manufacturers since such changes are considered costly and risky. Therefore, the APS maintains its partnership (and may even increase its collaboration activities) not because it has a reliable long-lasting relationship but because it has no other options.

Keywords: Relationship Quality, Organizational Justice, Dependency, Fairness (Justice) Theory, Sales Growth. References are available upon request.
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SUMMARY

The influence of reciprocity on interfirm relationships is well-documented within the extant literature (e.g., Anderson and Weitz 1992; Jap and Ganesan 2000; Hoppner and Griffith 2011). However, as the number of studies examining reciprocity has increased, our understanding of what reciprocity is and how it operates within interfirm relationships has become increasingly removed from the original conceptualization of reciprocity. Thus, this research reexamines seminal statement on reciprocity underlying the majority of interfirm research (i.e., Gouldner 1960) to discuss the dimensionality and its universality of reciprocity, and empirically evaluate how these elements influence the relationship quality of interfirm relationships (e.g., a characteristic argued to develop from a foundation of reciprocity).

A review of the extant literature demonstrates that descriptions of the general reciprocation process remain consistent within interfirm relationships (e.g., Campbell et al. 1988; Frazier and Rody 1991); that is, reciprocity as a norm prescribes that benefits should be exchanged in return for benefits previously received. However, inconsistencies emerge in the description and recommendations regarding reciprocity once the specifics of the reciprocation process are considered, such as what is exchanged, when the exchange occurs, and how culture influences these exchanges.

The dimensionality of reciprocity, via its dimensions of equivalence and immediacy, specifies what is exchanged and when it is exchanged, respectively. Equivalence ranges from homeomorphic (i.e., identical in form) to heteromorphic (i.e., concretely different). Immediacy ranges from short-term (i.e., minimal time between exchanges) to long-term (i.e., extended time between exchanges). Within the extant literature, the equivalence dimension of reciprocity has received the most attention; recommending that homeomorphic equivalence should be used due to its theorized positive effect on relationship quality. Comparatively, the immediacy dimension has been virtually ignored by the extant literature, with no strong recommendation for the effect of immediacy on relationship quality have been proposed.

The universality element of the conceptualization of reciprocity posits that reciprocity is universally applicable and pervasive in all exchange relationships, but is not necessarily unconditional. Within the extant literature, neither of the two forms that the universality of reciprocity may take, as an unconditional universal norm or a culturally conditioned universal norm, has been strongly advocated for.

The data from this study comes questionnaires completed by managers of interfirm relationships between a supplier and their primary buyer based in the United States (n = 284) and in Japan (n = 296). The questionnaire included items to measure the dependent variable of relationship quality (i.e., a second order factor of satisfaction, conflict, and willingness to invest), the independent variables of reciprocity (i.e., equivalence and immediacy) and the control variables of relationship length and percent of business conducted within the interfirm relationship. A two-group structural equation model was used to test the hypotheses.

The results of this research demonstrate that the dimensionality and the universality of reciprocity influence how relationship quality develops within interfirm relationships. For the dimension of equivalence, the like-for-like exchanges required by homeomorphic equivalence were found to be beneficial to the quality of the relationship. It appears that the simplicity in recognizing homeomorphic equivalence reduces the uncertainty surrounding the possibility of one’s partner failing to reciprocate (or failing to recognize when one’s partner has reciprocated).

For immediacy, the results demonstrate a more complicated relationship. In certain interfirm relationships (i.e., United States), short-term immediacy has a negative effect on relationship quality; whereas in other interfirm relationships (i.e., Japan), it has no effect. It appears that, when the negative effect exists, the quickness of exchanges required by short-term immediacy is harms relationship quality by eliminating the constraints imposed by the social norm to continue performing cooperative behaviors.

As for the universality of reciprocity, the dimensions of reciprocity were found to exist consistently across cultures, whereas the effects of reciprocity demonstrate some cultural peculiarities (i.e., equivalence is consistent; immediacy varies). This finding suggests that reciprocity is more appropriately described as a culturally conditioned universal norm. This initial insight into the nature
of the universality of reciprocity is consistent with the original conceptualization that noted while reciprocity should exist in all cultures; the norm may function differently in some degree in different cultures as its concrete formulations may vary with time and place. References are available upon request.

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SALES AND VALUE CREATION: A SYNTHESIS AND DIRECTIONS FOR FUTURE RESEARCH

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SUMMARY

Understanding the role of sales in the creation of value to firms and their customers has been a long-standing goal of researchers and managers alike (Lindgreen and Wynstra 2005). This comes as no surprise as salespeople are thought to play a pivotal role in the creation of customer value (Weitz and Bradford 1999) and scholars widely recognize the creation of customer value as the key to firms’ long-term survival and success and increasingly see creating customer value as the next source of competitive advantage (Ulaga and Eggert 2006; Woodruff 1997).

How does the sales organization contribute to the creation of value to a firm and its customers? In their review of relevant literature, Haas, Snehota, and Corsaro (2011) convincingly argue that prior research on business relationships has dealt with sales’ value-creating role mostly per assumption and not systematically. Research has focused on selling approaches, exploring issues such as consultative selling (e.g., Liu and Leach 2001), relationship selling (e.g., Frankwick, Porter, and Crosby 2001), and, particularly, customer-oriented selling (e.g., Saxe and Weitz 1982; Stock and Hoyer 2005) and adaptive selling (e.g., McFarland, Challagalla, and Shervani 2006; Spiro and Weitz 1990). Despite scholars’ extensive focus on sales’ performance outcomes, the two most prominent salesperson behaviors under investigation in the sales literature (i.e., adaptive selling and customer-oriented selling) have been shown to account for only 9% or less of the variance in salesperson performance (Franke and Park 2006). And research that explicitly addresses the question of how the sales function adds value to the customer is still in its infancy. Accordingly, Singh and Koshy (2010, p. 2) observe that “we do not yet know if business-to-business salespersons actually create value in their relationship with customers.” As it is still unclear how sales creates value to firm and customer, scholars tried to intensify sales-related research on value creation by calling for research on “how specific ways of implementing customer value orientation relate to organizational performance” (Woodruff 1997, p. 151) and identifying sales’ value-creating role as an important avenue for future research (Marshall and Michaels 2001).

The objective of this paper is to enhance the understanding of sales’ role by examining the question of how value originates and is enhanced through sales in transactional and relational processes between business partners. Specifically, the paper investigates two main research questions: (1) What is the mechanism through which sales may contribute to the creation of value to the firm and its customers? (2) What are the organizational capabilities critical for sales to implement the value-creating mechanism?

To answer these questions, this paper (a) develops an interaction-based framework of the value-creating role of sales. It integrates extant value and sales literature, proposes two perspectives of sales’ role as value creator, and defines value creating capabilities as a set of organizational abilities related to a firm’s sales function. This research is rooted in the concept of interaction and in line with current research on firms’ capabilities (e.g., Morgan et al. 2009). To reflect the four intertwined characteristics of value-creating interactions (Haas, Snehota, and Corsaro 2011), sales functions’ value-creating capabilities are conceptualized as consisting of four intertwined facets: mediating, initiating, realizing, and sense-making. These four dimensions of sales value creating capabilities serve as a key mechanism, which enhances our understanding of sales’ role in the creation of value to the firm and its customers. As such, the present research provides a foundation for the systematic development of an interaction-based theory of value creation and sales’ role in it.

In managerial terms, this paper highlights important areas sales managers should devote attention to (e.g., in terms of processes, sales training, etc.) in their efforts to create customer value and enhance sales performance. The proposed capabilities provide starting points for analyzing failures in the creation of customer value. Our results also inform firms about ways to design the sales function so that it will create customer value. Thus, our research supports firms and sales managers in their efforts to increase performance and customer value, and to strengthen the firms’ competitive positions. References are available upon request.

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IMPLEMENTING SERVICE GROWTH STRATEGIES AT THE INDUSTRIAL SALES FORCE LEVEL: KEY CHALLENGES IN SELECTING AND MANAGING THE SERVICE-SAVVY SALES FORCE

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SUMMARY

Manufacturing companies are increasingly seeking service-led growth to secure their existing positions and to expand in competitive and commoditized markets. Although this trend is well noted in the literature (Ostrom et al. 2010), managers are still reporting problems with their service transitioning strategies. For example, Stanley and Wojcik (2005) note that half of all solution providers realize only modest profitability, and 25 percent actually lose money with their value-added service offerings. Clearly, there is considerable risk for firms not cognizant of the challenges in transitioning to a service-centric business model in B2B markets, and we still know little about what exactly drives the success or failure of service growth strategies in B2B firms (Bolton et al. 2007). Some evidence suggests that the sales force represents a major hurdle in moving toward a service-centric business model. For example, Reinartz and Ulaga (2008) discuss several cases of firms experiencing strong resistance to change from within the sales organization. They note that, even after extensive training, firms experienced high levels of churn among sales people and had “little choice but to fire and hire; a few in our study replaced 80 percent of their existing sales forces.” Similarly, Uлага and Reinartz (2011) suggest that only one third of industrial sales people easily transition to hybrid offering sales, while two thirds either require considerable retraining or prefer to be reassigned to goods-centric sales. Given the key role of salespeople when shifting to a service-centric business model in manufacturing firms, research is needed to generate a deeper understanding of the distinctive sales capabilities needed for selling hybrid offerings. While this touches on issues in organizational and managerial domains, we focus on the individual salesperson level. Executives consistently point to the HR challenges of hiring and motivating the “right” service sales reps above and beyond their existing goods-centric sales force. Against this backdrop, we propose our research questions:

1. What capabilities are needed to successfully sell hybrid offerings in B2B markets?
2. Which personality traits resonate in effective hybrid-offering salespeople?

Method and Discussion

To address our research questions we conducted a series of focus groups and depth interviews (18 and 20, respectively) with carefully chosen C-level executives and senior sales managers in charge of growing service revenues in traditionally goods-centric organizations with strong records in goods-dominant sales but that have been moving toward a service-led business model. Using an abductive approach, we developed several important insights from both an academic and a managerial perspective.

First, our findings emphasize the pivotal role of the industrial sales force in successfully mastering service transitioning strategies. Firms often underestimate the magnitude of change required at the sales organization level; even with a dominant market position, a successful goods-centered sales force can fail when venturing into hybrid offering sales. Our study also reveals several distinctive characteristics regarding the nature of the hybrid offering sales process, as opposed to traditional goods-centric sales. These specificities refer to (a) a sales model firmly grounded in a co-creation perspective (b) an emphasis on specifying hybrid offering requirements in cooperation with the customer (c) a broader and deeper network of stakeholders involved, both in the customer’s and vendor’s organizations, and (d) a focus on growing customer share throughout the vendor’s installed base.

We also identify four key capabilities of salespeople: (1) an ability to gain understanding of a customer’s business model and operations and a capacity to leverage this intimate knowledge for identifying opportunities of selling hybrid offerings; (2) an ability to reach beyond his or her comfort zone of established contacts and manage a complex network of relationships in the customer and vendor organizations; (3) a capacity to proactively manage customer expectations to ensure profitability over time for contracts attached to hybrid offering sales, and (4) an ability to practice value selling in the context of hybrid offerings, i.e., a capacity to help customers understand the value of the intangible service elements as part of industrial good-service combinations. Fourth, we identify personality traits that are potentially relevant in a hybrid
offering sales context: learning orientation, customer service orientation, intrinsic motivation, general intelligence ("g"), emotional stability, teamwork orientation, and introversion. Most interestingly, we find that some traits that have been identified in the sales literature as highly relevant in goods-dominant sales appear as non-relevant (or even detrimental) in a hybrid offering sales context. In sum, our findings suggest that the profiles of a high-performing goods sales person and a “stellar performer” in hybrid offering sales diverge, confirming that goods sales people may indeed be “from Mars,” while hybrid offering sales people appear to be “from Venus” (Ulaga and Reinartz, 2011).

**Academic Implications.** Prior studies have called for further research on the specific resources and capabilities needed to master service transitioning strategies in business markets (Ulaga and Reinartz 2011). Our research sheds light on the specific resources and capabilities needed in the sales arena. Scholars have also argued that existing sales models do not account for the increasing complexity of B2B sales contexts (Plouffe et al. 2008). Here again, our findings provide important insights into the nature of the hybrid offering sales process, the capabilities required, and the personality traits that enable sales in such a complex context. Our findings also help explain some of the discrepancies found in the sales literature on the linkages between job performance and personality traits of industrial sales people. Prior research has tended to view all sales as essentially being the same: our results highlight the importance of the sales context when determining the traits necessary for a particular sales job.

**Managerial Implications.** Hybrid offering sales are not simply an extension of goods sales. While companies may be able to grow sales of standard product life cycle services, such as extended warranties attached to equipment sales, with their existing industrial sales force, it would be detrimental to expect competent and experienced goods-centric salespeople to go about “business as usual” when selling complex combinations of goods and services. In particular, our data suggest that there is a serious gap between the demands being placed on industrial sales forces and their capability to effectively sell hybrid offerings, evidenced by the high rates of turnover among (otherwise highly efficient and effective) sales reps allocated from goods sales to hybrid offering sales. Our findings also suggest that top management must actively manage the transformation process. A company’s industrial sales force plays a pivotal role in succeeding a service transitioning strategy, and steering the industrial sales organization to a service-centric sales model requires full attention from C-level management. Our results not only show that this move touches on how sales persons are recruited and allocated to sales jobs, they also show that firms need to reconsider their sales organization, develop coordination mechanisms for specialized sales forces, or redesign incentive structures to align their sales organizations with overall corporate strategies. References are available upon request.

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READY TO PITCH? PROPOSAL AND VENDOR ATTRACTIVENESS AS MEDIATORS OF VENDOR SUCCESS IN COMPETITIVE TENDERS

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SUMMARY

Over the last decade, organizational purchasers have increasingly employed competitive tenders when purchasing products or services. These tenders are initiated and controlled by professional purchasing agents. In order to acquire profitable deals, vendors need to adapt to individual tender rules and tailor their offerings to uniquely fit a specific customer’s needs. During the last fiscal year, the United States Army, as a single institution, purchased goods and services worth 200 billion USD via competitive tenders. In February 2011, Boeing announced that it had won a 35 billion USD deal in a historical tender of the United States Air Force. The other participants, including Northrop Grumman and EADS, left this particular competition empty-handed. Tenders are not a phenomenon exclusive to public institutions or the airline industry. Due to rapidly developing Internet technology and highly transparent national and international markets, the rise of tenders may be observed in many other industries (Fuller 2004; Jap 2007; Jap and Haruvy 2008). Customers intend to enhance comparability among vendors’ proposed solutions while establishing objective supplier selection criteria. By preparing a detailed requirement specification, customers avoid unneeded functions and components of the purchased objects, thereby reducing overall procurement costs (Chen 2008).

This change on the buying side poses major challenges to vendors’ salespeople. To successfully operate in their market and participate in tenders, salespeople need to understand the customer’s buying process and signal superior attractiveness in the transaction (Johnston and Lewin 1996). Vendors with traditional sales forces face particularly high failure rates and waste considerable resources on unsuccessful participation (Jap and Haruvy 2008). If buying companies prepare requirement specifications and make decisions based solely on proposals that can be developed in a back office without any personal contact between vendor and customer, do vendors need salespeople in tenders at all? Unsurprisingly, there is major theoretical and managerial interest in the conceptualization of the role of salespeople in tenders and their remaining influence on vendor success. Despite its relevance, current research lacks a systematic conceptualization and empirical investigation of this issue.

The tender literature originates predominantly from the research field of supply chain management, with an increasing number of publications found in the marketing literature. These contributions focus on selected elements of the tender rather than customer responses and vendor success. The majority of publications addresses instruments of vendor selection used in tenders, such as bidding procedures and their effects on buyer-supplier-relationships and firm performance (Burguet and Perry 2009; Carter and Kaufmann 2007; Chen-Ritzo et al. 2005; Donaldson 1996; Engelbrecht-Wiggans and Katok 2006; Jap 2007; Jap and Haruvy 2008; Schmeltzer and Carr 2003; Smart and Harrison 2003; Tassabehji et al. 2006; Taylor 2005). In disregarding the importance of an appropriate sales organization in tenders, the research has failed to address salespeople’s influence on vendor success in a world of aspiring tenders. Accordingly, the existing research does not provide implications for salespeople’s functional behavior when facing tenders.

In this study, we examine how salespeople’s engagement during the buying process may influence (a) the relational attractiveness of the vendor, (b) the transactional attractiveness of the submitted proposal, and (c) vendor success in competitive tenders. Our study contributes to existing research in two major ways. First, we develop a conceptual model explaining the effect of vendor engagement during the buying process on relational and transactional attractiveness as well as on vendor success. Second, we specifically address the moderating influence of the proposed price in a context of almost identical proposals, which has raised major questions concerning the role of the sales force. Thus, we generate insights into salespeople’s value in crafting successful interorganizational exchange in an increasingly important purchasing approach. The model was tested empirically on a cross-industry data set of 170 salespeople and showed good fit to the data. The analyses confirmed direct effects of both relational and transactional attractiveness on vendor target achievement. We further identified direct effects on relational attractiveness of vendor engagement in the specification, execution, and post-tender phases. Finally, we confirmed a direct effect and a moderating effect on transactional attractiveness of vendor engagement in the specification phase and the relative price.
These findings are highly relevant to the tender literature because we provide not only a conceptualization of vendor success and the buying process in competitive tenders but also a comprehensive explanation of the influence of vendor engagement in those tenders. This study also contributes to cooperation research. We show the importance of vendors’ relational attractiveness in competitive tenders. Our findings indicate that buying firms fail in their effort to eliminate subjective decision criteria. As long as there are interaction opportunities, vendors will produce different relational attractiveness depending on their engagement in the buying process. This attractiveness affects the buying firm’s decision making. Furthermore, this study contributes to the nascent customization literature by investigating the effect on supplier target achievement of transactional attractiveness brought about by a vendor’s customization efforts. We find that customization is particularly relevant in competitive tenders. Vendors engaging in the specification phase to learn about the customer’s needs and develop customized solutions based on this information generate higher transactional attractiveness and commensurately higher vendor target achievement.

Moreover, the findings have implications for vendors’ management. We provide insights into how salespeople, by producing both relational and transactional attractiveness, affect vendor target achievement through their engagement in the tender-specific buying process. Our findings show that even though the proposed price plays a prominent role in tenders, there is a remaining need for discerning salespeople to seize opportunities during the buying process that increase transactional and relational attractiveness. Rather than simply proposing a low price, transactional attractiveness increases when a competitive price is coupled with engagement in the specification phase. Furthermore, close interaction helps to reduce the customer’s perceived transaction risk, producing relational attractiveness regardless of the proposed price. If vendors simply await a specification of requirements and have a back office prepare a proposal without sending a sales force to engage in the buying process, the vendor is unable to produce superior relational and transactional attractiveness to influence vendor success in the tender.

This study has limitations that provide avenues for future research. We expect buying firms to employ different types of tenders depending on the product or service they wish to purchase. The range of types and their varying implications for salespeople call for further investigation. Because engagement in the specification phase appears to be particularly critical based on its relational and transactional value, further investigation of this particular phase of the buying process seems promising. References are available upon request.

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MANAGING EXCLUSIVE CHANNELS FOR RELATIONSHIP EFFECTIVENESS

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SUMMARY

The focus of this study is the effectiveness of channel relationship management strategies or initiatives across different channel types in business-to-business markets. In particular, we look at channel relationship management in exclusive versus non-exclusive channels. In general, the channels literature provides limited insights into how such channel design strategies (i.e., usage of different channel types) impact channel relationship management. Exclusive dealing (ED) can be defined as a contractual requirement by which resellers promise a supplier that they will not handle the goods of competing producers (Marvel 1982). ED is a common contractual arrangement across industries (Heide, Dutta, and Bergen; Li and Dant 1997; Marvel 1982). Despite its importance, there has been a general lack of empirical evidence on how these channels can be managed effectively. We consider two relationship efforts or characteristics: the level of information exchange and the level of conflict in a given relationship between the supplier and a distribution channel. Consistent with previous literature, we find that higher levels of information exchange and lower levels of relationship conflict lead to improvements in relationship quality in both ED and non-ED channels. We then build on existing channel management and economics literature on exclusive dealing to show that the relative or comparative effectiveness of these two channel relationship management efforts across channel types depends on the specific initiative being considered. While the marginal benefits of improvements in the quality of information exchange are higher in non-ED channels (than in ED channels), the opposite is true for improvements (decreases) in relationship conflict. In addition, and consistent with previous research (e.g., Li and Dant 1998), we find that relationship quality tends, ceteris paribus, to be higher in ED channels. We also consider the simultaneous use of both channel types in a territory and show how a supplier’s usage of exclusive channels influences the quality of its relationships with non-exclusive resellers in that territory. ED channels in a territory perform an important demand generation function, benefitting all channels in the vicinity. Better levels of information exchange between the supplier and its ED channels, and lower levels of conflict in these relationships, improve the ability of these channels to effectively perform this function. We find support for our hypotheses in a cross-sectional sample of 847 observations corresponding to different exclusive and non-exclusive channels selling a supplier’s product-line across several European countries. The supplier was a major manufacturer of Information Technology products with annual sales in Europe in excess of $1.5 billion, selling to approximately 6,500 resellers. Both ED and non-ED channel arrangements were common in this industry. Form a theoretical perspective, we contribute to the existing channels literature by (1) illustrating the interaction between channel design decisions, or choice among different channel forms, and the management of individual channel relationships, and (2) taking an extra-dyadic perspective, or going beyond a single supplier-reseller relationship. From a managerial perspective, our results underscore (1) the need to adapt relationship management to the individual characteristics of each channel type, and (2) the importance of managing a supplier’s multiple channels as an integrated system considering the interactions among the different channels.

Keywords: distribution channels, exclusive channels, multiple channels, channel design and relationship management, extra-dyadic effects. References are available upon request.

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ARE CHINESE STATE-OWNED ENTERPRISES LAGGING BEHIND IN PRODUCT INNOVATION?

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SUMMARY

The Chinese government has paid particular attention to innovation in the last decade. It has increased the capital investment in new product research, accompanied by a series of innovative programs and incentive policies. Currently, Chinese innovation has been moving forward at an accelerating speed. Comparing the changes of new products in all industries, the average growth rate for new product development between 2000 and 2004 is 33.3 percent, while from 2004 to 2009 the same rate is 88.5 percent from 2004 to 2009.

What force is accelerating Chinese innovation? Some studies suggest that it is non-state-owned enterprises (Non-SOEs) that promoted the progress of Chinese innovation (Tan 2001; Jefferson, Hu, Guan, and Yu 2003), along with the continuous decline of overall contribution of Chinese state-owned enterprises (SOEs) to economic growth (Jing and Tylecote’s 2005; Tan 2001). Besides that, Chinese SOEs’ low efficiency and lack of innovation (Yang 2008; Yao 2006; Perotti, Sun, and Zou 1999), negative operating effectiveness (Yang 2008) and heavy social burden (Jing and Tylecote 2005; Chen 1998; Wang, Zhao, Ning, and Yu 2009) have been repeatedly discussed. We do not deny the role of a non-state owned economy. However, we want to know whether Chinese SOEs still hinder the development of innovation in China, after various reforming measures implemented in China since the late 1970s. Therefore, the goals of this research is to reveal (1) what role have SOEs played in China’s innovation catch up? (2) How different is this role among varied industries? And (3) what is an ideal industry environment for maximizing the role of Chinese SOEs?

This research is an empirical analysis. We employ different qualitative and quantitative analytical methods such as intuitive comparison, panel data analysis, T test and analysis of variance (ANOVA), and regression to measure the innovation contribution, innovation efficiency and innovation’s industrial influence of Chinese SOEs. Judging from overall growth of new product innovation, this research finds that non-SOEs’ contribution demonstrates an increasing trend, which is consistent with previous studies. However, judging from individual outputs of new product innovation, it finds that each SOE generates more new products and capitalizes more value for each new product than non-SOEs. It means that there is a gap between Chinese SOEs and non-SOEs measured collectively or individually. This gap indicates that using only dark color to paint the role of Chinese SOEs in China’s innovation development is not accurate. The results of this study clearly show that Chinese SOEs are no longer hindering the development of innovation at the current stage. They have been playing an important role in the recent innovation catch up in China.

In addition to directly answering the research question, this study makes it useful in several ways for theoretical exploration and practical use. The revealing of the innovation gap could stimulate theoretical exploration in several areas. One area is in the research about the reform of Chinese SOEs. Through further exploring the innovation gap, studies on Chinese SOEs’ reform could better link reform contents, procedures, policy requirements etc. with innovation catch up. Undoubtedly, it will be a key concern for any research dealing with China’ reform and development. Another area is in research about innovation measurement. The innovation gap confirms that different type of enterprises play a different role in innovation, and the innovative manner and learning abilities of SOEs is different from those of non-SOEs. Studies have been conducted to show the differences between different types of enterprises, However, a clear picture about the innovation division and integration between SOEs and non-SOEs in different industries in China has not emerged. Based on the innovation gap, the patterns of innovation division and integration between SOEs and non-SOEs and factors associated to those patterns could be better consolidated and understood.

The establishment of an inverted “U” shape relationship between innovation input of SOEs and industries’ total innovation output indicates that SOEs’ 15–30 percent ownership is a magic range. When SOEs’ ownership falls into this range, an industry’s total innovation output is maximized. The inverted “U” shape relationship illuminates a nonlinear relationship between SOEs’ share in an industry and the total innovation performance of the industry. It also challenges the property right theory or its application in China. According to the property right theory, SOEs should not have enough incentive to invest in innovation, such as the cases in the group of national basic and restricted industries. However, the inverted “U” shape relationship confirmed other observations that state
ownership has a positive effect on innovation performance (Choi, Lee & Williams 2011, Bin 2005). What are the reasons behind this?

Understanding and dealing with China’s innovation will be either a continual hot topic in academic research, or an ongoing agenda in managerial practice. Exploring it from the standpoint of Chinese SOEs undoubtedly offers a solid base, because the uniqueness of China’s development will continue to be tied to the distinctiveness of Chinese SOEs, particularly in the innovation domain. References are available upon request.

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FROM INNOVATIVE AND MARKETING CAPABILITIES TO FIRM PERFORMANCE: EMPIRICAL COMPARISON ON DIFFERENT PATHS IN TWO EMERGING NATIONS

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SUMMARY

In response to the growing research needs in emerging markets and caution on the gap in relevant studies, this research empirically tested distinct influence of two critical capabilities: innovative capability (IC) and marketing capability (MC) in two emerging nations at different development level. By investigating the detailed paths from strategic orientations through both or either of IC and/or MC to firm performance in China and Korea, the authors attempt to provide a longitudinal guideline on how firms transform resource set requirements to obtain competitive advantages as their economies progress.

Based on the combined data of 665 companies in emerging markets; 385 in China and 280 in Korea, we proved IC and MC successfully transform into organizational performance within the broad territories of emerging market, portraying the results from the industrialized market. In addition, as critical drivers both market orientation and learning orientation were proven to have an affirmative impact on both IC and MC. From each data set of two, IC is found to be more critical in fast-growing and manufacturing-focused market like China while MC is found to be more vital to an advanced emerging country such as Korea. The findings suggest that organizations should develop a set of capabilities required for each level of development in order to achieve a competitive advantage, answering to the needs in cross-cultural comparison even between emerging nations.

Further analysis based on different industries in each region: manufacturing vs. non-manufacturing sector, provided detailed differentiated paths to firm performance in each cases. IC significantly influenced firm performance for both sectors in China, whereas MC was influential only in the non-manufacturing sector of China. In contrast, MC was found to be equally important for firm rents in both industries within Korea while IC failed to prove its influence in both Korean industries. Thus, as the major industry of an economy evolves from manufacturing business to more service-oriented industry, the findings suggested that firms should be equipped with an IC-centered resource set at first and then reconfigure a balanced set with IC and MC.

Overall findings of the study provide managerial implications on how to allocate limited organizational capitals to strategically better fit and to compete in the ever-changing emerging market environments. The limitations of the study are also provided along with the further research opportunities. References are available upon request.

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MNCS AND FOOD SECURITY IN EMERGING MARKETS: PROVOCATIONS FROM INDIA

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SUMMARY

Chronic hunger remains a troubling concern in emerging markets. To the World Bank, rising food prices and the food insecurity of world’s poor renders the global economy “one shock away from a full-blown crisis” (Martin 2011). Hunger is the world’s number one health problem (FAO 2010), the reality for an estimated 925 million people. Although government and non-governmental organizations (NGOs) play critical roles in food emergencies, the reduction of chronic hunger depends on private enterprise. For example, in India, the government accounts for only seven percent of the food economy (Reardon and Minten 2011). Private sector retailers and wholesalers shape the day-to-day food security of the world’s poor, and the rise in multinational investment has generated polarizing views. Some have argued that foreign direct investment (FDI) improves the capability of emerging market producers and food security, while others argue that FDI bypasses local producers and hurts poor consumers.

This motivates the central research questions of this paper:

How does FDI in food supply chains affect subsistence consumers and producers? What factors affect the development of food supply intermediaries?

To address these questions, we provide background details on modern food retailing in emerging markets, and examine past empirical research. Since past research in marketing is limited, we draw on multiple studies in agricultural economics, development economics, and economic geography, and take a particular look at the unique case of India. Despite considerable economic growth and success, nearly one-fifth of the Indian population faces chronic hunger, and India has made little or no progress toward the UN’s hunger reduction target since 1990 (FAO 2010).

An emerging market “supermarket revolution” (Reardon and Hopkins 2006; Humphrey 2007) started in the early to mid-1990s (Reardon, Henson, and Berdegue 2007) in China, Thailand, Kenya, and other emerging markets. The revolution was driven by government endorsed FDI (Coe and Wrigley 2007; Reardon, Timmer, Barrett, and Berdegue 2003) and the pro-active strategies of supermarkets (Reardon, Henson, and Berdegue 2007). India is the exception, as FDI in retailing is prohibited. In the mid-1990s, India began allowing multinational corporation (MNC) supermarkets such as Tesco, Walmart, and Carrefour to invest in food wholesaling. In 2006, in part due to the expectation that FDI in food retailing would soon be permitted, investment by large Indian firms such as Reliance spurred a huge growth in modern food retailing. The India government granted permission for FDI in food retailing late in 2011, but widespread public protests resulted in a quick reinstatement of the ban in January 2012. This turbulent political environment exemplifies the highly complex and sensitive nature of food security in India and other emerging markets.

Our analysis of past empirical studies (e.g., Minten and Reardon 2008) indicates that supermarkets sell food more cheaply than do traditional retailers, and are gradually reaching the poorer consumers, who are most affected by food prices. Supermarkets have generally benefited poor consumers in terms of food access, quality and prices, but results have been mixed for the smallest producers and retailers, with the varied results related to the food sector, time frame, and other institutional and geographic factors. Intermediaries also matter. In India, a “quiet revolution” (Reardon and Minten 2011) has taken place outside the supermarket channels by domestic firms engaged in wholesale, cold store and processing. The unexpected innovation of intermediary firms has quietly complemented the more noticeable modern supermarket revolution. Of special note are the rural agricultural hubs and supermarkets such as Hariyali Kisaan Bazaar, as these help to connect the rural poor to food supply chains, both as producers and as consumers.

We conclude by highlighting the connections between hunger and food security research and research on marketing at the base of the pyramid. With a goal of stimulating new research on the food insecurity of the world’s poor, we offer a series of propositions or provocations for future research on food retailing and food intermediaries in emerging markets. References are available upon request.
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ADDING TO THE “MISSING LINK” PERSPECTIVE IN EMERGING ECONOMY: THE ROLE OF PRODUCT INNOVATION IN RUSSIA

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SUMMARY

The ability to introduce innovations in emerging markets drive success of firms from such markets. Product innovation has been extensively studied in different contexts (including emerging and developed markets); however, it was noticed that such innovations are not introduced similarly within BRIC (Brazil, Russia, India, and China) countries. Moreover, Russia is rather losing its competitive positions in comparison to other BRIC economies. We study potential reasons for that in this paper.

Following framework developed by Sawhney et al. 2006 we explore the role of key offering dimensions – platform and solution innovations – in influencing performance outcomes.

A platform represents a set of common components, assembly methods or technologies that serve as building blocks for a portfolio of derivative products or services (Sawhney and Chen 2011). For successful application of product platform strategy and creation of platform innovation firms needs to understand core and differentiated customer needs and be aware of firm’s target group (Stone et al. 2008). Platforms are based on technological advancements and understanding customer expectations and represent both a requirement and opportunity for developing new products and services (Kumar and Allada 2007).

Solution innovation represents complex bundle of products and services that solve particular customer’s problem. Solution may be successful only when a supplier truly understands customer needs, which may be achieved through collaboration between buyers and suppliers and establishing strong relationships (Roegner, Seifert, and Swinford 2001).

Following existing theory on market orientation – innovation – performance relationship, direct and indirect effects of market orientation on firm performance were tested. Since there is still no substantial research evidence on the mediating effect of innovation on market orientation – performance link in emerging economies, our study aims to close this gap. Moreover, the model includes moderating effect of product innovativeness. The study is based on empirical survey of 204 Russian innovative firms with multiple respondents approach, resulting in 331 qualified respondents.

There are positive and significant effects of both platform and solution innovation on firm performance. While platform innovation affects performance strongly (0.542, p < 0.001), the effect of solution innovation is marginal (p < 0.1). Among market orientation components, only customer orientation has direct positive impact on firm performance (0.259, p < 0.005). Effects of competitor orientation and interfunctional coordination are mediated by platform and solution innovation constructs.

The results confirm existing link between market orientation and performance, as well as illustrate different impact of market orientation dimensions and dimensions of product innovation on firm performance. References are available upon request.

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EVALUATION OF RETAIL SERVICES: A DEVELOPED VS. EMERGING MARKETS PERSPECTIVE

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SUMMARY

Customers from different countries have varied experiences and expectations due to diverse socio-economic, cultural, and environmental factors (Douglas and Craig 2006). They also differ in their service experience in terms of customer perceived value, customer satisfaction, and perceived service quality (Brady et al. 2005). However, prior research on the evaluation of retail services focuses mostly on the shoppers from developed markets with little attention to shoppers from emerging markets such as China (Uncles 2010) and India (Sengupta 2008).

Theoretical Background and Hypotheses

We address the above gap by comparing the influence of the antecedents of customer perceived value (CPV) for shoppers from developed and emerging markets. Shoppers from developed and emerging markets differ in their experience of various retail services due to differences in their prior experience (Jin and Sternquist 2003; Shukla 2010) and this may moderate the influence of antecedents (e.g., effort, lifestyle, price, risk, and service quality) on perceived value of the retail service. Specifically, we hypothesize that product quality (PQ), perceived effort (EFF), perceived risk (RSK), store environment (ENV) and value-for-money (VFM) have a stronger influence on customer perceived value for shoppers from emerging vs. developed markets whereas service quality (SQ) and lifestyle congruence (LSC) have a stronger influence on customer perceived value for shoppers from developed vs. emerging markets. We also hypothesize that CPV has a greater impact on word-of-mouth intentions for shoppers from emerging markets.

Methodology

We test our hypotheses with data from foreign shoppers in Hong Kong, a popular tourist destination attracting millions of shoppers from around the world every year. The sample (N = 802, response rate = 16%) consists of 490 shoppers from an emerging market (China) and 312 shoppers from three developed markets (Australia, U.K., and North America). We adapted existing scales to measure product quality, perceived risk and value-for-money (Sweeney and Soutar 2001); service quality (Brady and Cronin 2001), store environment (Baker et al. 2002), lifestyle congruence (Johnson et al. 2006), perceived effort (Zeithaml et al. 1988), word-of-mouth (Anderson 1998) and customer perceived value (Sharma et al. 2012).

Data Analysis

Since we use data collected from shoppers from different countries, we first assessed cross-cultural measurement invariance for all the scales using a multi-step approach (Steenkamp and Baumgartner 1998). We then used confirmatory factor analysis and internal consistency reliability tests to assess the psychometric properties of all the scales (Bagoozi and Yi 1988), and the discriminant and convergent validity of all the scales (Anderson and Gerbing 1988).

Next, we tested all the hypotheses in this study by comparing the differences between regression coefficients for the participants from developed and emerging markets, coded as home country (HC), using moderated multiple regression analysis (Baron and Kenny 1986). The regression model provided a good fit to the data (adj.R² = .47, F = 36.38, p < .001). As expected, SQ (β = .28, p < .001), RSK (β = .11, p < .01), LSC (β = .13, p < .01), and VFM (β = .16, p < .001) all have a significant positive effect on CPV, however, PQ (β = .08, p > .10), ENV (β = .04, p > .10), EFF (β = .01, p > .10), and HC (β = -.04, p > .01) have no significant effect on CPV.

Finally, interactions between HC and PQ (β = .13, p < .01), RSK (β = .13, p < .001), and VFM (β = .11, p < .01) are significant and positive; and interactions between HC and SQ (β = -.11, p < .01), and LSC (β = -.10, p < .01) are significant and negative. Hence, hypotheses 1, 2, 3, 5, and 7 are supported. However, the interactions between HC and ENV (β = -.04, p > .10), and HC and EFF (β = -.02, p > .10) are not significant, hence hypotheses 4 and 6 are not supported. Among the covariates (gender, age, income, education, and retail category) only income has a significant but small influence on CPV (β = .06, p < .05).

Discussion and Contribution

This study adds to growing body of work exploring the differences between developed and emerging market shoppers (e.g., Sharma 2011; Shukla 2010). We also extend existing research on customer perceived value by incorporating both tangible (product quality, perceived effort, store environment, and value-for-money) and intangible (service quality, perceived risk, and lifestyle congruence) antecedents of customer perceived value to provide a more complete picture of how shoppers form...
their value perceptions in the retail context. Finally, we use WOM as an outcome of customer perceived value, whereas prior research focuses on other behavioral intentions such as repeat purchase and customer loyalty.

Limitations and Future Research

We examine intentions rather than actual WOM in this study due to its cross-sectional design. Future research may use a longitudinal design to overcome this limitation. Future research may also include other moderators such as variety-seeking tendency, value-consciousness, prior experience, product knowledge, and personal cultural orientations on the retail service evaluation process (Sharma 2010). Finally, the study can be extended to shoppers from other emerging markets such as Brazil, India, and Russia to assess its generalizability. References are available upon request.

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FACTORS INFLUENCING GROWTH POTENTIAL OF E-COMMERCE IN EMERGING ECONOMIES: A MULTI-THEORETICAL APPROACH AND RESEARCH PROPOSITIONS

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SUMMARY

E-commerce is widely accepted as the platform for conducting business all over the world. Given the tremendous success of Internet and e-commerce in developed countries, emerging economies are quickly embracing the information technology as well. Although there is a great deal of research on e-commerce development, most of the research on e-commerce focuses on developed countries, with relatively little research on emerging economies. The purpose of the study is to examine factors influencing (both determinants and deterrents) the growth potential of e-commerce in emerging economies from a multi-theoretical perspective (namely, institution-based Network-Ownership, Location, Internalization, i.e., i-based N-OLI framework). Several theoretical strands from Institutional theory, Network theory, and the Eclectic OLI paradigm are utilized for explaining the adoption and expansion of e-commerce in emerging economies. Factors are identified at three levels. At the global level, we identify multilateral agreements, strategic behavior of multinational enterprises (MNEs), and technological innovation as the key factors. At the national level institutional environment, infrastructure and culture are identified. The transactional level examines the role of integrity of transactions, online intermediaries, and network externalities and value clustering as the key factors for growth of e-commerce in emerging economies. While we provide a multi-layered approach to understanding the growth potential of e-commerce, the salience of each factor will, to a large degree, depend on the emerging economies themselves. For example, we find that while China has relatively well-developed infrastructure compared to institutional factors, India lags behind considerably in infrastructure. We hope our multi-layered and multi-theoretical approach will spark interest among scholars to further examine these factors and their interactions for future research and serve as a template to guide practitioners in their e-commerce activities in emerging economies. References are available upon request.
DRIVING THE VALUE PREMIUM THROUGH CULTURAL, SYMBOLIC, ECONOMIC AND SOCIAL CAPITAL MANAGEMENT

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SUMMARY

Getting consumers to be willing to pay the price premium for one product over another has long been the goal of marketing experts. In discussing different sources of such price premium, focus was mainly on the reputation and brand image. In this contribution we (a) link these concepts to their origins of impression management in sociology; (b) analyze different forms of capital (economic, social, symbolic, and cultural) that can be managed to drive reputation and thus value premium; (c) analyze the mechanism through which Bourdieu’s different forms of capital impact reputation and value premium. In doing this, we also delineate the different capital forms from the concept of reputation, both theoretically and empirically, leaving reputation to be the stakeholders’ evaluation of entity’s observable outputs. We discuss these ideas from the perspective of consumer, since all these categories exist only in relation to the context in which they are observed (Bourdieu 1990).

We start from Bourdieu’s theory of inequality, where markets are described as multidimensional social space where “the different forms of capital . . . serve as the building principles of these social spaces, enjoying higher or lower ratings in the different markets.” (Gergs 2003, pp. 40–41). These capital forms encompass: (a) economic – defined as accumulated financial resources and assets (Bourdieu 1990), also seen as “productive capital”; (b) social capital – defined as resources, which are controlled on the basis of existing and potential social networks (Burt 1992; Bourdieu and Wacquant 1992); (c) cultural capital – defined as the favorable cultural traits that one individual entity has, reflected in embodied, objectified and institutionalized advantages that provide higher status in society (Bourdieu 1990); and (d) symbolic capital – defined (and measured) as the resources available to an entity on the basis of honor, prestige and/or recognition, resulting from investments of time, energy and wealth into activities which do not yield a short-term economic return for the entity (Calhoun 2002; Bird and Smith 2005; Bourdieu 1990). These three are also termed as “fictive capital” by Marx. All these forms of capital have a certain level of liquidity – changing one capital form into another.

These capital forms are managed by entities (Bourdieu 1990) to enhance the value premium by changing perceived entity characteristics of: (a) charisma, defined as the trait characterized by extreme charm and a “magnetic” quality of personality and/or appearance along with innate and powerful communicability and persuasiveness (Conger, Kanungo, and Menon 2000); (b) trust, i.e., calculus-based trust, seen as a rational choice that an actor has intentions and competences to behave in a certain manner and arises from signals creating an indirect expectation of trustworthy behavior (Doney, Cannon, and Mullen, 1998); and (c) reputation which, after empirical analyses of items and conceptual considerations, was defined as stakeholders’ perceptions of an entity’s current and potential performance on observable dimensions. The mechanism therefore starts with manageable capital forms which change entity’s perceptual properties in order to impact the value premium that an entity can expect for its outputs.

Research was carried out in one European country in two steps: (a) identification of the most salient entities selecting those that had the most/least admirable reputation the “top of the mind” entities; (b) convenient sample of consumers indicated by selected entities who are expected to be well informed about different activities of these entities (Bartikowski and Walsh 2009). All measures exhibit Cronbach alpha above .7, AVE above .5 and CR above .7 with measurement model that exhibits needed fit within the limits suggested in social sciences with RMSEA being 0.08 and CMIN/DF = 2.189 (Hair, Black, Babin, Anderson, and Tatham 2005; Camines and McIver 1981; Steiger 1990). Data also satisfy the condition of multivariate normality.

For robustness reasons the model was tested using both the structural equation modeling and regression analysis, testing the capital interactions and controlling for various potential determinants of expected added value. Final model was analyzed taking into account only relationships that were persistently shown to be significant (ROSEA = 0.08, CMIN/DF = 2.197).

Results indicate that economic capital has a negative impact on perceived variables but a strong positive impact on value premium consumers are expecting to pay for the entity’s outputs. All the “fictive capitals” exhibit only indirect impact on the value premium through their impact on perceptual aspects. Symbolic capital positively impacts charisma, as symbolic capital displays extraordinary signals, and trust (Klapwijk and Van Lange 2009). Interest-
ingly, cultural capital has impact on all three perceptual values: charisma, trust and reputation, and the strongest overall impact on expected value premium. Also, social capital, is the only capital that exhibits negative impact on expected value premium, through its negative impact on trust— as all entities with great social capital do not depend as much on each particular stakeholder or stakeholder group and therefore can behave opportunistically.

The impact of charisma on trust is positive, as charismatic entities “inspire high levels of . . . trust in their followers” (Zhou, Gao, and Zhou 2005, p. 1052). Trust has a positive impact on reputation, as it implies an ability to rely on the other party to achieve expectations (Rotter 1967) and deliver high quality output (Moorman, Zaltman, and Deshpande 1992; Anderson and Narus 1990). The greater the reputation, i.e., the entity’s output quality, the more an entity can charge for these outputs.

Thus, results indicate that different forms of capital that any entity possesses (social, cultural, symbolic) do not have a direct impact on the extra value that it can expect to get for its products/services but rather an indirect effect through such abstract concepts as charisma and trust and a more applied concept of reputation. The strongest overall impact on expected value premium has the cultural capital of an entity thus justifying investments in it. The importance of social capital a bit more indirect since it impacts the value premium by being converted into other forms of capital (with especially high convertibility into economic and cultural capital). Besides this, we stress the importance of the “divine” concept of charisma which has a strong influence on trust and is a manageable category, both directly and indirectly. It is not just a characteristic of a person but can also be ascribed to an organization. References are available upon request.

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MICROFINANCE MARKET FAILURES IN EMERGING MARKETS

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SUMMARY

Market failures such as lack of market-underpinning institutions have been the cause of markets malfunction, especially in a way that excludes the poor. Market failures are viewed as the lack of facilitating structures and key exchange mechanisms that cause business malfunction (Fligstein 2001). In this study, we define market failures as the failure of a more or less idealized set of price-market institutions to sustain “desirable” activities or to impede “undesirable” activities. In the case of microfinance, market failures such as lack of available credit to the poor reflects the non-inclusiveness of markets (Mendoza 2008), which represents the inability to sustain desirable activities.

The four levels of market failures detailed by Barton (1958) are failure by signal, failure by incentive, failure by structure and failure by enforcement. Our study extends this model with the consideration of failure by default. Failure by default refers to the interplay of institutional failures and market failures and the survival behavior of actors demonstrated in the exploitation of market failures.

Micro and Small Enterprises (MSEs) are often classified among the poor in subsistence markets due to their limited capital. It is an undeniable fact that Micro and Small Enterprises (MSEs) are important agents for economic growth in emerging markets. They also help in financial intermediation. These businesses however face myriad challenges in accessing credit from financial institutions. Even though there are loanable funds available, most MSEs cannot access these funds because banks find it difficult to assist MSEs while MSEs find it difficult to meet the requirements of the banks. By examining in detail, specific market failures that inhibit the efforts of MSEs to access microfinance in emerging markets, the main contributions of this paper are to: (1) bridge the literatures on microfinance and market failures relevant to entrepreneurship in emerging markets; (2) contribute to literature by identifying additional market failures relevant to emerging markets (3) inform policies for entrepreneurial development in emerging markets. In integrating microfinance and market failure arguments, this paper also represents an attempt to unpack the reasons why market failures in emerging markets exclude the poor from accessing microfinance.

In this paper we address these questions through a case study of a local bank in Ghana. More specifically we focus on the perspectives of the officials of the bank and their MSE customers about their market interactions. We chose this specific setting because Ghana is an emerging market, the fastest growing economy in the world as at the end of 2011 (IMF Report 2011). In Ghana, due to liberalization, there is improving relationships between microenterprises and financial services firms. However, several required institutions that characterize modern market economies are lacking. Our findings revealed four fundamental aspects of failure by default as a dimension of market failures that limit access to microfinance by MSEs in emerging markets: (i) Insufficient information and timing issues based on limited infrastructure; (ii) Rigorous lending requirements due to the need for high risk mitigation; and (iii) Difficulties in loan repayments due to market volatility (iii) Power imbalance due to resource constraints. These findings extend Barton’s (1958) model on market failures with the additional consideration of failure by default. The findings have practical implications for microfinance initiatives in emerging market economies. References are available upon request.

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REACTANCE VS. ACCEPTANCE: EMERGING MARKET CONSUMERS’ PERCEPTIONS OF LOCAL BRANDS AFTER AN MNC’S ACQUISITION

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SUMMARY

Multinational companies frequently use acquisitions of local brands as a way to extend their brand portfolio in emerging markets or as a market entry strategy. However, to the authors’ knowledge the marketing literature offers only little general advice on cross-border acquisitions in a developing country by a developed country brand. When considering both the sensitiveness of developing country consumers to foreign brands (Tian and Dong 2011) and the common practice of western/global companies to enrich their brand portfolios through local acquisitions, research in this field appears necessary. We make a first attempt to shed light into this field, by drawing on signaling theory, the resource-based view and the theory of consumer reactance. Using the hierarchical structural equation modeling approach, we analyze data from a study encompassing 36 consumer good brands in China.

The study offers two important contributions, namely the definition of a new brand category and the integration of conflicting theory streams. We define the acquired developing country brands in our study as international portfolio acquisition brands (IPA brands). We expect them to fulfill two premises: A foreign dominated strategy, and a preserved local brand heritage. We prove that consumer behavior and brand attribute evaluations toward IPA brand significantly differentiates these brands from foreign and local brands alike. Second, our study contributes to the scarce literature that deals with consumer responses toward a brand after an acquisition, by integrating two conflicting theory streams. On the one hand, the theory of psychological reactance (Brehm 1966; Thorbjørnsen and Dahlén 2011) supposes that an acquired brand is not appreciated by consumers, since consumers might interpret the takeover as a threat to their freedom of choice and might try to restore their freedom by devaluating the appeal of the forced alternative. On the other hand, the resource-based view and signaling theory (Wernerfeld 1984, 1988; Swaminathan, Murshed, and Hulland 2008) propose, that consumers might view an acquisition of a local brand more favorably, since the international brand name of the acquirer acts as a bond for quality promises and consumers might expect an upgrade of the brand due to better access to foreign resources. We argue that those theories can be integrated into one model and thus can demonstrate the interaction of both theoretical streams.

Our results show that IPA brands are faced with three key challenges: First, emerging market consumers indeed show a feeling of reactance by expressing a lower overall level of loyalty intentions for IPA brands compared to foreign and local brands in general. Second, consumers expect an upgrade of IPA brands’ quality. Third, we discover that consumers’ rise of quality expectations is not matched by an increase in willingness to pay. In light of these three key challenges we argue that multinationals should carefully consider their growth strategy for emerging markets instead of hastily implementing the tempting IPA strategy as a means for easy market entry or portfolio enrichment. References are available upon request.

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SUMMARY

Recent literature on marketing in emerging markets (EMs) has focused on the development of theoretical and conceptual frameworks for understanding the impact of contextual factors on marketing activities. One such construct that has received renewed attention is the 4Ps marketing mix framework. However, a number of limitations have been observed in the 4Ps framework, including: oversimplification of the marketing tasks; overlap between some of the mix elements, namely, price and promotion; the static nature of the framework; the transactional nature of the framework, and the lack of consideration of relationship and long-term relational exchanges.

Despite the concerns with developing new constructs to extend the marketing mix, little attention has been given to incorporating the unique characteristics of emerging markets. One exception is the 4As – acceptability, affordability, accessibility and awareness (Sheth and Sisodia 2011). Proponents argue that the 4As framework is more pertinent to consumption environments of scarcity, where consumers make tradeoffs with a focus on survival, where they simply cannot consume what is not affordable, and where convenience is valued less than in a surplus-oriented consumer economy (Sheth and Sisodia 2011). These arguments are consistent with early research by Dadzie (1989), who concluded that concerns about economic scarcity lead to strong regulatory policies and ultimately “demarketing” of the marketing mix activities by firms in African EM countries. Consequently, we seek to move beyond the conceptual phase regarding the 4As and evaluate the adequacy of this recently proposed framework relative to the traditional 4Ps approach in the environmental context of an African emerging economy, Ghana. Thus, we explore the validity of the 4As against the 4Ps in Ghana’s business environment.

Specifically, this study addresses the following questions:

1. Which marketing mix activities do managers consider to be more adequate for planning the marketing concept under the 4As versus the 4Ps approach?
2. Which mix activities are linked to performance under each framework?
3. To what extent are the mix activity – performance relationships mediated/ moderated by the type of business strategy?
4. What are the theoretical and managerial implications of using the 4As in an African emerging market context?

To address these research questions, the data were collected in the industrial and political capital city of Ghana, Accra, by trained interviewers. Four focal constructs were operationalized and measured in the present study including (1) the 4Ps of the marketing mix, (2) the 4As of the marketing mix, and (3) the competitive business strategies (differentiation and low cost), and market performance. Next, analysis was conducted in three incremental stages including: (1) scale accuracy analysis, (2) common method bias assessment and scale validation and (3) structural model analysis.

The results suggest three insights into the relative importance of both competing marketing management frameworks. First, although both models exhibit acceptable measurement properties in Ghana’s corporate context, the 4As framework explains market performance impact more adequately than does the 4Ps framework. Second, the study demonstrates that low cost strategy has both mediating and moderating influences on the core 4As activities of acceptability, affordability, awareness and accessibility. Third, the 4As framework is more robust for firms that pursue standardization strategies while the 4Ps is less robust for firms pursuing differentiation strategies. These results are interpreted as lending support for academicians who advocate a paradigm shift from the traditional demand differentiation strategies to demand aggregation strategies based on the 4As for emerging market contexts.
EXPANDING “BROTHERHOOD” IN EMERGING MARKETS: METHODOLOGICAL APPROACH AND CULTURAL VALUE ANALYSIS

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SUMMARY

Entrepreneurs are not the only one to be attracted at the call of emerging countries. Major non-profit organizations raising money in high income OECD countries for redistribution in developing countries are now looking for new sources of funds. Some of the countries that benefited from private philanthropy are now in a position to contribute themselves. The popular press is full of horror stories of firms’ that were lured by emerging market size, growth and new wealth. Their initial research was often limited to economic data and failed to identify firms’ specific success factors associated with product-market specificity (Arnold 2003).

This paper examines a methodology to identify promising potential markets for charitable donations. It looks at two major dimensions that charities should consider before making any move. The empirical research reviews the philanthropic market selection process. It looks at countries’ (1) capacity and (2) propensity to give.

Methodology

Capacity to Give and Country Infrastructure: Research on philanthropic market size and capacity to give is only a prerequisite for the most important issue, the propensity to give or to support a private non-profit’s organization. The study is based on the experience of a major NGO with fundraising activities in some 25 countries on five continents. The initial research followed Cavusgil’s (1997, 2004) xxx methodology. Economic data were extracted from the World Bank Development Indicators at the urban household level. Income deciles and quintiles were used to estimate potential annual donations.

Nonprofits must be able to reach people and engage in advocacy action. Country infrastructure data were available from Michigan State University’s Market Potential Indicators for Emerging Markets (Global Edge 2011) and from the World Bank that publishes statistics on countries’ communication infrastructure: telephone lines, mobile telephone subscribers, PCs, Internet servers, TV sets, and daily newspapers per 1000 inhabitants.

Major fundraising operations rely on efficient banking systems to process donations, credit card and banking payments, and to transfer money in and out of countries without currency controls. Freedom and human right indices were provided by the Heritage Foundation and Freedom House. Euromoney rates countries on political, social, and financial stability.

Propensity to give: A large gap has been observed in OECD countries between official development assistance (ODA) and private philanthropy. The Hudson Institute’s Global Philanthropy Index compares private donations and immigrants’ remittances to ODA. Countries that score relatively higher on ODA do rather “poorly” on private donations. Australia, Canada, New Zealand, and the United States are among them. The Johns Hopkins’ Comparative Nonprofit Sector (Salamon et al. 2004) explains some of these variations by cultural clusters. Anglo Saxon countries are more inclined toward private donations while continental European countries favor public interventions.

Brooks (2006) looked primarily at donations and helping behavior in the U.S. but also in other countries, mainly from those in the International Social Survey Program that now includes some 40 plus nations. Brooks observed that “generous” donors are politically to the right (conservative) and have strong family values. They value personal entrepreneurship and are skeptical about governments’ interventions into economic life and income redistribution. Finally, they are regular churchgoers, irrelevant of denominations. Values identified by Brooks are also available for most emerging countries in Inglehart’s (2005) various World Value Survey waves.

Research Findings

Privately funded NGOs already raise substantial income from Australia, Canada, Germany, New Zealand, South Korea, Switzerland, Taiwan, the United Kingdom, and the United States. These countries were identified as referenced targets. XXX Regression analysis isolated the most significant predictors for charitable donations in those countries. The regression function was used to score the remaining developed and emerging countries. The model identified other markets with similar profiles to referenced countries.

Countries were ranked according to their capacity to give (potential market) and their propensity for private philanthropy, based on values defined by Brooks (2006) and the World Value Survey. A joint space map was
constructed that underscored markets’ capacity to give is on the abscissa and propensity to give is on the ordinate.

Markets located in the 1st quadrant scored well on both counts and should receive priority attention. Most of them are considered as high income developed or emerging countries. Countries like China, South Korea, and Taiwan are also among the top ones. Nations in the 2nd quadrant have smaller potential markets but display a good predisposition for private donations. Lithuania, Croatia, South-Africa, Estonia, and Hungary well positioned emerging economies.

Findings from the World Value Survey obtain theoretical support in Max Weber’s *Protestant Ethic and the Spirit of Capitalism* (1904). Top countries in private philanthropy are of Protestant tradition and at the origin of capitalism as we know it today. The Protestant ethic gave birth to a renewed form of capitalistic entrepreneurship and economic growth. Many capitalists are reluctant to give to the poor or public charities that they did not control. They often associate poverty with laziness and “divine disfavor.” They also reject the idea that governments are responsible for income distribution and universal social safety net. They have a net preference for private charities (e.g., compassionate conservatives), and a propensity to support religious causes. Emerging countries opting for capitalistic economies may be sharing some of these values. References are available upon request.

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STILL ON THE ROAD TO CAPITALISM? WEIGHING THE VISIBLE HAND OF GOVERNMENT INTERVENTION IN THE CHINESE PROPERTY MARKET

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ABSTRACT

This paper introduces a model to describe the Chinese property market. In doing so, the aim is to comment on the applicability of the current property “market models,” but also to discuss China, and the current state of its journey to capitalism. We use a straightforward empirical model, and employ data, collected in the period 2000–2010, on the market performance of the real estate industry. We find that “market models” explain as little as one percent of the variance in property sales. Adding a variable that accounts for government intervention to the specification creates a “regulated market model. And with this specification, the predictive power of the model soars to 87 percent. In the “regulated market model,” however, the significance of the price system disintegrates. Meaning that government supply, and not price, dominates. The implications of our study are significant. Because, not only do we evidence the important role of government’s “visible hand” in the Chinese property market but, by implication, illustrate that China remains a controlled economy.

Keywords: Property markets; China; Capitalism; Socialism; Government Intervention.

INTRODUCTION

There has been a long-standing interest in regulated economies, and especially in emerging markets, among which, in particular, we found the unfolding story of China’s road to capitalism (e.g., Li et al. 2000). One of the most dramatic stories – that of the property market – remains relatively untold.

In 1949, the communist party came to power in China. And soon after the state embarked on a policy of nationalizing all private property (Kuang 1992; Wang 1990). Between then and 1976, housing was treated as a welfare right, to which everybody was entitled. It was distributed according to the formal definitions of minimum and maximum per person space entitlements (Andrusz 1984). Property could not be bought or sold (Zhou and Logan 1996). And rental rates were set such that “ownership” of rental property yielded no returns (Deng et al. 2009).

The minimum cost of maintenance was more than three times as much as the rent collected. And the actual cost of providing housing was almost twenty-five times as high (World Bank 1992). There was thus little incentive, during this period, for housing investment and/or improvement. And consequently, China suffered both severe shortages in housing, and a deterioration of its existing housing stock. By 1978, the norm was 3.6m2 per person (Li 1998). Sixty percent of the households were in housing without exclusive use of running water, 72 percent without sanitary facilities and 71 percent without their own kitchens (cited in the World Bank 1992).

Recognizing the limits of a centrally planned public housing system, the state embarked upon a period of economic reform in 1979. Property rights were reintroduced, and the freedom to buy, and to sell, and to reap the benefits of improvement turned what was once a drain on government resources, and a non-productive investment, into an engine of economic growth. Huge increases in investment, a massive public housing privatization project, and strong government incentives for home purchase, saw home ownership rates rise to 80 percent. And with this living conditions increased dramatically; average per person living spaces increased from 3.6m2 in 1978 to 26.11 m2 in 2005 (Ye and Wu 2008). So profound have the changes been, in fact, that prominent scholars suggest that, at least in terms of the property market, China has completely moved from a centrally planned public housing system to a market-based system, with competition in both production and consumption (Ye and Wu 2008; Deng et al. 2009).

Others point out that this new market-based system has its own particularly Chinese characteristics. Local government continues to play a strong role in the market because, according to the Chinese Constitution, all land still belongs to the state. Local governments are permitted to expropriate rural land for urban uses. And by controlling both the land supply, and the zoning regulations, local governments can decide what can be built, when, and by whom.

So how market-based is China’s new market-based property system? Fortunately, a number of models have been created to explain the behavior of the real property market. And most of these point to factors like price, interest rate and income as being the more important explanatory variables (cf., Quigley and Redfearn 1997; Gottlieb 1976; Quigley 1999; Mankiw and Weil 1989;
The Chinese Property Market


Nationalization: 1949–1976

In 1949 the communist party came to power in China. And the state quickly moved to nationalize land and to dismantle the system of private housing. The government confiscated all properties that had belonged to former officials, “anti-communist reactionaries” and foreign capitalists (Zhou and Logan 1996). The Municipal Bureau of Housing Management (MBHM) was set up in 1953, with the purpose of nationalizing: (1) all residential housing that was 100m² or larger (housing owned by overseas Chinese and by the remaining petty bourgeoisie, such as merchants and small business owners, was usually within this target range); (2) all privately owned rental housing; and (3) all privately owned commercial buildings. Some property remained outside this net. But during the Cultural Revolution (1966–1976), all remaining private property was completely taken over by the socialist state (Kuang 1992; Wang 1990).

After the Cultural Revolution, the sale of land and development of real properties for speculative purposes were prohibited (Wang 1990). Housing was treated as a welfare right, to which everybody was entitled and was ideally intended to be distributed according to a formal definition of a minimum requirement and a maximum entitlement of space per person (Andrusz 1984). Rental rates were set such that “ownership” of rental property yielded no returns (Deng et al. 2009; Lee 1988). In fact, the minimum cost of housing maintenance was more than three times as much as the rent collected. And the actual cost of providing housing was almost twenty-five times as high (World Bank 1992). There was thus little incentive for housing investment and improvement. And as a proportion of Gross Domestic Product (GDP) housing investment averaged only 1.5 percent in the period from 1949 to 1978 (World Bank 1992). Consequently, the Peoples Republic suffered both severe shortages in housing and deterioration of its existing housing stock. The Chinese norm was the assignment of two persons to a one-room unit, three to five persons to a two-room unit and six to eight persons to a three-room unit (Friedman 1983). But in reality housing was not available for such a distribution (Zhou and Logan 1996). And as the population grew – from 541 million in 1949 to 961 million in 1978 – the effect was that average per capita dwelling space dropped; from 4.5 m² in 1949, to 3.6m² in 1978 (Li 1998).


Recognizing these limits, the state embarked upon a period of economic reform in 1979. The State Council formed the Housing Reform Task Force in 1982. And four
cities (later extended to 80 other cities and towns in 23 provinces) were designated for experimentation in housing reform (Wang and Murie 2000; Zhou and Logan 1996). Rental rates were adjusted, the existing housing stock began to be privatized, and the state began a process of confirming and registering ownership titles to properties that had been seized during the Cultural Revolution.

In 1988 the Chinese central government issued an important document: Implementation Plan for a Gradual Housing System Reform in Cities and Towns. It aimed explicitly to transform housing from a welfare good into a quasi-commodity, with the purpose of raising funds to recover the costs of construction and maintenance, and of limiting the demand for housing (Zhou and Logan 1996). As a result, public housing units throughout the country started to be sold to their sitting tenants, at heavily discounted prices. And when units could not be sold, efforts were made to raise the rent; even if the increase was still largely symbolic and still fell far short of what was necessary to cover basic maintenance costs. Rent increases were intended to stimulate investments by residents (by making purchase more economical than renting) and by public and private investors (by increasing their returns). And so policy-makers began to rely on market forces to undo the scarcities and inequalities that characterized the socialist housing system.

Prior to this, there was no “market for property.” Although there was some private housing in the cities, and exchanges of public housing were allowed, sales were uncommon. All land was (and still is) owned by the state. Land requisition for development projects was handled through the central planning process. And the central, provincial and municipal governments had the power to appropriate urban land gratis, to acquire buildings with minimum payment to owners, and to acquire rural land with payment for fair compensation to owners (the people’s communes) for government approved development projects. In 1988, however, the Chinese National People’s Congress amended the Constitution, stipulating for the first time that “land-use rights can be transferred.” For the first time, the government legally recognized property rights.

Property rights remained weak, however. And the government – particularly the municipal government – continued to control the market. In 1992 “The Temporary Measure for Pricing Commodified Housing” was jointly issued by the Ministry of Commodity Pricing, the Ministry of Construction and the Ministry of Finance. This measure became the legal basis for price setting, and dictated, through legislative means, how open the pricing system should be. In practice, however, municipal governments set prices arbitrarily, with land prices as low as 10 yuan per m2 or as high as 1500 yuan per m2, and commodified housing selling for as low as 500 yuan per m2 or as high as 3000 yuan per m2 (Zhou and Logan 1996). Clearly therefore, while some steps had been made in the right direction, much work needed to be done to complete the task.

Economic Reform: 1994–Date

Another milestone in the move toward a market system came in 1994, when the Chinese central government issued The Decision on Deepening the Urban Housing Reform. Within this, supply-side and demand-side programs were created to facilitate the development of a housing market. On the supply side, the government decided to build a multi-layer housing provision system for different income groups. And on the demand side, a dual housing finance system was established to combine both social saving and private saving (Wang and Murie 2000; Deng et al. 2009). Families who paid market prices for their units got full property rights – including the right to resell their units on the open market – while families who pay subsidized prices would have partial ownership but face restrictions regarding resale (State Council 1994).

Immediately after the 1994 reform, the country saw the rapid growth of a professional housing development industry and an unprecedented housing construction boom. Yet instead of being sold to individual urban families, most of the housing units were purchased by work units, which then resold them at deeply discounted prices to their employees (Wang and Murie 1996). Since many of the work units were state owned and were not subject to hard budget constraints, their purchase behaviors significantly distorted the emerging housing market (Zhou and Logan 1996). In 1990, and in urban China as a whole, 59 percent of housing was owned and managed by work units (Yang and Wang 1992). And even in Shanghai, where only 12 percent of housing was owned and managed by work units in 1990, some 86 percent of new investment capital for public housing construction was raised by work units (Bian et al. 1995; Zhou and Logan 1996).

Recognizing this, the Chinese central government decided, in 1988, to cut the link between work units and housing provision. Specifically, it issued A Notification from the State Council on Further Deepening the Reform of the Urban Housing System and Accelerating Housing Construction, which prohibited work units from building or buying new housing units for their employees. This, effectively, terminated the distribution of housing by the welfare principle, which had been implemented for more than 40 years (Ye and Wu 2008). Under this housing strategy, urban residents were encouraged to seek houses in the market – according to their own saving and income conditions – and could no longer rely on governments, or any other kind of institutional support, in acquiring property. As such, the 1998 reform marked a turning point of China’s housing reform, and with it China was said to
have established a real market mechanism in both housing production and consumption (Deng et al. 2009; Ye and Wu 2008).

The effect of this reform was certainly tangible. The policy was fully implemented from January 2000. And from 1997 to 2005, the annual housing investment amount increased by about six times (Ye et al. 2006). Living standards soared; the per capita floor space in urban areas rose from 3.6 m² in 1978 to 17.8 m² in 1997, to 24.97 m² in 2004 (Ye and Wu 2008). Thanks to both massive public housing privatization, and strong government incentives for home purchase, the levels of homeownership in China soared too, to reach 80 percent in 2004 (Feng 2003).

A True Chinese Property Market?

According to prominent scholars, the 1988 reform completely transformed the Chinese market, and completing the move from a centrally planned public housing system to a market-orientated one, in both production and consumption (Ye and Wu 2008; Deng et al. 2009).

Stronger property rights, freedom to buy, and to sell, and to reap the benefits of improvement turned what was once a drain on government resources, and a non-productive investment, into an engine of economic growth. As a percentage of GDP, investment in housing rose from an average of 1.5 percent in the period from 1949 to 1978 (World Bank 1992), to a level of 7 percent in 2005. This, a massive public housing privatization project, and strong government incentives for home purchase, saw homeownership rates rise, to reach 80 percent in 2004. With this living conditions increased dramatically; from an average of 3.6 m² per capita in 1978 (Li 1998), average living spaces increased to 26.11 m² in 2005 (Ye and Wu 2008). And as demand remains high – since 2003, housing prices have grown at an average of over 10 percent (Feng 2003) – it appears that the transformation of the property market has been a complete success.

This new market-based system, however, has its own historic footprint and particularly Chinese characteristics (Deng et al. 2008). Local governments play a strong role in the market because, according to the Chinese Constitution, all land belongs to the state. Local governments are the representatives of the state and are in charge of expropriating rural land for urban uses and allocating it among different users. And by controlling both the land supply, and the zoning regulations, local governments can decide what can be built, when, and by whom. This leads to the obvious question: how market-based is China’s market-based property system?

Modeling the Market

To answer this question, we will test the applicability of two property market models: the standard market model, which includes all the factors that presently dominates the analysis of market-based property systems, and a new model for the regulated economy, which attempts to explicitly account for the role of government intervention in the property market system.

The Standard Model

In a market economy, the market – guided by the self-interested desire of individuals to maximize their private profits – is the “invisible hand” (Smith 1776) of “spontaneous order” (Hayek 1949). In a market economy, price, supply and demand, and individual economic decisions, allocate resources. And government enforces contracts (Cooter and Ulen 2004).

In a market economy, market forces can therefore be expected to explain most of the variation in the property market. And several scholars have attempted to specify a market model, using such market forces, that accurately describes the behavior of the property market in a market economy (cf., Quigley and Redfearn 1997; Gottlieb 1976; Quigley 1999; Mankiw and Weil 1989; Hendershott 1991; Englehardt and Poterba 1991; Aelpeovich 1995; and Woodward 1991; Dipasquale and Wheaton 1992; Case et al. 2005; Campbell 2006). Most of these point to approximately the same significant list of factors (see Table 1). Household income, national economic indicators (measured in terms of gross domestic product), house prices, and interest rates together explain the lions-share the variance. Although employment rates (as a precursor to household incomes) also plays a part, as does housing supply, investor expectations and a willingness to spend, vacancy rates, mortgage availability and demographic change.

These models are far from perfect. Nevertheless, and based on this literature, one could expect that, in a market economy, a model which accounts for price, and controls for income and interest rates, should explain a significant proportion of the variance in sales. We refer to such a model as the standard model. And if China’s market reforms created a truly / largely market-based system, then we would expect that such a model should explain a significant proportion of the variance in Chinese property sales. Thus, we hypothesize:

H1: The Standard Model will best explain the variance in Chinese property sales.
The Regulated Market Model

At the other end of the spectrum, and in a planned economy, a central government – guided by the objective of satisfying human need – is the visible hand that controls industry (von Mises 1920). And in a planned economy, government decides on the allocation of resources.

Few economies today are planned. Although the levels of intervention vary substantially. In some cases, intervention can be a positive influence on the markets operation; in fact, market failures – which occur when the private pursuits of the individual lead to an inefficient public outcome (Mueller 2003) – and externalities – which occur when a cost or benefit is not transmitted through the price system (Arrow 1969) – are two oft quoted justifications for the existence of the state in a market economy. But not all intervention can be seen in the same light.

In some cases, the government intervenes not to support the market, but to control it. To the best of our knowledge, few – if any – studies have attempted to modify the standard model to accurately describe variation in the property market of a heavily regulated economy. But clearly, the free market models, which the literature has focused on, cannot be used in such a setting. A restriction in supply will stifle demand, alter prices, and will drastically alter the normal operation of the market. Arguably, and depending on the level of regulation, intervention may so distort the price system that the price system collapses, and only government matters.

Either way, and because government intervention in the Chinese property restricts supply, and upwardly distorts prices, we suggest that intervention will be negatively related to sales. And so, to better understand the Chinese property market, it will be necessary to supplement the existing literature, and the current market model described in The Standard Model. Thus:

H2: The Regulated Model will best explain the variance in Chinese property sales.

The G-Factor

If the Chinese property market were a free market, and subject only to market forces, then a model based on Hypothesis 1 would explain the vast majority of the variation in the Chinese property sales. If the Chinese property market is free in nothing but name, however, it will be necessary to account for the role of governmental intervention. Because in the extreme, government can blot out the effects of normal market forces. In this case, a model based on Hypothesis 2 will better explain variations in the market. The difference between the two models is a measure of government intervention, which we refer to as the G-Factor. The significance of this factor will not only serve to supplement the property market models described in The Standard Model Section, and will help us to better understand the role of regulation in China, but can be used to chart the so-called “socialist market economy of China’s” progress on the road to capitalism.

METHODOLOGY

Data

The data, against which our hypotheses are tested, was made available by an independent consulting firm, which operates in the international arena. It includes data – collected at the monthly level in the period 2000–2010 – on a number of general economic indicators, as well as information on the performance of the Chinese property market, at both the city and national levels.3 Table 2

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*TABLE 1*

Market Models: A Review of the Literature

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identifies these and the other variables employed in our research. And Appendix A provides a descriptive overview of the dataset, and reports the correlation coefficients.

**Dependent Variable**

We use property sales as the dependent performance variable. Three measures can be employed to measure sales in the market: cumulative real estate investment (IOH), cumulative real estate sales volume (HSV) and current real estate sales in square meter (HS). The first two of these reflect investments (IOH and HSV) in real estate, in financial terms, and include all niche market investment levels as a whole. HSV can, in additions, also be used as a proxy for total current market demand for real estate. Current real estate sales in square meter (HS), by contrast, describes the total supply of real estate, in real terms, and because of the nature of the questions asked in this research, we move forward with HS as our dependent variable of choice.

**Independent Variable**

We use the G-Factor, or the Government-Factor, to proxy real estate business response to government intervention and regulation with current new housing project in square meter area (NHP), and government intervention with licensed amount of land in square meter for real estate development by the government (RP). That is:

\[ G_t = \ln \left( \frac{NHP_t}{RP_t} \right) \quad Eq(1) \]

This ratio projects, mathematically, how many square meters the Governments will use to leverage the real estate business in the next round, as a result of its current levels of intervention. Thus, the interaction between government and business can be described numerically. The game played can be either a larger or lesser ratio: the former displays a stronger market-oriented power by real estate business and the latter the strength of government’s direct intervention. The trend, illustrated in Figure 1, tells us that, every year the business plotting showed a clear high market momentum in comparison with a downturn toward the end of the year, reconciling with the strengthening Government control; the trends also seem to change as the average slope of the curve was changing – the most recent year, i.e., 2010 appeared to show the strongest Government determination to bring down the market oriented real estate business projecting efforts by less licensed Government owned land for the business.

We co-integrated the ratio when entering this factor into the model with all model fit indicators as shown below. An Augmented Dicky-Fuller (ADF) test showed a unit root for RP, but NHP was found to be stationary.

Similarly, we construct a variable for the total supply-and-demand of the real estate market at time (t). We define this variable as the log ratio of the current level of

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<th>TABLE 2</th>
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<tr>
<td><strong>Variable</strong></td>
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<td>HS</td>
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<td>INC</td>
<td>Income Levels</td>
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<td>Housing Sales Volumes</td>
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<td>HP</td>
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<td>Real Property Supply</td>
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cumulative sales volume of real estate, to the level of monthly investment in real estate development. That is:

$$DS_t = \ln \left( \frac{NSV_t}{IOH_t} \right) \quad Eq(2)$$

Finally, we control for the short- and long-term interest rates (SINTR and LINTR respectively), house price (HP), and average income levels (INC).

Models

Next, and following from Hypothesis 1, we model the Chinese property market as Equation 3, which suggests that the variation in real estate sales (HP) can be explained by the current real estate price (HP), the total supply-and-demand of the real estate market (DS), the current short-term (SINTR) and long-terms (LINTR) interest rates, as well as the average income levels (INC). To this, and in line with the discussions in Section 2.2 on the role of the regulation, we add the levels of government intervention (G) to test Hypothesis 2, with Equation 4.

Equation 3:

$$\delta(\ln(HS_t)) = \beta_0 + \beta_1 \ln(HP_t) + \beta_2 \delta(DS_t) + \beta_3 \ln(SINTR_t) + \beta_4 \ln(LINTR_t) + \beta_5 \ln(INC_t) + \epsilon$$

Equation 4

$$\delta(\ln(HS_t)) = \beta_0 + \beta_1 \ln(HP_t) + \beta_2 \delta(DS_t) + \beta_3 \delta(G_t) + \beta_4 \ln(SINTR_t) + \beta_5 \ln(LINTR_t) + \beta_6 \ln(INC_t) + \epsilon$$

We estimate Equation 3 and 4 using both the OLS and GARCH (General Autoregressive Conditional Heteroskedasticity) methods. After comparing the results (not reported), we find that the former behaves better in terms of fit: the GARCH provides a higher R-squared, an information criteria value (AIC) closer to zero, and a Drubin-Watson closer to 2. Consequently, we move forward with the GARCH, and report the results of our analysis below.

RESULTS

To test our hypotheses, we estimate two variants of Equations 3 and 4. Models 1 and 2 are estimated test Equation 3, in accordance with the discussion in The Chinese Property Market Section, and as such consider the appropriateness of a standard market specification which does not include the effect of government intervention. Models 3 and 4, by contrast, are estimated in accordance with Equation 4, and in line with the discussion in Modeling the Market Section, and as such explicitly account for government regulation in a controlled economy. Models 1 and 2, and Models 3 and 4 differ only in their inclusion/exclusion of the DS variable. The results of all four models are presented on Table 3.

On the Invisible Hand of the Price System

Of the results reported on Table 3, Models 1 and 2 – the standard market models described in The Standard Model Section – consider the impact of price (HP), supply-and-demand (DS), short- and long-term interest rates (SINTR and LINTR), as well as average incomes (INC) on sales.

Model 1 shows, effectively, that the invisible hand of the price system works: price is negatively and significantly related (at the 1% level) to real estate sales, to the point that a 1\% percent rise in price results in almost a 6 percent reduction in the level of real-estate sales. Long-term interest rates are positively and significantly related (at the 1% level) with property rates, while short-term

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**FIGURE 1**

The G-Factor
interest rates have a negative and significant (at the 1% level) effect. This is because of the fact that short-term interest rates reflect the current price of money, whereas long-term interest rates can be viewed as an expectation of growth (Hirschleifer 1958). An increase in short-term interest rates thus makes borrowing more expensive, and lowers the rates of investment in property, while a rise in long-term interest rates suggests a positive outlook, rising property prices, and economic growth, and this attractiveness of current investment. Finally, we observe that the average income level is positively related with property sales, and that a one percent rise in the former causes a 3.5 percent expansion in the latter. This, again, is an intuitive finding, and taken together the results of Model 1 provides evidence in support of Hypothesis 1, on the natural and familiar operation of a free-market price system, in the presence of Hayekian “spontaneous order.” Finally, and to account for the relatedness between price, and supply-and-demand, Model 2 estimates Equation 4, without controlling for supply-and-demand. In it, the effects observed in Model 1 hold, and are shown to be robust. The price system in China, it seems, works.

The “goodness of fit” of Models 1 and 2 is, however, extremely low: an R-Squared of 0.06 and 0.10, and an Adj R-Squared of 0.01 and 0.06 respectively, suggests that our models explain as little one percent of the variance in property sales. The free market models therefore, we suggest, quite clearly misses some important explanatory variables in understanding the market.

### On the Visible Hand of the Chinese Government

Of the results reported on Table 3, Models 3 and 4 – the regulated market models described in The Regulated Market Model – attempt to correct for the obvious omission of governmental intervention in Models 1 and 2, by adding the G-Factor to the free market specification. In doing so, we move to explicitly consider the effects of the “visible hand” on the variance in the Chinese property market.

Model 3 shows that governmental action is negatively and significantly related (at the 1% level) with property sales, and suggests that a one percent rise in

### TABLE 3
Regression Results

<table>
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<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
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<tr>
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<td>-5.64***</td>
<td>-5.72***</td>
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<td>-0.60</td>
</tr>
<tr>
<td>G</td>
<td>-3.24</td>
<td>-3.24</td>
<td>-4.66***</td>
<td>-4.61***</td>
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<td>-31.53</td>
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<td>34.61***</td>
<td>2.90***</td>
<td>1.93</td>
</tr>
<tr>
<td>SINTR</td>
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<td>-31.53***</td>
<td>-3.03***</td>
<td>-1.99</td>
</tr>
<tr>
<td>INC</td>
<td>3.44***</td>
<td>3.55*</td>
<td>0.17</td>
<td>-0.45</td>
</tr>
<tr>
<td>C</td>
<td>4.31***</td>
<td>1.66</td>
<td>0.66</td>
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<td>No. Obs</td>
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<td>1050</td>
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</tr>
<tr>
<td>R2</td>
<td>0.06</td>
<td>0.10</td>
<td>0.88</td>
<td>0.87</td>
</tr>
<tr>
<td>Adj-R2</td>
<td>0.01</td>
<td>0.06</td>
<td>0.87</td>
<td>0.86</td>
</tr>
<tr>
<td>AIC</td>
<td>1.99</td>
<td>1.95</td>
<td>0.36</td>
<td>1.95</td>
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<tr>
<td>DW</td>
<td>2.09</td>
<td>2.09</td>
<td>2.14</td>
<td>2.27***</td>
</tr>
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</table>

Significant at the 0.005 level (2-tailed). **. significant at the 0.01 level (2-tailed). *. significant at the 0.05 level (2-tailed).
government activities causes a 4.6 percent drop in the level of property sales. This, we suggest, supports Hypothesis 2, on the existence of a significantly negative relation between governmental intervention and property sales. The other variables – namely supply and demand, short- and long-term interest rates, housing price, and average income – are not significantly related anymore. Again, to account for the possible relatedness of the supply-and-demand variable (DS) with price (HP), Model 4 re-estimates Model 3, but this time without controlling for the effects of supply-and-demand. In it, the insignificant effects of price – observed in Model 3 – hold, and are shown to be consistent – thus supporting our conclusions on the effects of governmental intervention on the market – although then the significance of short- and long-term interest rates are re-established.

Finally, and turning to the “goodness of fit,” we see that adding government intervention to the equation, in Models 3 and 4 drastically improves our understanding of the variance in the market. An R-squared of 0.88 and 0.87, and an Adj R-squared of 0.87 and 0.86 respectively suggest that property models which include the G-Factor explain as much as 88 percent of the variance in sales. In contrast to the results of Models 1 and 2, this is an impressive finding.

On the Significance of the G-Factor

Taken together these results suggest that, in the absence of government intervention, the price system works, and the market functions as well. Low R-Squared in both Models 1 and 2, however, suggest that the free market models fail to explain much of the variation in the Chinese market. Adding government intervention to the equation in Models 3 and 4 improve the predictive power of the model; an R-Squared of 0.88 and 0.87, and an Adj R-Squared of 0.87 and 0.86 respectively suggest that property models which include the G-Factor explain as much as 88 percent of the variance in sales. We can therefore suggest that not only can the results of the G-Factor models be relied upon, but see that intervention plays a significant – of not the most significant – role in the Chinese market. In fact, because price (HP) becomes insignificant in Models 3 and 4, we can suggest that, when utilized, the “visible hand” of an interventionist government can neutralize the “invisible hand” of the market mechanism. This is an important finding, we suggest, with a number of important implications, both in general, and for China, which are discussed below.

DISCUSSION

Key Findings

1. The property market is ruled by the invisible hand.

The results presented on Table 3 suggest that, in the “base case,” and using standard market models, the property market operates under normal market conditions. Our results show that property price negatively impacts sales, as do short-term interest rates. Long-term interest rates, which we interpret as an expectation of future growth, and average incomes positively, impact sales. All are, we suggest, intuitive results, and evidence the natural operation of the “invisible hand” in the property market. In doing so, we replicate the findings of numerous authors on the operation of the property market; papers and findings which we summarize on Table 1.

2. . . until the visible hand of government intervenes.

The results of Models 3 and 4 – on the significance of the G-Factor – suggest, however, that when we account for the “visible hand” of an interventionist government, the “invisible hand” of the market mechanism dissolves. Our results show that the G-Factor negatively and significantly impacts the volume of sales, and that in the presence of the G-Factor the price system fails to significantly impact the volume of sales. Long- and short-term interest rates, and average incomes, report the expected results. But the significance of the G-Factor evidences the dominance of the visible hand in the property market. For property market models in general, and for the case of China road to capitalism in particular, this is an important finding. It suggests not only that scholars looking to explain Chinese market movements should account for the role of the government. But also suggests that, although much progress has been made, the Chinese property market is not free, or market-oriented, but still very much state controlled.

3. Property market models must include government intervention.

Low R-Squares in both “base case” models suggest that the free-market price system fails to explain much of the variation in the Chinese property market. An R-Square of 0.06 and 0.10, and an Adj R of 0.01 and 0.06 respectively, suggests that these models explain as little one percent of the variance in property sales. Adding government intervention to the equation in Models 3 and 4, however, drastically improve the predictive power of the models. An R-Square of 0.88 and 0.87, and an Adj R of 0.87 and 0.86 respectively suggests that the G-Factor models explain as much as 88 percent of the variance in sales. We can therefore suggest that not only can the results of the G-Factor models be relied upon, but that intervention plays a significant role in our data-set, and must be included in future analyses of the Chinese property market. This is an important finding for authors working to better describe property market movements, in general.
4. Chinese property market depends on government supply.

In our model, government intervention is measured in terms of the volume of land that it adds or withdraws from circulation. The implication from our findings is that, from the supply side, it the Government, and the decisions that they make on the quantity and quality of land available which effects market demand, and not the price system. Government intervention is therefore the bottle-neck in property sales, we suggest, and this raises questions as to what level an equilibrium would have been achieved in the absence of an interventionist government. We can speculate that a free-market would lower prices, and fuel a boom, and that perhaps government intervention may be rationalized as a measure to slow the property boom. The literature on transaction costs economics, however, draws the logic of this conclusion into question: if the purpose of intervention is to slow demand, the creation of a monopoly on the supply of land is not the optimal approach for achieving these ends.

5. The Chinese economy remains a controlled economy.

Finally, and in terms of classification, it is clear that while the “socialist market economy of China” has made much progress on the road to capitalism, much work still needs to be done. It is clear from our analysis in this paper that China remains a controlled economy. In spite of the recent discussions on the opening up of China, the market-based economic reforms it has instigated since the 1970s, and the emergence of a consumerist middle-class, it is clear from our results that the government remains the first and foremost power, at least in the Chinese property market. Whether this is to be welcomed, or worried about remains unclear. But for now our results suggest that the “visible hand” of government remains predominant.

Future Research

Owing to the richness of the data, and the fact that we have observations too at the city level, we invested the role of government regulation in each of the 10 cities; namely, Shanghai, Beijing, Guangzhou, Shenzhen, Tianjing, Wuhan, Hangzhou, Chongqing, and Nanjing. In each case we estimated Equation 4, and our results (not reported) show variation in the significance of government intervention across regions. In eight of the ten cases government influence had a negative and significant impact (at the 1% level), with beta estimates ranging from -0.24 to -1.18. The cause of the variance is, however, outside the scope of this particular project, and so the picture of government intervention that emerges from our study – at least at the local level – remains unclear. In a future research project, it might be interesting to consider policy differences, at the city level, not only in order to better explain variance across regions, but in an effort to better profile the differences in the visible hands of the Chinese government.

CONCLUSIONS

The Chinese property market has undergone major reforms in recent years. And so profound were the changes that prominent scholars suggest that, at least in terms of the property market, China has completely moved from a centrally planned public housing system to a market-based system, with competition in both production and consumption (Ye and Wu 2008; Deng et al. 2009). At the same time, however, it is said that the new market-based system has its own particularly Chinese characteristics. With the local governments decided what can be built, when, and by whom. The aim of this research is to describe how market-based China’s new market-based property system really is. And to do so, we test the applicability of a number of standard, property market models, calibrated to market-orientated property systems.

We used a straightforward empirical model, and employ data, collected in the period 2000–2010, on the market performance of the real estate industry, along with a number of important macroeconomic controls variables. We tested the standard “market model,” and in doing so found that markets work, in general. However, such models explain as little as 1 percent of the variance in property sales. And clearly therefore, a huge amount of variance remains unexplained. By adding a variable that accounts for government intervention to the “market model,” we create a “regulated market model. And with this specification, the predictive power of the model soars to 87 percent. In the “regulated market model,” however, the significance of the price system disintegrates. In these models, it is government supply, and not price, which dominate sales.

The implications of our study are significant. In terms of property market models, we show that those models calibrated to Western markets do not necessarily fit eastern ones. Secondly, and more importantly, we not only evidence the important role of government’s “visible hand” in the Chinese property market but, by implication, illustrate that, despite the progress that has been made, China remains a controlled economy. This leads us to wonder if China is still on the road of capitalism. Or if the goal is to have a free market in nothing but name.
ENDNOTES
1 On average, an urban worker spent less than 5 percent of his or her family income on housing including utilities in the 1970s, down from 8 percent in 1957 and from 14 percent in 1950 (Lee 1988).

2 A work unit or danwei is the name given to a place of employment in the People’s Republic of China.

3 At the city level, we include details on the market of performance of Shanghai, Beijing, Guangzhou, Shenzhen, Tianjing, Wuhan, Hangzhou, Chongqing, and Nanjing

REFERENCES
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Ye, Jianping, Deye Wu, and Jian Wu (2006), “A Study on the Chinese Housing Policy During Social Transi-
tion: Practice and Development,” Housing Finance
of Urban and Regional Research, 26, 223–35.

APPENDIX A

TABLE A1
Data Descriptives

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<th>HS</th>
<th>HP</th>
<th>NHP</th>
<th>RP</th>
<th>SINTR</th>
<th>LNHS</th>
<th>INC</th>
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TABLE A2
Correlations

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This paper studies the nature of emotions in professional purchase decisions. The findings of an exploratory study show a variety of emotions which are present in business buying decisions. Based on this, an extended conceptual model is proposed which includes emotions as variables in organizational buying behavior.

INTRODUCTION

In the light of current trends in global marketing (e.g., global sourcing, cross-linked buyers and sellers, networks and alliances, information transparency . . .) business to business (B2B) buyer-seller relationships are becoming increasingly more important and complex. Knowledge about what shapes a buyer’s decision is essential for business success in a highly competitive environment. There is strong evidence that, besides rational aspects, emotional factors play a pivotal role within purchasing decisions in general (Andersen and Kumar 2006). However, many professional buyers and sellers still neglect the dual nature of human consciousness: the individual as an objective, rational problem-solver versus an emotional, sensual being with mystical properties (Hirschman 1985). Business purchasers base their decisions primarily on rigorous cognitive analysis (Erevelles 1998), straightforward processes and a cognitive chain of function-based arguments (Ho et al. 2010). It can be assumed that neglecting other than cognitive antecedents to business decision making reduces the potential of beneficial results and performance as only “one side of the brain” is used. Scientific contributions regarding the role of emotions in a professional vendor-customer relationship are found only occasionally. Some surveys are based on artificial lab settings (e.g., Kopelman et al. 2006; Overbeck et al. 2010) whose authors admit the limited explanatory power of such methods for understanding emotional processes (Erevelles 1998). Other findings are of limited generalizability due to the fact that only special aspects such as advertising (Poels and Dewitte 2006) or branding (Lynch 2004), or specific business areas such as stock markets (Myeong-Gu and Barrett Feldmann 2007) are analyzed. A third group of contributions remain in the stage of conceptual models which still await empirical confirmation (Andersen and Kumar 2006; Bagozzi 2006). This gap in literature gives reason to empirically investigate the role of emotions in business relationships in a more general way in order to provide better preconditions for B2B sales and marketing activities.

ABSTRACT

Prior to empirical analysis, a literature review was conducted on sell-side motivated issues as well as on buy-side-related matters. The following overview starts with rather generic articles and gradually increases the degree of specialization. Emotions are short-lived psychological reactions that respond to a specific situation, triggered by a certain event or used as a means to achieve an expected goal (Lazarus 1991; Kopelman et al. 2006). From a cognitive perspective, emotionality in managerial decisions is considered to be the opposite of rationality or effectiveness and thus should be regulated and “normalized” (Bagozzi 2006; Ashforth and Humphrey 1995; Ashforth and Kreiner 2002). However, if this were the truth, “firms could computerize much of [. . .] transactions and do away with most of the human element” (Bagozzi 2006, p. 453).

Decision making is supposed to be based on rational coordination of beliefs and desires, but additionally considers a supporting role of emotions (Lakomski and Evers 2010). In contrast to psychological or neurobiological researchers, who firstly acknowledged the impact of emotions on decision making (Kuzmina 2010), in a managerial context decisions are often supposed to depend on the expected utility. This becomes manifest in economic theories such as the transaction cost approach (Williamson 1981). Following the assumption of bounded rationality (Simon 1990, 1997), however, modifications compared to purely rational decision models are demanded for two reasons: first the availability of complete information and perfect foresight is unrealistic, making the calculation of expected values difficult. Second the disposability of all thinkable behavior patterns is not granted. Simon (1990) therefore proposes using approximation approaches, including rational criteria and other, intuitive components, usually without being able to clearly distinguish between the two (Lakomski and Evers 2010).

Discussions about the role of emotions in marketing are ubiquitous. Wind (2006, p. 474) states that “the buying criteria of organizational buyers and consumers are multidimensional and involve relational and emotional characteristics, not only a consideration of feature, functionality, delivery, and price.” Bagozzi et al. (1999, p. 202) describe the relevance of emotions for the entire marketing process: “they [emotions] influence information processing, mediate responses to persuasive appeals, measure the effects of marketing stimuli, initiate goal setting,
enact goal-directed behaviors, and serve as ends and measures of consumer welfare."

In consumer research, the efficiency of exploiting emotional approaches of consumers to stimulate, shape and reconfirm decisions is widely accepted and well researched (e.g., Bagozzi et al. 1999; Laros and Steenkamp 2005). In contrast, in B2B settings there is scepticism about the impact of emotional approaches on marketing success and performance (Lynch and Chernatony 2007). The effect of emotional issues on business operations has been only rarely acknowledged, e.g., associated with team projects (Peslak 2005), concerning management (Brotheridge and Lee 2008) or in specific fields, such as public relations (Yeomans 2007). Cater and Cater (2009), who investigate customer loyalty in the B2B service sector, conclude that emotion influences business relationships more than ratio. In many conceptual models, emotions are hypothesized as playing a role in initiating, developing and sustaining relations (e.g., Andersen and Kumar 2006).

A body of scholars argues that negotiations are predominantly influenced by cognition (Raiffa 1982; Neale and Bazerman 1991; Olekalns and Smith 2005). In managerial practice, purchasers also claim to be motivated by intellect alone, whereas sales practitioners assume that their counterparts run on both, reason and emotions (Reichard 1985). Recent work on the use of affect in personal selling is mostly related to the seller’s point of view, focusing on sales call anxiety (Belschak et al. 2006), shame/embarrassment (Verbeke and Bagozzi 2002), listening skills (Comer and Drollinger 1999), optimism (Schulman 1999) and positive mood states (George 1998). Interpersonal effects of emotions (van Kleef et al. 2004) and the buyer’s perspective – how industrial purchasers perceive and handle emotions – are not empirically substantiated.

Only a few publications cover the issue of emotions in buyer-seller relationships from a buy-side point of view. Hook et al. (2002) emphasize emotional capabilities as a necessary supplement to technical capabilities. They however treat, like many other related articles, emotion on a rather generic level, without specific focus on buyerseller relations or purchasing decisions. A similar abstraction level is found in Wilding (1999), who proposes more efficiently leveraging soft skills to obtain time savings and agility improvements.

Contributions that take a closer look at purchasing decisions show a diverse focus. Giunipero et al. (1999) observed a fair balance between the use of formal data and tacit knowledge (implying behavior-related aspects) in a survey with purchasing managers and state a clear relationship to the concept of bounded rationality. However, there is no explicit discussion regarding the role of emotions in the course of purchasing decisions. An empirical approach is presented by Donada and Nogatchewsky (2009), who study the issue of supplier switching in the hotel industry. They assume a clear influence of emotions complementing rational issues (e.g., switching cost), however restricted to the hotel sector, thus the ability to generalize results is limited.

The literature review has confirmed constitutive assumptions: emotional influences on professional purchasing decisions have not yet been intensively investigated from a buy-side perspective, although there is notable evidence that such decisions do not only rely on cognitive analysis. Conceptual and empirical research neither exhibits sufficient explanatory power nor a satisfactory generalization capability. Emotions are complex constructs that were intensively investigated by psychologists, but have barely been a subject among economists (Loewenstein 2000).

**METHODOLOGY AND EMPIRICAL RESEARCH DESIGN**

Being in a very early stage of research, it is important to explore in-depth in what regard emotions impact professional purchasing decisions. Prior to selecting research methods and deciding on what type of data to collect, a “pre-empirical question development” (Punch 2005, p. 21) was applied. An initially small bundle of questions was subjected to creative exploration in a discourse with peer scholars, yielding an expanded question list that was subsequently “disentangled” (Punch 2005, p. 35) into two stable research questions:

RQ1: Do emotions play a role in the organizational buying and decision making process?

RQ2: Which emotions can be identified as playing a dominant role?

The selection of an applicable research approach depends on the access to the field (Flick 2006) and the type of data required answering the RQs (Punch 2005; Patton 2002). The main concern was to explore the nature of emotional aspects of B2B purchasing including possibly emerging unexpected other “irrational” aspects rather than testing predefined hypotheses or quantitatively measuring generic emotional categories. The study’s principal focus on how people make decisions including emotional aspects can’t be investigated with quantitative methods or experimental lab-settings only, when seeking a holistic understanding of the given social reality (Patton 2002). An established methodical approach to conducting qualitative research was introduced by Mayring (2008). As this proceeding notably suits the circumstances of the present investigation, it was particularly respected in the methodological progression.
Methodological Mix, Triangulation, and Data Processing

In order to achieve realistic and thorough insights and to enhance validity through reciprocal verification, this study applies different kinds of triangulation (Denzin 1978; Jick 1979): Data triangulation: Interviewing, observation, document analysis and content analysis of the data derived from the fieldwork were combined. Investigator triangulation: A multidisciplinary team was employed, including researchers from sales and marketing, supply chain management, sociology, and psychology. Methodological triangulation: this research used multiple methods to study a single problem to widen the insights and to exclude methodological artefacts (Jick 1979). The qualitative methods of personal, individual interviews, expert interviews, and focus groups with two different target groups (sell-side/buy-side) have been combined.

The data processing and analysis were done by qualitative content analysis based on audio/video records and written transcriptions and secondly by a computer assisted qualitative data analysis using MAXQDA (Flick 2006; Corbin and Strauss 2008).

Empirical Research Design

The study design was three-tiered. First, narrative expert interviews were conducted to ensure a high quality set-up with a broad perspective and yet conceptual clarity (Punch 2005). The subsequent fieldwork took place in the form of cross-industry personal interviews and focus groups. At first, three experts, who exhibited a substantive field experience in (1) sales, (2) SCM and purchasing, and (3) psychology were interviewed concerning their mindset, appraisal and ideas regarding the investigation of emotional influences on professional purchasing. Second, a guided interview design was developed and pretested with research peers based on the findings from step one and literature review. Next, ten in-depth face-to-face interviews with key purchasing decision makers were conducted. Core issues during these interviews included purchasing decisions, decision strategies, procedures, consequences to be expected subsequent to a decision, and context factors, e.g., incomplete information, lack of time, complexity, etc. Initially, the intention to investigate the role of emotions was hidden to obtain an unbiased impression regarding cognitive and affective aspects and their mutual weighting. Step by step, indirect questions were appended (e.g., asking for examples and asking how a respondent had thought or felt in a reported situation that implied emotional aspects). Finally, emotions were explicitly asked for. In the third and last step, two focus groups of six participants each were conducted (sales and purchasing managers separately) with a new participant sample. This was done to discover collective orientations and to ensure that differences compared to the interviews or literature findings would result from the research subject but not from the used method (Jick 1979).

Sample Determination

Respondents from Austrian B2B firms were invited to participate via phone, indicating the intention to investigate purchasing situations without explicitly mentioning emotional issues. Selection criteria were: considerable B2B purchasing/sales experience and decision responsibility. The study was conducted across industry sectors, product range, purchasing volume, and company size. Main industry sectors involved were automotive, electronics, glass, paper, mechanical engineering, metal ware, automation, and environmental engineering.

Empirical Findings and Discussion

First, the following rational decision drivers, being congruent with those mentioned in the literature (e.g., Ho et al. 2010), were identified: financial aspects: price, follow up costs, terms of payment; product issues: technical attributes, product quality/service; order characteristics: purchase order volume and value, warranty regulations; logistic attributes: delivery time, delivery capacity/reliability, replenishment lead time, flexibility; supplier issues: supplier performance/competence, references, transparency; coordinative attributes: internal processes.

Most respondents confirmed that emotions do play a role in the buyer-seller encounter (“feelings are always vital [. . .] not only the rational arguments [. . .] also the feeling”). However, the hard facts are regarded as paramount in the decision process, while emotions seem to play a shifting role during the buying process and were said to be neglected in the final decisive stage (“by no means are emotions pivotal for the decision [. . .], however feelings may influence the way toward the decision”; “emotions have no influence when it comes to decision, but [. . .] earlier”; “emotions [. . .] are important in the supplier pre-selection”).

Purchasing managers try to exclude emotions during supplier selection. However, they admit they cannot be neutralized (“emotions should be eliminated”; “primary goal is to exclude emotions”; “it’s people that are working, and people are triggered by emotions [. . .] which may have little relation to the factual arguments”). There are positive associations with emotions such as a “feeling for a supplier” or a “gut instinct.” According to a majority of respondents, such intuition originates from long-term experience (“if your intuition says ‘be careful,’ you should be careful, because mostly it is an appropriate interpretation [. . .] related to experience”).

In regard to the stated cognition-emotion balance (“friendly with humans while hard in business”), a sound
information acquisition and diligent preparation were taken for granted for sourcing decisions. Environmental factors such as complexity, incomplete information or expected risks were faced with initially rational and then emotional arguments. Responds from interviewees and group participants were inconclusive concerning the emotional constituents of such situations: some respondents emphasized anxiety to avoid emotions; others considered affective impetus as constitutional—at times utile, at times unsettling.

In long-term and strategic supplier relations, feelings gain a greater significance (“if we are concerned about soft facts [. . .], we would rather pay a cent more”), showing a broad range of emotions (“we are all human beings related to emotions”; “purchasers also have emotions”; “a positive atmosphere is extremely important”). The respondents perceive emotions to be a trigger for the establishment and maintenance of relations, assuming personal contact as vital. This is in line with Andersen and Kumar (2006), who state that negative emotions will increase transaction costs as well as problems to maintain and repair a buyer-seller relationship. The human component was specified as sympathy/antipathy, friendship, joy, happiness, excitement or pride, but also anger, fear and tension.

The observed variety of emotions was broad. The data in particular yields the following positively perceived issues as more dominant than others: Feeling of personal success and motivation, i.e., experiencing success results in pleasure, enjoyment and motivation, implicating corporate and personal success, responsibility and long-term orientation are beneficial. Pride (“if you [. . .] show a saving of at least 100,000 EUR [. . .], this is a good feeling” or “I become ‘emotional,’ if I complete a good deal”). This supports the transferability of existing research regarding the central force of pride as a positive social emotion in B2B marketing (Lewis 2000; Baguozzi 2006). Positive excitement, thrill, fun, joy, and pleasure were prevalently mentioned.

The following negative emotion bundles have been indicated most frequently: Anger, annoyance, negative excitement, and tension, related to business partnerships, negotiations or company-internal relations. A further occasion for anger, fear and tension was seen in case of wrong decisions, especially if associated with high risk or uncertainty. Nervousness, mistrust, fear, or tentativeness was stated often as well. Power was mentioned in the context of business partnerships and negotiations, above all concerning the issue of pressure on price.

**PROPOSED CONCEPTUAL FRAMEWORK**

The proposed conceptual model builds on the findings of the aforementioned exploratory study. It draws heavily on existing conceptualizations of the linkage between loyalty, satisfaction and its antecedents in different contextual settings (cf., e.g., Cronin and Taylor 1992; Fornell 1992; Johnson et al. 2001; Ka-Shing and Ennew 2005; Lee et al. 2008; Helgesen and Nesset 2007). Based
on the knowledge gained by the exploratory investigation, positive and negative emotions are added as mediators of the relationship between cognitive antecedents and satisfaction and loyalty, both being predictors of business performance.

Key Constructs

Referring to social exchange theory, it can be stated that a business buyer will be most likely to decide for a supplier from which he expects to receive the greatest benefits (Thibaut and Kelley 1959). The more "key buying criteria" a supplier is able to provide, the better his chance of also being considered for future transactions (Anderson and Narus 1984; Anderson and Narus 1990). Thus, it is important to know about suppliers' choice factors and their relative weight for decision making in order to achieve customers' satisfaction, loyalty and repurchase intention.

Loyalty

This model focuses on loyalty as the ultimate dependent variable, being explained by cognitive as well as affective drivers which lead to satisfaction and, consequently, to loyalty. Loyalty, defined as a "deeply held commitment to rebuy or repatronize a preferred product or service in the future" (Oliver 1999, p. 34) is a pivotal component in B2B relationships which are characterized by high efforts during the whole acquisition, decision and fulfillment process. Keeping an existing customer is many times more efficient than acquiring a new one (Fornell 1992).

Satisfaction

According to Fornell (1992), customer satisfaction is an overall evaluation which is formed on the basis of experience after purchasing a product or service. This experience is formed by appraisal of cognitive and emotional factors that occur during the relationship or buying process (Mano and Oliver 1993; Westbrook 1987). Despite the fact that satisfaction does not universally lead to loyalty (Oliver 1999) and satisfied customers might defect (Naumann et al. 2010), satisfaction is widely acknowledged as being an important predictor of customer loyalty (e.g., Oliver 1980; Zeithaml, Berry, and Parasuraman 1996; Johnson et al. 2001).

Cognitive Antecedents

Many potential variables may represent cognitive quality drivers. A main concern is to select variables that are important in the respective context. There are studies examining effects of cognitive factors on satisfaction and loyalty (Rauyruen and Miller 2006). In a B2B setting, Bharadwaj (2004) found product quality, service quality and order fulfillment to be the most important criteria in the procurement of electronic components. Ho et al. (2010) found financial aspects, product issues, order characteristics, logistic attributes, supplier issues, and coordinative attributes. Based on this and within the context of B2B buying decisions, product quality (1), price/cost perception (2), service quality (3), and relationship quality (4) are selected as main cognitive antecedents within the proposed model.

Product quality (1): The principal reason for an organization to engage in relationship with its suppliers is to source products and services needed in its own production and transformation processes (Ulaga 2003). In the long run, customers will not continue the relationship with a supplier unless they receive a product that meets their standards (Cater and Cater 2010). Product quality serves as a "conditio sine qua non" and quality standards have to be met to become or remain a supplier respectively. Following Ulaga (2003), product quality and its sub-constructs are directly and positively related to value perception of buyers, respectively to purchase intentions (Boulding and Kirmani 1993; Wells et al. 2011).

Price/cost perception (2): As opposed to the expected benefits, the customer’s sacrifices have to be included in the model. Both practitioners and scientists agree that the price of an offer is a pivotal determinant of purchasing decisions, satisfaction and future purchase intentions (Anderson et al. 1994; Voss et al. 1998; Zeithaml 1988).

Service quality (3) has been defined by Bitner and Hubbert (1994, p. 77) as “the customer’s overall impression of the relative inferiority/superiority of the organization and its services.” Caused by an ongoing convergence and homogenization of offered products in B2B markets, differentiation becomes more and more difficult for business suppliers. The less the product itself can provide differentiating value, the more service quality plays a role in providing success (Parasuraman, Zeithaml, and Berry 1985; Reichheld and Sasser 1990). Previous research found an association of service quality with behavioral intentions (Zeithaml et al. 1996).

Relationship quality (4) and its determining factors have been investigated in numerous recent studies (Athanassopoulou 2009; Edvardsson et al. 2008; Ka-shing and Ennew 2004). Relationship quality and satisfaction and/or behavioral outcome have also been found to be related by Rauyruen and Miller (2007) and Gil-Saura et al. (2009).

Affective Variables as Mediators

Helgesen and Nesset (2011) examined positive and negative affective antecedents of loyalty and satisfaction in the context of a collage library. They found evidence for
a positive relationship between positive affect and satisfaction. Appraising this strong role of emotions in shaping and influencing the appraisal, processing and evaluation of cognitive antecedents and behavioral outcome, it is proposed that in B2B constellations (positive) emotions have a significant influence on satisfaction and behavioral outcome. Based on existing empirical evidence, Beer et al. (2006) suggest that negative emotions may bias judgments and decision making, e.g., by stimulating elaborative processing and provoking overestimations of risk. Research in the field of neuroeconomics (e.g., Gutnik et al. 2006) shows that offerings which are perceived as unfair activate a region in the brain that is in operation during negative emotions such as pain and disgust.

The proposed model understands positive and negative emotions as mediators, because it is assumed that emotions “account for the predictor and the criterion” (Baron and Kenney 1986, p. 1176). According to Baron and Kenney (1986) the following conditions for serving as a mediator have to be fulfilled: variations in levels of the independent variable significantly account for variations in the presumed mediator and variations in the mediator significantly account for variations in the dependent variable. Following the aforementioned argumentation of the impossibility to separate cognitive from emotional processes in general and in decision making (Bechara et al. 2003; Lakomski and Evers 2010), it can be argued that emotions explain the relationship between independent and dependent variables, thus are mediators, not moderators.

Proposed Control Variables

In order to reflect on the complexity and multidimensionality of organizational buying behavior and to strengthen the research design, several control variables are proposed. Including them in the model allows holding them constant in order to assess or better clarify the relationship between the main independent and dependent variables. Buying situation/buyclass (1), industry type (2) and switching barriers (3) will serve as control variables.

Buying situation (1) refers to the decisive situation in which the purchasing party is involved. The degree of dependency, atmospheric characteristics, and satisfaction varies significantly among the groups of buying situations (Leonidou 2004). The majority of studies measuring the influence of the buyclass (i.e., new task, modified rebuy, straight rebuy) assume new tasks so to be more important (e.g., Dholakia et al. 1993), more risky (e.g., Anderson et al. 1987), more complex (e.g., Lund 1989), and associated with greater uncertainty (e.g., Bunn 1993) than straight-rebuy situations (Jackson et al. 1984). More important, more risky, more complex and more uncertain decisions might affect emotional states of business buyers.

Industry type (2): This variable addresses possible variance of decisive factors across different industry categories. It can be assumed that the decision criteria applied by business customers might fluctuate by industry and product category due to industry specific procedures in the buyer-seller constellation (Bharadwaj 2004; Bennion and Redmond 1994), so it is necessary to control the noise that may arise from industry specific habits.

Switching barriers (3) make it costly for the customer to terminate the relationship with an existing supplier in favor of a new one (Fornell 1992). Switching barriers comprise search costs, transaction costs, learning costs, loss of acquired discounts, and increased risk components. Fornell (1992) argues that loyalty depends on (a) satisfaction and (b) switching barriers. Thus, switching barriers should be controlled for in the proposed model.

CONCLUSIONS AND LIMITATIONS

The empirical results of the qualitative investigation strongly support the assumption that emotions are an important determinant for professional buying decisions. Numerous positive and negative emotions have been found to be present during the day-by-day work of purchasing representatives in B2B firms. Altogether the findings of the study have laid a solid foundation for modeling the mediating influence of emotions on B2B purchasing decisions. Subsequently, a conceptual model has been worked out and awaits empirical confirmation or disconfirmation.

It was attempted to apply a robust mix of methods to yield sound and reliable results. However, caution has to be exercised not to overgeneralize the findings. The study was conducted among Austrian managers, thus it cannot be concluded that the findings can be transferred to different regional and cultural environments. The conceptual model should help to continue investigations in this field and to reappraise these findings with mixed-method approaches.


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INTERORGANIZATIONAL FAVOR EXCHANGE AS A COOPERATIVE BEHAVIOR

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SUMMARY

This research examines a potentially important interorganizational (IO) cooperative behavior, namely, the exchange of preferential treatments or favors between boundary personnel across organizations.

Although favor exchange is an age-old concept in sociology, the study of favor exchange as an IO cooperative behavior is still in its early stage. In the extant literature, IO cooperative activities have been examined primarily as role-based behaviors driven by (economic) rationality. Within this approach, favor exchange activities can at best be seen as a source of (random) deviation from the rational and by implication, optimal outcomes of IO exchanges rather than a topic of study in its own right. The view of transaction cost economics (TCE) exemplifies this approach: IO cooperation can be parsimoniously explained in terms of calculativeness; favor exchange is irrelevant, and moreover is generally not viable due to the problem of opportunism.

However, emerging views have pointed to an opposing view. Social networks scholars argue that personal-based cooperation (which includes favor exchange), plays a key and positive role in IO social networks as a means of coordinated adaptation. Consistent with this view, marketing scholars in the relational exchange tradition include favor doing in their measures of IO cooperation. Few of these studies have explicitly examined favor exchange as a distinct IO cooperative behavior. These conflicting views reflect diverse conceptualizations of the phenomenon, contradictory assumptions regarding its logic, and have insufficient empirical substantiation. The presence of these gaps indicates that the field needs more theory development works.

The objective of this research is to explicate the IO favor exchange concept, with a view to address these gaps. Via this endeavor, the research aims to advance understanding of the performance implications of personal relationships, and of the scope and logic of IO cooperation.

The research uses a multicase, multi-data source qualitative case research design to build an empirical-based theory that is more balanced and has wider analytical generalizability than existing theories. This approach involved (1) examining both success and failure accounts of IO favor exchange from various IOR contexts; (2) utilizing three data sources: (i) secondary data, (ii) questionnaire, and (iii) in-depth interview. Together, the three data sources yielded about 300 favor exchange incidents plus practitioners’ viewpoints.

The resulting grounded theoretical framework depicts favor exchange as an extra-role cooperative behavior versus role-based cooperation that has been the focus of the extant literature. It compares the nature and logic of these two types of IO cooperation, their value as a means of adaptation, and the incentive required for mutually beneficial cooperation to occur. In conducting role-based cooperative activities boundary personnel act as agents for their respective organizations; in exchanging favors they act as a friend. While role-based cooperation is governed by economic rationality directed toward advancing organizational interests, favor exchange is governed by altruistic rationality directed toward advancing personal interests. The value of favor exchange as an IO cooperative mechanism is conditional upon its fit with the need for adaptation in the specific exchange relationship. Favor exchange enhances IO exchange outcomes beyond role-based cooperation when the IO exchange involves highly frequent but lowly consequential adaptation that requires coordinated efforts. When the IO exchange requires autonomous adaptation, favor exchange, if used, will derail exchange outcomes. Whereas IO interest alignment alone provides sufficient incentive for role-based cooperation, mutually beneficial favor-based cooperation also requires organizational-individual interest alignment in each participating organization.

The research findings extend the scope of IO cooperation. IO cooperation has been examined primarily as a role-based concept. The fact that relational contracting involves the whole person requires investigation of behavior brought on by both role requirements and individual attributes. The inclusion of the favor exchange concept in the study of IO cooperation helps address this overlooked aspect of IO cooperation.

The findings support an intermediate view between the TCE view that IO favor exchange is irrelevant and harmful, versus the social network view that favor exchange plays a key and positive role in IO relationships. IO favor exchange is relevant, but its role is more limited than posited by social network scholars. For example, it may not be the optimal cooperative mechanism when a lot is at stake; thus in most exchange situations favor exchange should play only a supplemental role. More-
over, this mode of cooperation involves a high probability of misuse.

The research findings are relevant for the discussion of whether and to what extent IO cooperation is governed by rationality versus heuristics and how these two logics are related. IO favor exchange, a heuristic-based cooperative behavior, is a rational behavior from an individual perspective (altruistic rationality). However, given that favor exchange is a qua persona behavior, the rationality of this cooperative behavior is directed, first and foremost, toward advancing the interests of the individuals involved; these interests may or may not be consistent with organizational interests. In this regard, the current research adds complexities to scholarly understanding of the relations between the two logics of IO cooperation by showing when and how these logics can be consistent or inconsistent with one another. More generally, the current research demonstrates the value of a micro-analytic approach to the study of IO cooperation and the importance of exploring assumptions about decision makers.

The findings allow for a more detailed understanding of when and how boundary personnel’s personal relationship enhances or derails IO exchange outcomes. In the extant literature, it has been shown that although friendship may have a positive effect on business outcomes, this effect is moderated downward by a conflict between friendship-role and business-role expectations. The current research adds specifications to this finding by linking business relationship-friendship alignment/conflict to proper versus improper favor exchange.

The research has implications for how organizations can manage favor exchange, or more broadly, informal cooperative activities, to their benefits. Organizations need to develop an alignment between organizational and individual interest by means of appropriate economic and social incentive programs. Organizational-individual interest alignment in both participating organizations is needed to encourage beneficial favor exchange activities between the two organizations and discourage harmful ones. In selecting and structuring IO favor exchange opportunities, boundary personnel should consider whether a particular favor exchange opportunity would be mutually beneficial from both an individual and organizational perspective, and they should evaluate the value of favor exchange relative to alternative cooperative mechanisms. References are available upon request.

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USING DYADIC AGENT-BASED SIMULATIONS TO MODEL STRATEGIC DECISION MAKING IN BUSINESS RELATIONSHIPS

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SUMMARY

Understanding how to effectively manage in business relationships has been a central topic for scholars in the area of business marketing (Ford et al. 2003a). An important aspect of this issue relates to the way managers make decisions and choose certain strategies to affect business relationships, and in particular their position in the surrounding business network (Gadde et al. 2003; Harrison et al. 2010; Baraldi et al. 2007). Such strategizing issues are often linked to how actors understand the particular network in which they are embedded (Holmen and Pedersen 2003). To grasp such aspects, research on sense-making in networks (e.g., using the concept of network pictures) has recently aimed at gaining insights into how managers perceive their surrounding business network and thereby underpins their understanding of their strategic options for managing in relationships as well as choices in complex systems (Ford et al. 2003b; Henneberg et al. 2006; Ramos and Ford 2011). According to Henneberg et al. (2006, p. 409),

"the notion of network pictures refers to the different understanding that players have of the network. It is based on their subjective, idiosyncratic sense-making with regard to the main constituting characteristics of the network in which their company is operating. These perceived network pictures form the backbone of managers’ understanding of relationships, interactions and interdependencies, and therefore constitute an important component of their individual decision-making processes.”

A recent study by Corsaro et al. (2011) empirically established the connection between managerial cognition in terms of managers’ perceptions of their surrounding business network, and their subsequent propensity for choosing specific strategic options regarding how to affect business relationships. The authors found significant associations between certain network picture characteristics (i.e., different expressions of power, dynamics, broadness, and indirectness of the subjective network pictures) and preferred networking strategies (understood as activities affecting a company’s network position; Ford et al. 2003a).

However, while this research has been essential in linking research on subjective perceptions of actors on the one hand, and managerial strategic decision making on the other, no strategic decision with respect to an organization’s business relationships is likely to be made in isolation of the current and anticipated relationship performance (Hambrick and Snow 1977). In fact, most of the time (potential) performance in itself is a primary driver of strategizing decisions. Furthermore, such performance outcomes are invariably dependent on the relationship partner’s actions, and so any consideration of strategic decision making needs to be seen in a dyadic context (Henneberg et al. 2010). It is therefore important to expand research on network pictures in a strategy context by incorporating other well-established drivers of strategy decision making, e.g., performance, and to include an interactive, or dyadic perspective. Furthermore, according to Ford et al. (2003a, 2003b), networking (i.e., choosing and implementing a networking strategy), network pictures, and network outcomes (i.e., performance) form an important conceptually interlinked triangle for firms to do business and navigate in relationships and networks.

Therefore, the objective of our research is to bring these three important elements together and provide a better understanding of the interrelationships between managers’ perceptions of their surrounding business networks, their networking choices as an outcome of their strategic decision making, and relationship outcomes, particularly performance. In order to capture these interrelationships between the constructs, we employ an agent-based dyadic simulation as it allows us to combine previous findings about the focal constructs, and to systematically experiment and study the interaction effects among them. Hence, simulation methods are particularly useful for researchers in exploring and developing theories (Davis et al. 2007). Although agent-based simulation is a research technique that has received increasing attention in the area of organization, strategy and management research (e.g., Aggarwal et al. 2011; Davis et al. 2007; Lazer and Friedman 2007; Levintthal 1997; Fang et al. 2010; March 1991), it is still in its infancy with respect to studying business relationships and networks.
For the purpose of our study we develop a parsimonious evolutionary simulation model of a business relationship that focuses on network pictures with varying degrees of perceived power of the focal company within the embedding network, as well as the networking strategy framework outlined in Hoffmann (2007). We derive certain performance and power outcomes through the simulation. The strategy framework by Hoffmann builds on the seminal work of March (1991) in organizational learning and conceptualizes fundamental approaches which firms can adopt to interact in relationships, and thus manage in their networks. We furthermore single out power as our focal network picture variable due to its importance in affecting business relationships as well as networks (Anderson and Weitz 1989; Håkansson and Ford 2002; Levinthal and March 1993; Palmatier et al. 2006). We test and contrast three simulation models to initially establish the validity of our computational approach, and then study step by step the interaction effects between the focal constructs as well as the sensitivity of the model to key construct changes.

Our dyadic simulation approach contributes to the business marketing and strategy literature in several ways. First, we introduce an agent-based simulation to the study of business relationships and networks, and thereby demonstrate how simulation methods can be utilized to gain insights into phenomena which are difficult to study with traditional empirical research methods. Second, we contrast different networking strategies and demonstrate that their success is context dependent, hence providing an extension of existing research on strategic decision making in business relationships. Finally, we demonstrate the effects of performance and power-driven managerial decision making on relationship success (i.e., relationship continuation, relationship performance), thereby revealing essential interaction effects between these two constructs that suggest that strategic relational decisions, especially the change of an existing strategy, need to be well justified, as volatility in the strategic direction (i.e., changing networking choices too often over time) causes relationships to become unstable, hence negatively affecting relationship performance. References are available upon request.

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REINSTITUTIONALIZING SURVEILLANCE THROUGH SOCIAL MEDIA: HEALTHCARE MARKET CASE

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SUMMARY

This research explores new systems of marketing developed in healthcare through social media, and how these systems constitute unconventional systems of interface that empower patients to participate in production and distribution of medical knowledge. I offer a new perspective on this phenomenon by exploring recent developments in modes of surveillance through social media. I present discoveries from an empirical investigation of a Medicine 2.0 community organization called PatientsLikeMe (PLM) regarding the means through which these changes emerge, and how surveillance becomes a tool for organizing the roles and relations of healthcare actors, thereby creating new markets.

Consumer researchers have conceptualized surveillance as a process through which marketers gaze upon the consumers (Humphreys 2006) to discipline, control and, even, produce them (Zwick and Denegri-Knott 2009), or consumers want to be gazed upon by marketers with exhibitionist and narcissistic desires as they also gaze upon marketers (Kozinets et al. 2004) or resist surveillance by marketers to have control over their private information (Dholakia and Zwick 2001). Surveillance is considered as a tool of social control and discipline (Foucault 1977), digital discrimination (Lyon 2003), and collection and analysis of information about populations in order to govern their activities (Ericson and Haggerty 2006). Others have adopted a more negotiated view of surveillance by conceptualizing it as an enabler (Lyon 2007), a productive, and a playful practice (Albrechtslund and Dubbeld 2005; Marx 1996). While acknowledging these theorizations of surveillance, I argue that surveillance becomes an omnipresent phenomenon of everyday life-giving way to new possibilities of organizing lives and growing rhizomatically, inclusive of multiple stakeholders, rather than only the macro institutions including the state and corporations (Deleuze and Guattari 1987).

Findings lead us to further develop Foucault’s concept of surveillance as a theoretical construct in order to signify the complex biosocial and multidirectional control. I conceptualize surveillance as a multidirectional and a biosocial phenomenon, and a social media-enabled tool through which new organizational roles and relationships are constructed multilaterally, including a multitude of diverse market actors. Not only state institutions but also other institutional forces in the healthcare market are involved in surveillance, and begin to have a say in the way private health information is generated and distributed, and roles and relations are organized. I focus on productive capabilities of consumer surveillance in collaboration with multiple stakeholders including marketers and the nation state, and focus on surveillance as the new means of production, not just consumption, of medical knowledge and creation of potential markets and organizational roles. Hence, findings deflect from previous sociological models of framework on how surveillance works, as the tool for the totalitarian state or as the disciplinary tool in modern society – the panopticon (Foucault 1977). Surveillance becomes all inclusive and decentralized with a multitude of market actors, and puts roles and relations on more equal footing among marketing entities.

I also provide an alternative way of thinking of surveillance by focusing on non-state institutions as its executor, rather than viewing it as just an institutional state activity (Rose 1996), and drawing attention to its constructive nature (Lyon 2004, 2007). The processes of organization, generation and distribution of health data are also beginning to be controlled by non-state institutions like PLM. Community intervention to organizing business relations is intriguing in that the community comes to serve as a new territory for and a means of organizing relations among diverse actors and institutionalizing new allegiances and responsibilizations (Miller and Rose 2008) through non-dominating discourses (Rose 2007). PLM uses responsibilization strategies to engage patients and other healthcare actors in generation and distribution of medical knowledge, and facilitate surveillance among these market entities both inside and outside of the community. PLM strives to establish sharing as a right versus privacy (a right not to share) for the discovery of new medical knowledge and health data sharing. Institutionalizing surveillance through PLM offsets privacy issues, since PLM increases connectedness among patients, pharmaceuticals, state, and other healthcare providers, and engages them in constant and real-time surveillance for improved patient care. Patient license to produce and distribute new medical knowledge is recognized and encouraged in this process by both PLM and other healthcare actors.

This study also has implications for marketing theory. Scholars have conceptualized “community” as a social phenomenon outside of the organization or separate from
the organization (Peñaloza and Venkatesh 2006). With gradual dilution of top-down provisioning in healthcare, multilateral processes of organizing relations among healthcare actors through social media also indicate that the community is not just a means to support, celebrate, or critique the organization – it begins to interpenetrate the (commercial and state) organization, and transforms the nexus of connections into a new quasi-organization that is to some extent free from bureaucratic and market discipline. The new “organization” created by PLM serves as a community comprised of multiple firms (partnership with research organizations, universities, pharmaceutical firms), healthcare providers (e.g., physicians, researchers, caregivers), patients, family members, and PLM founders and administrators. Furthermore, in modern market society, organizations were considered as distinct/detached entities from consumers in the market, providing goods/services to satisfy the needs of their target markets (Farat and Dholakia 2006; Peñaloza and Venkatesh 2006). Yet, transformation of social networking (Web 2.0) into a business phenomenon (Tapscott and Williams 2008) challenges conventional business systems that treat organizations and consumers as distinct entities. Organizations now serve as systems of real-time processes, whereby performers in the market together discover and design their needs in actual or virtual collectivities (Farat and Dholakia 1998). Modern marketing’s response to these transformations should then center on finding new ways to engage consumers of the connected society in the production processes through forming communities with organizations. Furthering the new dominant logic of marketing (Vargo and Lusch 2004), marketing’s focus in the Web 2.0 and subsequent era begins to shift away from top-down provisioning, and toward acting on behalf of or for consumers (Zwick et al. 2008); to collaboration, enabling people to act and empowering them to partake in communities of co-creating life experiences through social media, and ultimately blurring the distinctions between the consumer and the organization. References are available upon request.

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THE MEDIATING ROLE OF MARKETING PROCESS IMPROVEMENT IN THE MARKET-BASED ASSET FRAMEWORK

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SUMMARY

Over the past few decades, the source of a firm’s competitive advantage has changed from physical assets such as plant and machinery to market-based assets (intangible assets) such as innovation, brands and supplier relationships (Day 1994; Eisenhardt and Martin 2000; Wernerfelt 1984). As such, the contribution of market-based assets (MBA) toward the market capitalization of firms has substantially increased (Ramaswami et al. 2009). For example, firms such as Apple and Google are not valuable because of their buildings and machinery, but rather because of their strong brands and ability to develop innovative products and services. Although MBAs have grown in importance, it is hard to measure their value since they are intangible and typically not recorded on a firm’s balance sheet (Sharp 1995). To help determine the contribution of MBA to a firm, Srivastava et al. (1999) developed a conceptual framework (MBA framework) that links MBA to performance. They assert that MBA must be transformed and leveraged as part of an organization’s processes if they are to generate economic value to the organization. In a nutshell, a firm’s business processes should mediate the relationship between its MBA and performance. Although the literature recognizes that MBA contribute to a firm’s performance through improvements to its business processes, very few studies have empirically tested the framework (Ramaswami et al. 2009). Also, those studies focus more on a firm’s relationships with its customers and channel members while focusing inadequately on supplier relationships. This paper tests the MBA framework and also extends it to a firm’s supply chain. The paper focuses on an important MBA, a firm’s supplier relationships, and examines how a buyer firm’s supplier development programs contribute to the buyer firm’s performance. Supplier development refers to a program developed by a buyer firm to foster ongoing improvements and upgrade its supplier’s capabilities (Krause and Handfield 2007). Supplier development programs are created by buyer firms to help their suppliers, particularly their deficient ones, improve their capabilities and business processes (Wagner 2006). Numerous firms including United Technologies and Toyota have developed supplier development programs aimed at helping their suppliers.

Drawing from the MBA framework this paper asserts that a firm’s supplier development programs contribute to the buyer firm’s performance through its marketing processes. As such, a buyer firm’s investments in its supplier development programs will lead to improvements in its (the buyer firm’s) marketing processes which will in turn lead to better performance for the buyer. Srivastava et al. (1999) categorized supply chains as one of a firm’s three core marketing processes which led us to believe that a firm’s supply chain activities could impact its marketing processes. Our results provide support for the market-based asset framework by demonstrating that a buyer firm’s supplier development programs contribute to the buyer’s performance through its marketing process improvements. References are available upon request.

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HOW INTEGRATION ENABLES MARKETING TO BECOME MORE ACCOUNTABLE  

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SUMMARY

Marketing departments face increasing pressure to link the outcome of their decisions, activities, and expenditures to firm performance and shareholder value and increasingly strive to assess and quantify their impact (e.g., Day and Fahey 1988; Srivastava, Shervani, and Fahey 1998). Accordingly, research has evolved on performance metrics and financial consequences of marketing strategy and activities (e.g., Kumar and Petersen 2005; Srivastava, Shervani, and Fahey 1999). For example, Rust et al. (2004), building on the work of Srivastava, Shervani, and Fahey (1999), outline a “chain of marketing productivity” that ranges from tactical marketing actions via mostly nonfinancial outcomes to marketing’s financial impact.

Marketing accountability has been identified as one source of marketing’s credibility (e.g., Rust et al. 2004), a fact especially important as a considerable decline of the influence of marketing departments within firms has recently been noticed (e.g., Brown et al. 2005; Verhoef and Leeflang 2009). Moreover, O’Sullivan and Abela (2007) found evidence for the positive impact of marketing performance measurement ability – a marketing department’s ability to measure the performance of specific marketing activities and its ability to provide a comprehensive set of detailed, meaningful marketing performance metrics –, both on the status of the marketing department as well as overall firm performance, profitability, and stock returns.

Despite evolving research, little is known about the antecedents of marketing accountability and marketing performance measurement ability. The question occurs which factors facilitate and enable marketing departments to actually improve their abilities to link their activities to financial outcomes, excel in performance measurement and provide meaningful measurement metrics. Calls from academia and practice request marketing departments to further enhance these abilities and target additional research on marketing performance measurement – laying promising ground for research on underlying facilitators (e.g., Ambler 2003; Bolton 2004; Donthu, Hersberger, and Osmonbekov 2005; Rust et al. 2004).

The present study contributes to marketing, innovation, and cross-functional integration research by linking operational marketing-finance and marketing-R&D integration to marketing accountability and marketing performance measurement ability. First, we analyze whether close cross-functional integration facilitates their development. Marketing-finance integration is expected to be especially fruitful as finance departments possess advanced skills in business analysis and financial, cost, and risk management (e.g., de Ruyter and Wetzel 2000) and integration has been revealed to facilitate cross-fertilization and mutual learning (e.g., Griffin and Hauser 1996; Troy, Hirunyawipada, and Paswan 2008). We examine integration in the case of new product development on an organizational-level (cf. Nakata, Zhu, and Izberg-Bilgin 2011). Second, we introduce the finance function to this research stream that has mainly relied on the marketing-R&D relationship (e.g., Troy, Hirunyawipada, and Paswan 2008). Third, we examine the moderating role of uncertainty in terms of product innovativeness. We test our research model by means of survey data from 318 companies, validated by dyadic responses.

We developed our hypotheses based on resource dependency theory (Pfeffer and Salancik 1978) and considerations regarding different thought worlds (e.g., Homburg and Jensen 2007) of marketing, R&D, and finance departments.

H1: Cross-functional marketing-finance integration is positively related to (a) marketing accountability, (b) marketing’s ability to measure the performance of its activities, and (c) marketing’s ability to provide marketing performance measurement metrics.

H2: Cross-functional marketing-R&D integration is positively related to (a) marketing accountability. It has no significant effect on (b) marketing’s ability to measure the performance of its activities and (c) marketing’s ability to provide marketing performance measurement metrics.

H3: The relationship between cross-functional marketing-finance integration and (a) marketing accountability, (b) marketing’s ability to measure the performance of its activities, and (c) marketing’s ability to provide marketing performance measurement metrics is stronger when product innovativeness is high rather than low.
H4: The relationship between cross-functional marketing-R&D integration and (a) marketing accountability is stronger when product innovativeness is high rather than low. The relationship between cross-functional marketing-R&D integration and (b) marketing’s ability to measure the performance of its activities and (c) marketing’s ability to provide marketing performance measurement metrics is not significantly affected when product innovativeness is high rather than low.

We applied multiple regression analysis with interaction terms to test our hypotheses. Our main effects results reveal highly significant positive effects of marketing-finance integration on all three dependent variables, confirming H1a, H1b, and H1c. Regarding marketing-R&D integration, we find support for H2a, H2b, and H2c, as a significant positive relationship with marketing accountability, but not with marketing performance measurement ability is revealed. We further find support for the moderating role of product innovativeness. As suggested, high levels of marketing-finance integration are especially fruitful in highly innovative environments. However, for H3a, we find only weak support in the partial, but not the total interaction model. H3b and H3c are confirmed. Product innovativeness shows a positive moderating effect on the relationship between marketing-R&D integration and marketing accountability, but not toward marketing performance measurement ability, supporting H4a, H4b, and H4c.

Our results present evidence for the importance of cross-functional marketing-finance and marketing-R&D integration in the case of new product development for the exchange of knowledge, mutual learning, and improvement of skills. In particular close integration with finance helps marketing to improve its accountability and performance measurement ability. This holds in particular true under high levels of product innovativeness, representing uncertainty. References are available upon request.

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WHY DO MANUFACTURERS ENGAGE IN PRIVATE LABELS PRODUCTION? MARKET STRATEGY AND CHANNEL RELATIONSHIP PERSPECTIVES

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ABSTRACT

This article investigates the antecedents why the manufacturers engage in retailers’ private labels program based on market strategy and channel relationship perspectives. Findings indicate that manufacturer’s PL production is strongly related to its marketing strategy and channel relationship factor. Then, the authors draw implications for a theoretical understanding of private labels in marketing, as well as for the management in practice.

INTRODUCTION

Private labels, generally referred to as own labels, store brands, distributors own private-label, home brand or own label brand have also been performing strongly in every single local market (De Wulf et al. 2005). Nowadays, private labels account for one out of every five items sold every day in U.S. supermarkets, drug chains, and mass merchandisers (Kumar and Steenkamp 2007), and the market share in Western Europe is even larger (Euromonitor 2007). In the U.K., grocery market share of private labels grew from 39 percent of sales in 2008 to 41 percent in 2010 (Marian 2010). Planet Retail (2007, p.1) recently concluded that “[PLs] are set for accelerated growth, with the majority of the world’s leading grocers increasing their own label penetration.”

Private labels have gained wide attention both in the academic literature and popular business press and there is a glowing academic research to the perspective of manufacturers and retailers. Empirical research on private labels has mainly studied the factors explaining private labels market shares across product categories and/or retail chains (Dahr and Hoch 1997; Hoch and Banerji 1993), factors influencing the private labels proneness of consumers (Baltas and Doyle 1998; Burton et al. 1998; Richardson et al. 1996) and factors how to react brand manufacturers towards PLs (Dunne and Narasimhan 1999; Hoch 1996; Quelch and Harding 1996; Verhoef et al. 2000). Nevertheless, empirical research on factors influencing the production in terms of a manufacturer-retailer is rather anecdotal than theory-based.

Goals of Paper

The objective of this paper is to bridge the gap in these two types of research and explore the factors which influence on manufacturer’s private label production based on two different theories – market strategy and channel relationship perspective. In order to do so, the authors used in-depth interviews with marketing managers, reviewed retail press and research and presents the conceptual framework that integrates the major determinants of private labels production. A survey was also conducted with marketing managers of manufacturers in CPG (consumer package goods) industry.

THEORETICAL BACKGROUND AND HYPOTHESES

Different Perspectives and Research Model

The decision of whether or not a manufacturer should engage in private label production is not an easy one, since several considerations come into play. The arguments for producing private labels by manufacturers fall into two categories: to generate additional profits and have a greater influence over the category (Kumar and Steenkamp 2007).

From a manufacturer’s perspective, supplying private labels often starts on a strategic basis. When a manufacturer engages in private labels, the manufacturer does not have to spend on advertising, retailer promotions or maintain a dedicated sales force. Moreover, if a manufacturer has weak marketing capabilities, the manufacturer can make use of retailer’s marketing capability to produce private labels and lessen its marketing cost and increases its profit margin.

Another possible perspective is a manufacturer to engage in private label production to manage the category. It allows the firm to enhance its relationship with the retailer. The manufacturer demonstrates its cooperative behavior by supplying private label products. As Paul Luchsinger, CEO of Ontario Foods, observes “One reason manufacturers choose to do this is to cultivate better relations with retailers” (Kumar and Steenkamp 2007, p. 136). On the basis of these two perspectives, the authors put firm’s strategic view as market strategy perspective and relation view as channel relationship perspective (see Figure 1).

Market Strategy Perspective

Strategy has been defined as “the match an organization makes between its internal resources and skills . . . and
the opportunities and risks created by its external environment,” (Hofer and Schendel 1978, p. 12).

In strategy literature, two major perspectives dominate the literature offering divergent explanations with respect to the conditions underlying firm’s performance (Caloghirou et al. 2004). The first, drawing from the Industrial/Organizational (I/O) literature emphasizes industry effects on performance, also called “outside-in” perspective. The second, known as the resource-based view of the firm (RBV), which is also named “inside-out” approach, centers attention on idiosyncratic organizational resources and capabilities (Caloghirou et al. 2004).

The I/O literature, which adopts an “outside-in” perspective in terms of market structure and its effect on performance, seeks to attribute performance variance to external factors. The basic model follows from the structure-conduct-performance (SCP) paradigm. This paradigm was initially developed by Edward Mason during the 1930’s and Joe Bain during the 1950’s, which its nature of a firm’s performance in the marketplace depending on the characteristics of the environment in which it competes (McDermott 2003). It posits that firm performance is determined primarily by two fundamental sets of antecedents. First is the structural characteristics of the firm’s markets that determine the competitive intensity the firm faces so a firm’s behavior is essentially treated as a theoretical “black box.” The second antecedent is the firm’s ability to achieve and sustain positional advantages through the efficient and effective execution of planned competitive strategy (Porter 1980; Scherer and Ross 1990).

In contrast to the I/O theory, the resource-based view (RBV) looks inside the firm for sources of superior performance with respect to competition. RBV emphasizes resources as central to understanding firm performance (e.g., Amit and Shoemaker 1993; Peteraf 1993). This view is originally developed in the field of strategic management, and then, the concepts have been embraced by marketing academics as potential explanations of marketing effects on performance and the routes to sustainable competitive advantage (Day 1994; Hunt and Morgan 1995). This perspective suggests that it is the capabilities, more than the resources, that enable the deployment and leveraging or resources that help some firms perform better than others (Grant 1996; Teece et al. 1997).
Consumer Marketing Capabilities and Private Label Production

Marketing capability is defined as integrative processes designed to apply the collective knowledge, skills, and resources of the firm to the market-related needs of the business. This enables the business to add value to its goods and services and meet competitive demands (Day 1994) via its marketing mix strategy. Distinctive marketing capabilities enable a firm to have outstanding performance against their competitors by reaching target markets more effectively. Although rivals may focus on similar market needs, the idiosyncratic way in which each firm integrates knowledge creates unique and potentially different ways of solving similar customer needs (Vorhies and Harker 2000). Based on Vorhies and Morgan’s view, we identified consumer marketing capabilities, marketing capabilities for consumer promotion, which is the concept of marketing capabilities, less trade promotion, volume incentive, and slotting allowance, and firm-specific ability to communicate directly with its target customer. As it were, this concept includes all of pull marketing related activities such as new product development (NPD) capabilities, market information management, pricing, marketing communication, marketing planning and implementation.

In private label production, most of the companies are dedicated private label manufacturers. They are exclusive private labels production for a retailer. Such companies have several characteristics in common (Kumar and Steenkamp 2007). Most of these companies are small to medium-sized enterprises, specializing in a few product categories. They are high volume-low margin producers and pursue volume at almost any cost in order to fill capacity. Their own research and development only focus on spotting, copying, and anticipating new product introductions by big national brand manufacturers. Consequently, these companies have lack of product development, flexibility and marketing support. One of reasons the smaller manufacturer produce private label is to leverage with retailer’s marketing capabilities to enhance its profit margin (Kumar and Steenkamp 2007).

Except for the small to medium-sized manufacturers, some of national brand manufacturers produce private label is because they have surplus capacity due to a temporary imbalance between supply and demand. A private label order can be used to fill the spare capacity. In such case, retailers sell private labels with their own marketing capabilities so any contribution over and above the variable costs of production is incremental profit to a manufacturer. In the short run, this makes good business sense. In market strategy perspective, manufacturer’s marketing capabilities are critical to engage in private labels production. Therefore, it can be hypothesized that,

H1: The greater the level of manufacturer’s consumer marketing capabilities, the lower its private labels production engagement.

Channel Relationship Perspective

The marketing literature is replete with perspectives that shed light on the underlying characteristics of manufacturer-retailer’s exchange relationships. Among these theories/perspectives, the authors adopted the transaction cost theory and relational contract theory as underlying theoretical framework for this study. This is appropriate because the variety of trading relationships and governance structures outlined earlier supports the continuum of governance structures proposed by Joskow (1985) and the market, hybrid, and hierarchical forms as outlined by Williamson (1985, 1991). The transaction cost perspective continues to be usefully applied in a wide variety of business-to-business and relationship marketing investigations (see Rindfleisch and Heide 1997 for a review).

Central to the transaction cost perspective is the concept of discriminating alignment, where “firms chose the organizational arrangements to minimize the expected costs of governing the transaction over the life of the relationship” (Masten et al. 1991, p. 2). These transaction costs emerge because of the behavioral assumptions of bounded rationality and opportunism, coupled with certain transaction characteristics. These behavioral characteristics by themselves would not impose transaction costs without a number of transaction characteristics, namely asset specificity, uncertainty, and frequency of transaction (Collins and Burt 2006).

According to relational contract theory, MacNeil (1980) differentiates discrete transactions from relational contracts, relational exchange, along several key dimensions. Most important is the fact that relational exchange transpires over time; each transaction must be viewed in terms of its history and its anticipated future. The basis to future collaboration may be supported by implicit and explicit as assumptions, trust and planning. In this view, a channel member’s perception of its partner’s fairness is expected to enhance channel relationship quality. Dwyer et al. (1987) regard fairness in interactions as necessary for developing trust between business partners. Anderson and Weitz (1989) observe that suppliers with a reputation for fairness engender greater trust and expectation of continuity.

Channel Bonding and Private Label Production

The concept of relationship is very important in any kinds of commerce and it can likewise to manufacturers engaging in private label production. Sometimes, manufacturer’s channel bonding, creating durable rela-
tionships with a focal retailer, is the motive of private label production, although the manufacturer may have enough marketing capabilities not to depend on retailer’s one. For example, Bausch & Lomb, Birds Eye, Del Monte, and Heinz engage in private labels production in spite of high level of marketing capabilities.

Successful collaboration with retailers requires a high level of purposeful cooperation aimed at maintaining a trading relationship over time (Frazier et al. 1988; Spekman 1988) and the production of private labels can improve relationships with the retailer and helps to strengthen its relationship. The hope is that because the manufacturer is also a private label supplier to the retailer, the retailer will reward it with more favorable shelf allocation for the manufacturer’s own brands, joint promotions, and so on. The brand manufacturer also learns more about the needs and behaviors of private label buyers, which, after all, constitute an important segment in many markets. Proponents of private label production also argue that engaging in this activity increases the brand manufacturer’s channel bonding to the retailer.

H2: The greater the level of manufacturer’s channel bonding, the higher its private labels production engagement.

Precursors of Private Labels Production

Using structure-conduct-performance paradigm and resource-based view, the authors can identify three different levels of precursors of private labels production – corporate level (firm’s market position and pull marketing investment), brand level (manufacturer’s NB reputation), and product level (product portfolio). In addition, the authors place manufacturer’s asset-specificity, market uncertainty and perception of trade unfairness as precursors of private label production using transaction cost theory and relational contract theory. Based on these theory and previous researches, we offer the following hypotheses. We will explain each of precursors in details later.

H3: The higher the level of manufacturer’s market position, the greater its consumer marketing capabilities.

H4: The higher the level of manufacturer’s pull marketing investment, the greater its consumer marketing capabilities.

H5: The higher the level of manufacturer’s national brand reputation, the greater its consumer marketing capabilities.

H6: The higher the level of manufacturer’s product portfolio, the greater its consumer marketing capabilities.

H7: The higher the level of manufacturer’s asset-specificity, the greater its channel bonding to the retailer.

H8: The higher the level of demand volatility, the lower manufacturer’s channel bonding to the retailer.

H9: The higher the level of market diversity, the lower manufacturer’s channel bonding to the retailer.

H10: The higher the level of manufacturer’s perceived trade fairness, the greater its channel bonding to the retailer.

Control Variable

We collected data on control variables such as manufacturer’s sales volume and manufacturer’s dependence on a retailer, which factors might be potentially influenced to the ratio of private label production.

DATA ANALYSIS AND RESULTS

Data Collection

The sample consisted of 209 responses in 191 consumer package goods manufacturers in South Korea. Questionnaire is administered based on previous research and in-depth interview. In cooperation with Korea Chamber of Commerce, we can get a list of PL manufacturers and survey is performed both on and offline questionnaires. All the data is analyzed to ensure that there is no systematic error emerging from the use of both on and offline questionnaires. Slightly over half of the respondents were males (56.9%) and average age of respondents was less than 37 years old. Respondents’ business experience was fairly distributed across two year increments, with those having one to three years of experience being the largest group (29.7%), and those with seven to nine years being the smallest (6.7%). Nearly three-fifths (69.2%) of respondents belonged to food and beverage industry, and rest of respondents are working at consumer product and cosmetic companies.

Measurement

Attributed measures are used to measure most variables using Likert-type scales and previously developed and well-established scales were adapted as measures of constructs (Bordley 2003; Collins and Burt 2006; Day 1994; Ganesan 1994; Kim 2001; Kim et al. 2011; Klein...
et al. 1990; Kumar et al. 1995; Miller 1987; Vorhies and Morgan 2005). Then these measures were modified for the consumer package goods industry. A pretest will be conducted to refine the research instrument and ensure that the construct measures displayed the required degree of reliability prior to the main study.

Data Analysis

To assess each construct’s reliability and validity, Cronbach’s alpha test and exploratory factor analysis using principal components with varimax rotation are undertaken, and then, structural equation modeling (SEM) is conducted to test the proposed structural equation model.

The results of reliability test as show that Cronbach’s alpha of all variables exceeds 0.7, which is generally judged to be satisfactory (Churchill 1979). An exploratory factor analysis using principal components with varimax rotation was undertaken to examine the uni-dimensionality/convergent validity of each predefined multi-item construct (Nunnally 1978). Consistent with Anderson and Gerbing (1988), all constructs are evaluated using confirmatory factor analysis (CFA), and requirements for CR and AVE are met, as each multiple-item scale exceeded the recommended cut-off criterion of 0.60 and 0.50, respectively (see Table 1). CFA revealed an adequate model fit for the proposed measurement model ($\chi^2 = 623.335$, degree of freedom = 423, $\chi^2/df = 1.74$, $p = .000$; ROSEA = .048, CFI = 0.959, NFI = 0.884, IFI = 0.960, TLI = 0.952).

Structural equation modeling, analyzed using AMOS 18.0, was conducted to test the proposed structural equation model. As Table 2 shows, the results of structural model indicated fit indices: $\chi^2 = 932.551$, degree of freedom = 600, $\chi^2/df = 1.554$, $p = .000$; RMSEA = 0.052, CFI = 0.938, NFI = 0.844, IFI = 0.938, TLI = 0.931. The adequacy of the structural equation model was evaluated on the criteria of overall fit with the data.

As depicted in Table 2, most hypotheses are supported. As expected, consumer marketing capabilities are negatively related ($p < .01$) to private label production, thus confirming H1. The three hypotheses (H4, H5, H6) related to the effects of marketing capabilities are supported. Unexpectedly, firm’s market position (H3) had no significant effect (0.024) to marketing capabilities (H3 is rejected). Generally, most of respondent companies were quite small so it seems that the respondents are not familiar with their market share and competitive position. Another potential explanation is the firm’s market position and that it matters little to engage in private labels production. As previously mentioned, even high market position companies like Bausch & Lomb, Del Monte, and Heinz do engage in private labeling.

Conversely to H1, channel bonding is positively related ($p < .001$) to private label production (H2 is

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<th>TABLE 1 The Results of Confirmatory Factor Analysis</th>
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<td>Construct</td>
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<td>Channel Bonding</td>
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<td>Demand Volatility</td>
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<td>Marketing Capabilities</td>
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<td>NB Reputation</td>
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<td>Trade Fairness Manufacturer’s</td>
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<td>Asset-specificity</td>
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<td>Market Diversity Manufacturer’s</td>
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<td>Dependence on a Retailer</td>
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Model Fit: $\chi^2 = 623.335$, degree of freedom = 423, $\chi^2/df = 1.474$, $p = .000$; RMSEA = .048, CFI = 0.959, NFI = 0.884, IFI = 0.960, TLI = 0.952 *** $p < .01$ ; ** $p < .05$
supported). As anticipated, relationship factors (manufacturer's asset-specificity, and trade fairness) are positively related to channel bonding, thus supporting H7 and H10. Demand volatility is negatively related to channel bonding (p < .05, H8 is supported). However, market diversity had no significant effect on channel bonding and even positively related to (H9 is rejected). Perhaps, many manufacturer-retailer relationships are highly asymmetrical, especially those smaller retailers that are affiliated with larger, more powerful manufacturer. In this situation, although market diversity is getting higher, manufacturers are more likely to rely on developing relationships with a focal retailer than to diversify their channel partners (Oh et al. 1992).

Common Method Bias

Common method bias has been attracting increased attention in structural equation modeling studies. We conducted Harmon’s single factor test (Podsakoff et al. 2003) to examine the threat of common method bias. The first factor from the explanatory factor analysis explained 23.555 percent of total variance, which is not large enough to generate concern about common method bias.

DISCUSSION

Managerial Implications

The private label phenomenon has received growing attention by marketing scholars. In many industries, private labels represent formidable competition to manufacturer brands and manufacturers have a dilemma with selling to as well as competing with their retailers. This research may be the first study to investigate the reasons manufacturers engage in private labels based on two theoretic views, market strategy and channel relationship perspectives.

For manufacturers, this study shows key factors when manufacturers consider engaging in private label production. From strategic management perspective, higher degrees of national brand reputation, pull marketing investment, and product portfolio diversity have posi-
tive relationship to firm’s consumer marketing capabilities. In addition, higher level of marketing capabilities has generated negative relationship to private labeling engagement. In marketing field, dominant brands’ companies which have higher level of marketing assets and capabilities such as Coca-Cola, Heineken, Kellogg, Procter & Gamble, Gillette, and Nestle (in coffee) generally, do not engage in private label production (Kumar and Steenkamp 2007).

However, in spite of having higher brand position, manufacturers often make a decision to produce private labels due to the relationship with a retailer. According to channel relationship perspective, higher level of asset-specificity and trade fairness is positively related to channel bonding. Demand volatility has negative relationship to channel bonding. In addition, higher level of channel bonding has positive relationship to private labeling engagement. Therefore, in spite of having higher marketing capabilities, a manufacturer may engage in private label production because maintaining a long-term relationship with a focal retailer is strategically more valuable and important to the manufacturer.

Then, which perspective is more convincing to the explanation of private label production? In the results of this empirical research, channel bonding (ß = .987, p < .01) is more important factor than consumer marketing capabilities (ß = -.401, p < .01) in consumer package goods industry in South Korea. The results show us the reason why manufacturers are engaged in private label production. It is not the purpose of channel bonding with focal retailers and less for consumer marketing capabilities.

Theoretical Implications

This is the first research to apply two different perspectives to private labels production. We adopted firm’s market strategy perspective including SCP paradigm and resources-based view and channel relationship perspectives to private labels production. We adopted firm’s market strategy perspective including SCP paradigm and resources-based view and channel relationship perspective, mainly using the variables/constructs of each of theories, as underlying theoretical framework in this study. These two perspectives are useful to explain a wide variety of business-to-business and relationship marketing investigations. However, previous researches have little data to apply these theories to adoption of private label production and are rather anecdotal. This paper also extends the scope of application of these two theories.

Theorists and researchers suggest that trade fairness is important in developing effective marketing channel relationships (Anderson and Weitz 1989; Dwyer et al. 1987; Frazier 1983) even in a highly asymmetrical relationships. If the vulnerable party is treated fairly by its more powerful partner, trust and commitment can be developed. In this research, trade fairness (ß = .466, p < .01) is identified as the most important variable to building channel bonding among other relationship factors.

Limitations and Future Research

This study also has some limitations. First, although we considered various factors that influence private label production, there are likely to be other precursors of this construct. As such, the current model is underspecified, as in most research. Future research could examine different variables from different perspectives. Second, this study is based upon limited field observation and sample size. Our sample is only composed of consumer package goods industry and the sample size is relatively small. Additional research could attempt to collect a larger data set. Finally, this study was conducted only within the consumer package goods industry, specifically, within the food and beverage and consumer products. Whether the findings can be generalized against other industry sectors or to completely different industries remains an empirical question. Therefore, subsequent research should utilize samples of firms from other industries or other marketing channels to discern whether or not our findings can be generalized or if there are specific cross-industry differences.

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QUANTIFYING THE SALES IMPACT OF LOCATION-TARGETED MOBILE ADS

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SUMMARY

Recent developments in mobile communication and geo-positioning technologies present marketers with a radical new media channel: location-targeted mobile ads (LTA). LTA involves the provision of ad messages to cellular subscribers based on their geographic locations. Many companies are beginning to incorporate mobile channels into their marketing strategies. For example, P.F. Chang’s China Bistro successfully launched geo-targeted mobile marketing efforts by offering free appetizers to customers who checked in via location-based applications (apps) such as Foursquare, Yelp, and Facebook. It is popular in Asia and Europe for movie theaters to send specific movie ads and promotions to mobile users when these potential customers are close to the theater geographic locations.

According to the 2011 Wharton Customer Analytics Initiative on mobile customer behavior, cellular devices possess unique characteristics such as portability and personal nature unavailable in traditional and electronic media. LTA opens up an innovative conduit to deliver ads and coupons that are customized to an individual’s tastes, geographical location, and time of day. With LTA, advertisers could deliver ad messages via short message service (SMS) contextually through the media on a geographically targeted basis and reach consumers when and where they are most likely to purchase. According to a survey by JiWire, 78 percent of U.S. consumers use location-based apps on their phone and a growing 17 percent have already made a purchase in response to a LTA. No wonder that industry analysts boldly predict that LTA messages are 20 times more effective than online ads and create five to ten times higher click-through rates compared to Internet ad messages.

However, extant marketing literature lacks research on the sales impact of LTA. In benchmarking whether or not any marketing spending is paying off, one needs to understand the corresponding returns in sales and profits. Although LTA seemingly offers practitioners tremendous potential given the ubiquitous nature of mobile devices, we have very little empirical evidence about its immediate and cumulative effectiveness. The goal of our research is to fill this gap. In particular, we seek answers to the following questions: How effective is LTA in generating mobile sales? What are the dynamics of the effectiveness of LTA in terms of the short-term, long-term, and decay duration time patterns? Are there asymmetric sales impacts across various user groups? How different are the effects of LTA between the high-interest and low-interest segments?

This study makes several contributions to the literature. First, it adds to the growing studies on mobile marketing. Prior research has examined the personalization of mobile music via an adaptive system, the intension to use mobile services such as SMS, payment, and gaming, and the social networking effects of using mobile marketing in general. None of prior studies have investigated the sales impact of LTA, perhaps because of the lack of large-scale company data. We employ a real-world company archival dataset with more than three million wireless users to quantify the sales impact of LTA.

Second, our work advances the advertising accountability literature (Luo and Donthu 2001, 2006). Without quantifying the sales impact of LTA, marketers would question the return on mobile marketing and location-based targeting tools. Media and brand managers are pressured to demonstrate advertising accountability and mobile ad value. This pressure is increasing as “the perceived lack of accountability has undermined marketing’s credibility, threatened marketing’s standing in the firm, and even threatened marketing’s existence as a distinct capability within the firm” (Rust, Lemon, and Zeithaml 2004, p. 76). Indeed, because most marketing executives today demand a “more scientific approach to help defend marketing strategies from CFOs” (Luo and Donthu 2006, p. 70), it is important to link new advertising platforms such as LTA to sales impact and mobile buying. We not only quantify the immediate short-term sales impact of LTA but also track the cumulative effectiveness over time. This would allow managers to dynamically monitor returns to LTA and make adjustment decisions over time.

Third, our research contributes to the information systems literature on mobile technology applications. Prior studies have focused on the adoption of mobile data services (Hong and Tam 2006), usage of mobile web
browsing, and the substitution or complement effects between mobile voice service and SMS. While most information systems literature depends on the technology acceptance model (TAM), our study complements it with targeting theory (Goldfarb and Tucker 2011) and hedonic value of LTA. We uncover asymmetric effects of LTA across different user segments for the same technology of LTA. Thus, managers should practice different targeting strategies to reflect the heterogeneity among technology users.

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HOW ADVERTISING WORKS EMBEDDED IN NEW MEDIA:
CONSUMER MEDIA EXPERIENCE MODEL

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SUMMARY

Scholars and advertisers have long been challenged to explain how advertising works. Reflecting the difficulty of reaching a conclusive answer, many attempts have been made from diverse perspectives. Prior traditional, integrative advertising models focused on the message recipients’ characteristics and information processes (e.g., MacInnis and Jaworski 1989; Greenwald and Leavitt 1984), but prompted by the changing media environment, recent advertising models have tended to pay more attention to advertising effectiveness within the context of media. Each medium with its different functional features provides users with a different media experience, and therefore, each medium may result in different advertising effects (Bronner and Neijens 2006). Thus, some recent models have included media characteristics in understanding how advertising works. However, the recent advertising models have some limitations in that they have been somewhat narrowly applied to a specific medium, the Internet. Furthermore, they have emphasized the functional media feature of interactivity, generally suggesting that highly interactive media elicit more positive consumer evaluations of advertising (e.g., Cho 1999), and they have ignored other media features such as vividness. Given the rapidly changing media environment that extends beyond the Internet, another model with a focus on the general media experience, including both interactivity and vividness, is needed to assess advertising effectiveness more appropriately.

The current study examines several key components that may significantly affect consumer media experiences within the context of emerging new media, and it proposes an integrative model explaining how diverse new media experiences are associated with consumer responses. The model assumes that the consumer media experience is constructed based on four primary factors: media novelty, attention, presence, and irritation. Specifically, our proposed model highlights the prominent roles of media novelty and presence in enhancing advertising effectiveness in two innovative media – one that emphasizes vividness (e.g., stereoscopic 3-D display) and another that emphasizes interactivity (e.g., augmented reality). The novelty effect, created by the newness of the medium, has the power to attract viewers’ attention, and the increased attention enhances their sense of presence, the experience of being plunged into a new virtual world that advertisers constructed. These sequential relationships result in positive measures of advertising effectiveness, such as improved product knowledge and increased enjoyment, and ultimately more favorable attitudes toward the ad. Also, the proposed model considers how irritating factors in each medium hinder ad viewers by reducing their attention to the ad and their enjoyment of it.

The proposed advertising model was tested within the context of stereoscopic 3-D (Study 1) and augmented reality (Study 2). Both studies consistently identified significant relationships among media novelty, attention, presence, enjoyment, informativeness, attitude toward advertising, irritation, and attention. Specifically, the findings highlighted the prominent roles of media novelty and presence in enhancing advertising effectiveness. The novelty effect, created by the newness of the medium, had the power to attract viewers’ attention, and the increased attention enhanced viewers’ sense of presence, which is the experience of being plunged into a new, virtual world that advertisers constructed (Kim and Biocca 1997; Witmer and Singer 1998). These sequential relationships resulted in positive measures of advertising effectiveness, such as improved product knowledge and increased enjoyment. In addition, these relationships resulted in more favorable attitudes toward the ad. Also, our findings partially supported that an irritation effect in new media can hinder ad viewers in processing advertising by reducing their attention to the ad and their enjoyment of it. However, a significant relationship between previous media experience and irritation was not detected in either study. It is particularly noteworthy that these relationships were found in two very different, new media that rely on different aspects of presence – stereoscopic 3-D, which emphasizes vividness, and augmented reality, which emphasizes interactivity. In summary, the current study proposed and tested a new advertising model in two very different, innovative new media – stereoscopic 3-D and augmented reality. It expanded our knowledge of how advertising works embedded in a new, innovative medium by examining the impact of the medium, isolated from advertising content or messages. As such, it enabled us to assess the overall advertising effects more appropriately and effectively.
While the current study tried to provide a comprehensive model of assessing advertising embedded in a new, innovative medium, the exploratory nature of this study had some limitations. The proposed model is most suitable for predicting advertising effectiveness within a new, innovative medium (e.g., stereoscopic 3-D, augmented reality), rather than a traditional medium (e.g., newspaper, magazine). This is mainly because traditional media would not be likely to generate enough media novelty to attract a high degree of attention from ad viewers. As such, as the novelty of a medium wears off and viewers become bored with it (Tellis 1997). One of the ways to avoid this limitation would be to incorporate into the model novelty effects caused not only by media but also by content. This change would allow the model to explain how and when advertising within a traditional medium could be more effective than advertising in a new, innovative medium. Furthermore, the current findings are limited to the responses of college students. Given that college students are relatively more upscale and technologically savvy than the general population, the results might be different when the model is tested on respondents with a different demographic profile. For example, older participants might experience a higher sense of media novelty than college students. Therefore, future research should replicate the model test on a more varied population. References are available upon request.

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Summary

Despite the growing potential of online marketing, academic research regarding viral advertising and social media has been sparse, especially compared with other areas of Web 2.0 research (Allsop, Bassett, and Hoskins 2007). There is still a limited understanding of the viral process (Graham and Havlena 2007) and previous research has noted the necessity to study the nature and characteristics of viral advertising as a means of multiplying a brand’s popularity (Chiu, Hsieh, Kao, and Lee 2007).

The article integrates key advertising variables in a framework based on attitudes theory and their influence on behavioral intentions, in order to assess the relationship between two attitudinal elements – attitude toward the ad and attitude toward the brand – and two behavioral elements – viral intentions and purchase intentions.

We define viral advertising as unpaid electronic (e-mail, web, or social media) distribution of business or user generated advertisements from consumer to consumer, based on ad content likeability, entertainment and controversial characteristics.

In the context of viral advertising, our model tests the key classical hypotheses studied and confirmed in multiple previous studies: that attitude toward the ad positively affects attitude toward the brand, which has a positive effect on consumers’ intentions to purchase the advertised product. We maintain the same relation between attitude toward the ad and attitude toward the brand, and the relationship Ab – behavioral variables.

According to previous research, we estimate that attitude toward the brand will positively influence the behavioral variables in this model, viral intentions and purchase intentions (Biehal, Stephens and Curlo 1992; MacKenzie et al. 1986). Given previous studies, we hypothesize a positive relation between consumers’ viral intentions and purchase intentions for the advertised product and brand. We include in the model key demographics, such as age and gender.

The variables were operationalized through established scale, such as attitude toward the ad, attitude toward the brand and purchase intention (MacKenzie et al. 1986; MacKenzie and Lutz 1989). We operationalized our key variable, viral intentions, by using previous used scales, adapting some behavioral intentions scales such as intention to purchase and intention to recommend and even generating new items (Chiu et al. 2007; MacKenzie et al. 1986).

In order to test our survey, we distributed the questionnaire to a national consumer sample of 400 individuals provided by Qualtrics. The national consumer sample includes consumers from every U.S. state, 53.4 percent men, distributed over all age and income categories.

Principal component factor analysis using Varimax rotation was performed in order to assess the fitness of our measures. All items loaded as expected, with loadings of over .6. The Cronbach alphas for the measurement scales were all above .8. We employed structural equations modeling (SEM), using Lisrel 8.8, to test the model.

As recommended by numerous researchers, we used a combination of goodness-of-fit indices (Hu and Bentler 1999; Kline 2005) to assess the fitness of our model. The CFI and NFI fit into the most restrictive guidelines presented by Hu and Bentler (1999), who recommend values equal or higher than .95. RMSEA at .1 indicates only a marginally acceptable fit (Brownie and Cudeck 1993); however, the SRMR at .06 fits into the most restrictive guidelines presented in the literature (Hu and Bentler 1999). Given these results, we considered the model fit.

We found that attitude toward the ad has a significant positive effect on attitude toward the brand (MacKenzie et al. 1986, Mitchell and Olson 1981). The data analysis also showed a positive relationship between attitude toward the brand and purchase intentions, just as hypothesized and showed in previous studies (Biehal, Stephens and Curlo 1992).

The results found a positive relationship between attitude toward the brand and viral intentions. This estab-
lishes and places viral intentions as a significant variable in relation to classical advertising variables.

The key relationship tested in this model is the influence of viral intentions on purchase intentions. Viral advertising’s potential to increase consumer communication and lead to increased sales and reduced marketing costs has especially been debated in practitioner journals (Dobele et al. 2007; Fattah 2000). The results conclude that consumers’ intention to forward an ad positively influences their intention to buy the advertised product, ending the controversy related to the viral ads’ potential to lead to sales. This finding represents a significant contribution to the advertising literature, to the incipient research on viral ads, and a major confirmation for practitioners regarding the importance of viral advertising.

We also found support for a negative relationship between education and viral intentions, conforming to research on market mavens, stating that they tend to be slightly less educated than other consumers are in general (Feick and Price 1987). Other demographic variables such as age and gender were not significant in our study. This might be due to the widespread use of the Internet and the relative homogenization of Internet usage.

Overall, this analysis represents a significant contribution to the modern advertising research and practice, and a key step forward in the relatively sparse viral advertising research. It establishes the role of viral intentions and ads in the classical advertising framework, and provides a steady base for future research. References are available upon request.

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THE ROLE OF FACEBOOK FOR ADVERTISING: ADVERTISING EFFECTIVENESS OF SOCIAL NETWORKS COMPARED TO TRADITIONAL ONLINE ADVERTISING, INCLUDING SYNERGIES AND TIME LAGS

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SUMMARY

Advertising effectiveness is of ongoing interest to both researchers and practitioners (Rust et al. 2004). Many studies have analyzed different aspects of advertisements (ads) and have proven their effectiveness by showing which ad works, when, for which customer, and under what circumstances (e.g., Tellis et al. 2005). However, advertising is subject to increasing cost pressures, reinforced by recent economic turbulences that have led to calls for improved accountability. In reaction to such calls, advanced models have been developed that demonstrate an ad effect can be carried-over to the next day and beyond (time lags; cf., Naik and Raman 2003, who calculate a carry-over of 93% for TV and 37% for print ads). Advanced models have also shown that simultaneous use of different ads can increase their effectiveness (synergies; cf., Naik and Peters 2009, who find synergies for TV, print and search ads).

With the advent of social media, new advertising channels have emerged which play an increasingly important role in today’s marketing mix (Forrester 2009). Due to their highly interactive character, social networks open up unprecedented possibilities and challenges for managers and researchers that can be used to market a product or service (Trusov et al. 2009). Indeed, early studies based on surveys and experiments in small communities demonstrate that a social network can foster customer retention (Bagozzi and Dholakia 2006) and facilitate customer acquisition (Trusov et al. 2009). However, recent studies also indicate comparatively low ad effectiveness (Mabry and Porter 2010).

Nevertheless, little is known about how strong the sales impact of a big social network like Facebook as part of an integrated advertising campaign can be taking into account both time lags and synergies. We thus address four main research questions: (1) How strong is the short-term sales impact of social network ads compared to traditional ads (Winer 2009)? (2) How long do these ad effects last (Oisinga et al. 2010)? (3) What is the long-term sales effect of social network ads compared to traditional ads (Wang et al. 2009)? (4) Are there synergies between social networks and other online ads (Rust et al. 2004)?

We use aggregate-level, daily field data obtained from one of Germany’s top ten e-commerce retailers. This unique sample spans a period of 365 days from October 2010 to September 2011 and includes search ads, targeted banners, email newsletter and Facebook ads. We apply an integrated direct aggregation approach to account for time lags (Srinivasan and Weir 1988; Herrington and Dempsey 2005) and calculate interaction terms to model synergies (Green 1973; Völckner and Sattler 2006). Based on the established framework of Vakratsas and Ambler (1999), we derive our hypothesis on how advertising works:

Short-term, we expect positive effects that are comparably strong for search ads (H1a); weak for targeted banners (H1b); strong for email ads (H1c); and strong for Facebook ads (H1d).

We hypothesize carry-over effects that are comparably short for search ads (H2a); moderate for targeted banners (H2b); long for email ads (H2c); and moderate to long for Facebook ads (H2d).

Long-term, we expect positive effects that are comparably weak for search ads (H3a); weak for targeted banners (H3b); strong for email ads (H3c); strong for Facebook ads (H3d).

We infer positive synergies and their sales impact to be comparably weak for search ads and targeted banners (H4a); strong for search and email ads (H4b); strong for search and Facebook ads (H4c); weak for targeted banners and email ads (H4d); moderate for targeted banners and Facebook ads (H4e); strong for email and Facebook ads (H4f).

We find that all ad channels in our analysis positively affect sales, with the strongest short-term impact for search and email ads, followed by targeted banners and Facebook ads (H1a-c fully, H1d partially supported). Our analyses also reveal a high carry-over for targeted banners and email ads, followed by a moderate time lag for Facebook and an immediate sales impact for search ads (H2a and H2c-d fully, H2b partially supported). These results lead to the long-term effect that is by far strongest for email ads and is followed by a comparatively moderate
effect for targeted banners and a weak total sales impact for search and Facebook ads (H3a and H3c fully, H3b and H3d partially confirmed). Out of our six hypotheses on synergies, one is fully (H4b), three are partially supported (H4a and H4c-d). Search ads benefit most from synergies as this is the only channel with significant synergies with all other channels in our analysis and shows the strongest synergy overall with email ads. Unlike the other channels, Facebook does not build significant synergies except for a rather weak synergy with search ads.

For future research, our results underscore the importance of incorporating different time lags for each ad channel as well as synergies when modeling advertising effectiveness. Practitioners can use this approach to optimize their advertising. Generalizing our empirical results, a marketer should use search ads to generate an immediate effect and targeted banners to stimulate long-term reactions. Email ads are highly effective in both the short run and the long run. Within an integrated campaign, also Facebook should play a significant role, but there is more to social network advertising than creating group site visits which we analyze here. We encourage more research in this field to gain a solid understanding of how advertising works and what the drivers are for successful advertising in a social network (e.g., clarify the role of an active contribution). References are available upon request.

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BUYING THE FORTHCOMING: A PRELAUNCH INFORMATION AND VALUE CONGRUENCE MODEL

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SUMMARY

The market trend of rapid product replacement and obsolescence accelerates consumers’ behavioral patterns in terms of the timing of information seeking and of purchase intention. For example, AT&T sold out 200,000 pre-order stocks for the iPhone 4S in the first 12 hours of preordering (Satariano 2011). The preorder behavior is intriguing not only because it commits consumers to purchasing and ownership well before taking physical possession, but also because it amplifies the level of incomplete information when making purchasing decisions by removing tactility. Little marketing research investigates prelaunch purchase behavior and most studies about new-product purchase behavior focuses on the initial post-launch period. Therefore, this study investigates the motivational processes wherein consumers’ intrinsic motivations lead them through incomplete information-seeking, value-congruence, and purchase commitment.

In the prelaunch stage, consumers do not have the ability to observe or experience the products. Consumers who are interested in forthcoming products, therefore, likely are attempting to fill in as many informational gaps as possible to paint pictures of such products. The only validation available for such information is the prelaunch information itself, such that consumers must select what to believe and how much weight to place on different components. With respect to information evaluation, Cognitive Evaluation Theory (CET) provides a theoretical foundation as CET highlights that an external event with behavior-related information has an impact on individuals’ intrinsic motivations by facilitating perceptions of autonomy and competence (Deci 1975; Deci and Ryan 1985; Ryan 1982). Drawing on CET, we suggest that the prelaunch product information plays a role as an external event in facilitating consumers’ intrinsic motivation for purchase decision-making.

The Prelaunch Information and Value Congruence Model (PIVCM) presented in this research explains how consumers’ motivations induce engagement in information seeking, which in turn contributes to purchase commitment when the source of their decision-making is limited to prelaunch information.

In the prelaunch stage, a select set of motivated consumers are involved with searching information about forthcoming products. We consider two types of intrinsic motivations as meaningful antecedents: innovativeness and playfulness. First, personal innovativeness refers to the tendency of consumers to learn about and adopt innovations or new products within a specific domain of interest (Goldsmith and Hofacker 1991). Consumers who seek novelty necessarily are receptive to new ideas and tend to make independent decisions (Midgley and Dowling 1978). They necessarily express a desire for novel experiences because such experiences are congruent with certain self-concepts (Hirshman 1980; Cowart et al. 2008). As independent decision-makers and novelty seekers, innovative consumers become engaged in seeking information about forthcoming products.

As another motivation, playfulness is identified as cognitive spontaneity in information-seeking activities based on Webster and Martocchio (1992). In playful states, individuals are more task-focused, aroused in terms of sensory or cognitive curiosity, and involved in activities simply for pleasure and enjoyment rather than for extrinsic rewards (Moon and Kim 2001). Consequently, playfulness stimulates individuals in the prelaunch stage to seek additional information about forthcoming products.

Innovative and playful consumers are likely to seek information about new forthcoming products to fulfill their intrinsic motivations. When information creates higher-order beliefs and higher-order affect, purchase commitment increases (Smith and Swinyard 1982). In particular, strong engagement intensifies attraction to a value target (Higgins 2006). Therefore, consumers’ strong engagement in additional information search is likely to attract them to forthcoming products even without direct product experience.

The attraction-repulsion mechanism operates based on value congruence, which is defined as the belief that the value of a product will correspond to an individual’s personal value. Value congruence has direct and positive impacts on affective commitment to brands and service (Zhang and Bloemer 2008, 2011). In the prelaunch stage, consumers will be more likely to commit to preordering when value congruence from prelaunch information is
high, as they expect that the product will match the value they regard as important.

In sum, consumers’ purchase commitment to forthcoming products is influenced by the motivational process wherein innovativeness and playfulness facilitate information-searching engagement and value congruence occurs through the searching activities. In addition, source credibility is expected to increase the likelihood of purchase commitment by facilitating the relationship between available information and value congruence.

This study contributes to the advertising and new product launch literatures by explicating how consumers reach states of purchase commitment for products before they are launched into the market, based on intrinsic motivations such as innovativeness and playfulness. Although at present this research is limited to a conceptual framework, managerial implications can be found in establishing prelaunch marketing strategies for forthcoming products. References are available upon request.

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THE ROLE OF FINANCIAL GIFT FORMATS ON THE PERSUASIVENESS OF THE ADVERTISING MESSAGES

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SUMMARY

Gift cards are claiming an ever increasing role in consumers’ gift purchases and gift consumption. Previous gift card studies have focused on the motivations of gift givers to enable marketers to effectively market gift cards and maximize their sales (e.g., Waldfogel 1993; DuCasse 2009; Khouja et al. 2011). For example, the popularity of gift cards stems from the purchasing consumer’s ability to fulfill gifting obligations while conveniently reducing the risk of poor gift selection (Waldfogel 1993). Despite the advances in our understanding of the gift cards themselves, little is known regarding whether the recipients of gift cards perceive and spend gift-card funds in the same way they would of equivalent cash gifts.

This article proposes that gift formats (i.e., gift cards vs. cash) can influence the persuasive impact of advertising messages via different levels of construal. Our prediction is based on the model of goal-pursuit (e.g., Gollwitzer, Heckhausen, and Steller 1990) which suggests that the preactional process of goal-pursuit entails two distinct phases: choosing between potential action goals and promoting the implementation of the chosen goal. We posit that if we view the purchase of a product as a consumer’s final action, gift-card users (vs. cash-gift buyers) would be psychologically closer to the action because most of them already adopt a goal of redeeming all of the credits for hedonic aims (White 2008). That is, gift-card users are more likely to focus on evaluating how a potential product can satisfy their need to reward themselves (i.e., feasibility), whereas cash-gift users still deliberate on whether or why they are willing to exert monetary resources to attain a goal (i.e., desirability).

Specifically, we posit that whereas consumers who receive a financial gift in the form of a gift card tend to conceptualize information at a low-level construal, those who receive a financial gift in the form of cash are more inclined to construe information at a high-level construal. Furthermore, we hypothesize that when there is a correspondence between gift format and the level at which messages are construed, the evaluation of advertised products is more favorable than when such correspondence is absent. Three studies test these hypotheses.

Study 1 primed the gift fund as either gift card or cash gift by asking participants to recall and describe in detail an occasion on which they received a gift card or cash as a gift. Then the participants classified objects that they would take with them on a camping trip. The choice of a classification task as the dependent variable was based on the well-accepted premise that people who construe information at a high level will use fewer categories to classify objects in comparison to those who construe information at a low level (e.g., Lee, Keller, and Sterntahl 2010). The result that participants who wrote about gift cards used more categories (M = 6.02) than those who wrote about cash gifts (M = 4.87, p < .02) offered support for our prediction that financial gift presented as gift cards are more likely to activate low-level construal than those that are presented as cash.

Study 2 tested the hypothesis that the fit with gift format would enhance product evaluation and provided support for the underlying theory that the subjective experience of fit induces more engagement in message processing. Similar to Study 1, participants were randomly assigned to gift card or cash gift conditions. Moreover, half of the participants were exposed to a high-level construal advertisement for a trainer and the other half were exposed to a low-level construal advertisement. Then the participants reviewed the advertisement, evaluated the product and worked on an incidental anagram task. As predicted, participants in the gift card condition had more favorable product attitudes (M = 4.96) and solved more anagrams (M = 6.76) when the product was described at a low construal level (M_{attitude} = 3.92, p < .02; M_{anagram} = 3.92, p < .001). In contrast, participants who recalled spending cash gift funds evaluated the product more favorably (M = 4.88) and solved more anagrams (M = 6.96) when it was described at a high construal level rather than a low construal level (M_{attitude} = 4.18, p < .08; M_{anagram} = 4.52, p < .001).

Study 3 replicated the effect of fit on product evaluation by simulating a purchase scenario using either gift card or cash gift fund and examined the mediating role of engagement on the effect of fit with gift formats on product evaluations. Corroborating the findings of Study 2, participants who used gift cards had more favorable...
product evaluation when the product was described at a low construal level (M = 5.02) than a high construal level (M = 4.23, \( p < .01 \)), whereas those who used cash gifts had more favorable product attitudes when the product was described at a high construal level (M = 4.63) than a low construal level (M = 4.02, \( p < .08 \)). Furthermore, engagement was significantly increased in the fit conditions in comparison to the non-fit conditions (\( p < .001 \)). The product evaluation for the fit conditions was significantly higher than that for the non-fit conditions (\( p < .01 \)). Finally, when we regressed product evaluation on both fitness and engagement, the effect of fitness was no longer significant, whereas the effect of engagement was significant (\( p < .001 \)). The Sobel test for mediation was also significant (\( p < .01 \)).

Together the studies further our understanding of the different cognitive processes and consequences associated with gift cards versus cash gifts. The research is important as such knowledge could help companies determine what type of advertising messages would be most suitable for encouraging purchases by consumers with either type of gift.

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A FRAMEWORK TO UNDERSTAND CUSTOMER DATA QUALITY IN CRM SYSTEMS FOR FINANCIAL SERVICES FIRMS

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SUMMARY

Recent changes in the digital environment related to information storage, collection, and dissemination have resulted in firms developing and maintaining databases with large quantities of customer information. As a consequence, companies are increasingly being confronted with massive amounts of data contained in widely disparate and often inconsistent databases. In fact, research indicates that marketing professionals will use or will work around data repositories without trust in the underlying data quality. Thus, the identification of processes which can establish systems to not only capture customer data and increase customer knowledge but also maintain the quality and consistency of the data after the fact is becoming a paramount business concern.

Still, few firms implement relational frameworks that provide a 360° view of their customers’ transactional, psycho-demographic, and behavioral profiles. This trend persists in part because customer data quality is of utmost importance for businesses as firms attempt to merge multiple methods of communication together in integrated campaigns. Although companies appear to understand the need to generate customer information, they struggle with the process of integrating that information throughout the organization, in other words, the creation of customer knowledge competence. Central to customer data quality in CRM systems is the need for ongoing and accurate customer information both to manage campaigns and determine customer value. We approach this area by providing a model which explains how intra-organizational structures in firms can lead to increased customer data quality in CRM systems.

For our study, after a pretest, a survey was mailed to 525 executives in the financial services industry, specifically the banking industry. The financial services industry was selected because many firms in this area, including the Royal Bank of Canada and Charles Schwab, have been cited for superior quality customer information use. Names were obtained from Hoover’s database and the unit of analysis was the business unit. Self-reports of performance were used since performance data is not usually available on a business unit level. A total of 166 usable questionnaires were analyzed using multiple regression.

Our findings illustrate a path to performance as a result of collecting information about the customers in a learning context. In essence, this framework suggests that customer information must be managed through efforts which include knowledge identification, capture, selection, storage, sharing, application, creation, and selling. Building from this research on knowledge orientation, data collection in this study is seen as a customer data-oriented learning activity that is a precursor to the quality of the CRM system as measured by the quality of its data. Such data tells managers how to organize their priorities in terms of data learning activities to create the highest quality CRM data so that improved performance can ensue. This study suggests that capturing the results of personalized communications as well as detailed transactions of customer interactions will yield the highest results and therefore should be the organization’s strategic focus. References are available upon request.
THE ROLE OF FIT AND SIMILARITY IN SOCIAL SPONSORSHIP COMMUNICATIONS

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SUMMARY

Corporations are becoming active in promoting social causes (Szykman, Bloom, and Blazing 2004) and with good reason. Such alliances, called social sponsorships (Madill and O'Reilly 2010), can lead to higher sponsor recall, favorable consumer attitudes, reinforce sponsor brand positioning and enhance equity for the sponsors (Cornwell et al. 2006; Cornwell, Weeks, and Roy 2005; Simmons and Becker-Olsen 2006). Many corporations engage in social sponsorships with the objective of gaining goodwill and positive associations.

Sponsorship fit, the perceived match in the sponsoring relationship, is considered an important factor influencing consumer evaluations of social sponsorships and is a widely researched topic in advertising and consumer research (Olson and Thjomoe 2011). The findings for social sponsorships are, however, mixed. For example, research shows that high-fit social sponsorships favorably influence consumer attitudes and behavioral intentions toward the cause (Samu and Wyner 2009) as well as the nonprofit’s brand image (Becker-Olsen and Hill 2006). On the contrary, some studies have shown that corporate-sponsored messages may not be as effective as those communicated by nonprofits themselves (Szykman et al. 2004) and that fit may not be as important in nonprofit evaluations (Menon and Kahn 2003).

Moreover, relationship fit is malleable. The concept of fit found in a particular sponsorship association can be created by making shared associations salient (Simmons and Becker-Olsen 2006), and by explaining or articulating a possible linking idea in the relationship (Cornwell et al. 2006). This seems particularly important when there is a goal to create goodwill, as when an oil company sponsors environmental protection. In addition to the reactions of individuals to the sponsorship relationship, a person may hold a basic, and somewhat independent perception of the similarity of the two partners. That is to say, there is the response to fit of the partnership and a response to the similarity between the two entities. Both of these may be important to sponsorship success.

This potential difference between perceptions of relationship fit and entity similarity stems in part from the fact that sponsors and properties are multifaceted and bring unique characteristics (e.g., trustworthiness, familiarity, category performance and reputation) as well as potentially negative or simply mismatching characteristics, all of which have the potential to influence target market perceptions (Bower and Grau 2009). In cause and non-profit sponsoring, there are also heightened concerns of trust and possible exploitation as one partner is utilized in the communications platform of the other. Although the role of trustworthiness has been widely researched in the source credibility of a spokesperson (e.g., Priester and Petty 2003; Tormala and Petty 2004), the role of sponsor trustworthiness in social sponsorships has not been fully explored. Thus, the objective of this research is to examine the role of fit, similarity and trustworthiness, in the evaluation of social sponsorship relationships.

Conceptual Framework

We explain the moderating role of sponsor-nonprofit similarity in the relationship between fit and social sponsorship evaluations using categorization theory. In keeping with research in the area of sponsorship (Simmons and Becker-Olsen 2006), we predict that high-fit social endorsements will be viewed more favorably and generate greater clarity of brand positioning for the endorsed property; and that both consumer attitudes toward the endorsement and clarity of positioning influence attitudes and behavioral intentions toward sponsored nonprofit. In terms of moderation, we predict that high similarity between sponsor and nonprofit to be problematic when there is low fit of the sponsorship relationship. When the entities hold some similarity (alcohol distributor, alcohol abuse prevention) and the sponsorship relationship fit is low, it is argued that individuals become skeptical and this may influence dependent variables of interest.

Method

Experimental designs for two charity product categories (blood donations and cancer prevention) were examined with structural equation modeling (Bagozzi 1977). Participants in each experiment were undergraduate students and were randomly assigned to one of the four experimental conditions in a 2 (social sponsorship: high-fit versus low-fit) x 2 (brand: Red Cross versus Leukemia Foundation) between-subjects design. The procedure employed was identical for both experiments. Stimuli were developed based on pretesting. Fast-food chain Subway, which offers deli sandwiches was included as the
high-fit sponsor whereas Kentucky Fried Chicken (KFC) was included as the low-fit sponsor in Experiment 1 (N = 189). In the second experiment, a regional supermarket chain was the high-fit sponsor and Coca Cola brand soft drink was the low-fit sponsor (N = 210). Treatment conditions were manipulated in a fictitious newsletter. Established scales were used to measure constructs of interest (e.g., Ohanian 1990; Simmons and Becker-Olsen 2006). Items were measured on seven-point scales.

Results

Results from the two experiments were consistent with the study’s predictions. High-fit social partnerships improved clarity of positioning and generated more favorable attitudes toward social sponsorships but higher similarity blurred clarity of positioning, and generated less favorable attitudes toward the focal sponsorships. Moreover, the impact of fit varied according to the degree of similarity between the social partners. Higher similarity blurred clarity of positioning for low fit sponsorship relationships. Trustworthiness of the sponsor also enhanced the clarity of positioning and generated more favorable attitude toward the sponsorship. The findings suggest that aspects of similarity between partners raise suspicion regarding the motivations for the relationship and this is especially pronounced with there is poor fit in terms of the sponsorship relationship. References are available upon request.

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SHOULD FIRMS NAME COMPETITORS IN THE ADS?

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SUMMARY

Comparative advertising has been widely used in the United States. It is generally believed that comparative advertising is more effective than non-comparative advertising in terms of memory, claim acceptance, and Consumer Perceptions. With the growing popularity of comparative advertising in recent years, we believe there is a need to further our research to specifically study on the effects of different types of comparative advertising.

One question has been asked repeatedly by many companies: Is naming a specific competitor in a comparative advertisement a good idea? In other words, what is the effectiveness of direct comparative advertising? In the literature, the discussion of comparative advertising has focused on direct comparative advertising alone (Miniard et al. 2006), and largely ignored the important comparison of direct versus indirect comparative advertising (with the exception of Neese and Taylor 1994). However, compared to direct comparative advertising, indirect comparative advertising's potential for positioning the advertised product has received far less attention in the literature (Miniard et al. 2006). In this paper, we will address this research gap by investigating the effects of direct versus indirect comparative advertising and the boundary conditions of direct/indirect comparative advertising effects in terms of advertising valence and attribute typicality.

Direct/Indirect Comparative Advertising

Based on Pechmann and Ratneshwar (1991), direct comparative advertising is an advertising strategy that the advertiser specifically names its competitors in the advertisement to compare itself to the named competitors. In contrast, in an indirect comparative advertisement, the advertiser does not identify particular competing brands, but instead refers to unnamed competitors, such as “the leading brand,” “other brands,” or “all other brands” (Miniard et al. 2006). While both direct and indirect comparative advertising encourage the creation of comparative evaluations in viewers’ minds, the effectiveness of these two types of comparative advertising should differ based upon viewers’ reference points (Miniard et al. 2006).

Moderating Role of Advertising Valence

Comparative advertisements can be classified by whether they are positive or negative (Jain 1993). Positive comparative advertising compares brands with selected attributes to make the claim that the advertised brand is superior to the compared brand while in a negative comparative advertisement it focuses on negative aspects associated with the compared brand. When consumers are exposed to direct comparative advertisements, they tend to pay more attention and simultaneously compare between the advertised and compared brands. Since negative comparative advertisements are more memorable (Sorescu and Gelb 2000), it can be more efficient to create comparative evaluating process in consumers’ minds. In contrast, since the advertiser compares itself to the leading brand or to all other brands in an indirect comparative advertisement, trying to attack all other competitors or an implicit brand can lead to have negative consumer attitudes or confusions. Thus, positive comparative advertisements are more effective in the situation which the indirect advertising is used.

Moderating Role of Attribute Typicality

Product or brand attributes can be classified on a spectrum ranging from typical to atypical. When a comparative advertisement uses a typical attribute to compare, it is more likely for consumers to be involved in analyzing the comparison thoughtfully and having a “piecemeal review” of product attributes (Pillai and Goldsmith 2008). Therefore, the evaluating processes will pose serious threats to consumers’ current attitudes toward both the advertised and compared brands and then create counter-argumentation in their minds. On the other hand, when the attributes that are compared in the comparative advertisement are atypical, consumers are less likely to have counter-argumentation as the information provided by the comparative advertisement is less threatening to the compared brands in consumers’ minds (Pechmann and Ratneshwar 1991).

Results and Discussions

Using two experimental studies, this paper aims at understanding the effects of direct versus indirect com-
parative advertising and investigating two moderating variables: advertising valence and attribute typicality. From study 1, we found that indirect comparative advertisements generated more positive attitude toward the advertised brand when the advertisements were positively-worded; while direct comparative advertisements were more effective when the advertisements were negatively-worded. As hypothesized, we found in study 2 that when the compared attribute was typical, direct comparative advertisements generated more positive attitude toward the advertised brand. However, contrary to our expectation, indirect comparative advertisements generated more positive attitude toward the advertised brand when the compared attribute was atypical. We speculate if it is better for those firms which want to compare themselves with more than one competitor to develop their own “specialized attributes” rather than focus on some typical attributes that have been well provided and served by many other companies. It will be beneficial to further investigate this in the future to understand the underlying driving factors.

This paper also provides several managerial implications and applications. First, the findings suggest that, if the company wants to attack one particular competitor, not only should it use negatively-worded comparative advertisements but also it has to compare a typical attribute to effectively influence consumers’ attitudes toward the advertised brand. In the cases that the company wants to claim it is better than others in general, it needs to utilize positive comparisons in its advertisements regardless of whether typical or atypical attributes are used. We believe this paper not only advances our current understanding on the effectiveness of comparative advertising, but also creates a new research stream that specifically addresses direct and indirect comparative advertising. References are available upon request.

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REGULATORY FOCUS AND DAILY DEAL MESSAGE FRAMING:
ARE WE SAVING OR GAINING WITH GROUPON?

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SUMMARY

Growing consumer demand for coupons, discounts and deals, attributed to the recent recession and slow economic recovery, is a fertile ground for a multiplicity of online daily deal sites selling vouchers for steeply discounted local offers. Such relatively new websites as Groupon, LivingSocial, and others, have attracted numerous small and medium businesses as an alternative to local advertising that is targeted, controllable, and accountable (Streitfeld 2011). They have also been popular with consumers who enjoy both the savings and the novelty of the offerings delivered straight to their email boxes and (increasingly) to their smart phones. Recently, however, the attractiveness of this business model to both sellers and consumers has been questioned: the merchants are increasingly disappointed with lack of loyalty (and profits) from the new consumers they attract through deals, while consumers complain about being flooded with and enticed into impulsively buying offers that they ultimately do not need. While some customers are enthusiastic and experience “Groupon anxiety” (eager anticipation of each new Groupon offer), others exhibit “Groupon fatigue” having exhausted their urges for “fish pedicure and indoor sky-diving” (Salmon 2011). These conflicting sentiments and arguments emphasize complexity of the daily-deals phenomenon and possible lack of understanding about how to best utilize this new tool to accomplish business objectives. It is possible that wide diversity of opinions and assessments reflects diverse goals and motivations of daily-deal users, both on business and consumer sides.

This paper focuses on consumer perceptions and behaviors regarding online daily deals. It addresses the issue of compatibility of the daily-deal marketing tool with consumer personal characteristics, and its effect on the perceived value of the deal. We utilize regulatory fit theory (Higgins et al. 2003) to suggest that the match between consumer regulatory orientation (promotion vs. prevention) and daily-deal message framing (gain vs. non-loss) would affect the perceived value of the offer. We conduct an experiment to test our supposition and to understand whether the mechanism of the regulatory fit phenomenon operates in the daily deal context. We examine the effect of daily-deal message framing (gain vs. non-loss) on the choice between two otherwise very similar Groupon offers for a three-day get-away in a Florida resort by individuals with different primed regulatory foci. We also assess how the perceived value assigned to the resorts selected by participants in different regulatory focus conditions is moderated by its promotional framing (gain vs. non-loss).

Seventy-nine marketing students (20–55 years old, 30% undergraduate, 60% female) participated in the study for a class credit. All parts of the experiment were conducted in the form of an online survey. We used a 2 (regulatory focus: promotion vs. prevention) x 2 (offer message frame: non-loss vs. gain) mixed-factorial design with the message frame as a repeated measure. The participants were randomly assigned to one of the two regulatory focus groups. The manipulation of promotion and prevention foci followed Higgins et al. (1994), whereby participants in the promotion (prevention) focus condition were asked to write a short essay on their hopes (duties) as a consumer and things they wanted to acquire or experience. Following this task, they were asked to carefully review two Groupon offers that appeared on their computer screens in random order and to answer questions about each of them. The two offers were authentic Groupon deals for three-day Florida get-away vacations in resorts of identical star ratings, each showing the picture of a swimming pool on the blue ocean background, with the text below detailing comparable amenities and rates.

Our findings confirmed the applicability of regulatory compatibility framework to online daily deal offers, showing that matching message framing of daily deals to shoppers’ regulatory focus. Thus, the level of persuasiveness of a promotion may be increased by emphasizing non-loss for prevention-oriented individuals, and conversely by emphasizing gain for promotion-oriented customers. It is possible that framing promotional messages online in a manner compatible with a website visitor’s chronic regulatory focus can facilitate conversion of online shoppers to buyers. This study also supports the phenomenon of transfer of value from perceived regulatory compatibility to the value of the selected product, potentially increasing reference price of the product in the consumer’s mind. This higher reference price for the product itself, if stored in memory, may increase the probability of its future purchases at a non-discounted price, thus reducing negative effects of online sales promotions on brand image. References are available upon request.
AN INVESTIGATION OF THE ATTITUDE RESISTANCE PROCESS ON NEGATIVELY FRAMED COMPARATIVE ADS

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SUMMARY

Since the Federal Trade Commission (FTC) endorsed the use of comparative ads (defined as ads in which a sponsor directly compares itself to a “leading brand” – the comparative referent), researchers have noted that many are antagonistic and negative, especially in their portrayal of the comparative referent or “compared-to brand” (cf., Grewal, Kavanoor, Fern, Costley, and Barnes 1997).

The recent increase in such ad campaigns is likely based on research findings (e.g., Sorescu and Gelb 2000) which suggest that negatively framed comparative ads (i.e., those which convey information on the inferiority of comparative referents, rather than promoting the superiority of the sponsoring brand) tend to be more effective than their positively framed counterparts. Yet, some question the degree to which negatively framed comparative ads are as effective as initially thought. For example, in a more recent study, Shiv, Britton, and Payne (2004) found that in certain situations, receivers perceived negatively framed comparative ads as being unfair and, as a result, were less influenced by them (as opposed to positively framed ads). Thus, it seems that researchers are far from making definitive conclusions about the presumed advantage of negatively framed comparative ads.

While prior research investigating the effectiveness of positively versus negatively framed comparative ads has studied effects based on receivers’ perceptions of the sponsoring brands, no study to date has looked at their impact with respect to receivers’ views of the compared-to brand (i.e., comparative referent). Since one of the main objectives of comparative ads is to induce users of the comparative referent to switch brands (Aaker and Myers 1982), it is important to investigate these receivers’ views of their brand of usage after exposure. The present study aims to investigate both users and non-users post-exposure views of the comparative referent after exposure to negatively and positively framed comparative ads with immediate and delayed (two week) measures. The present study will aid researchers by determining the extent to which persuasion resistance can be used as a theoretical framework in the comparative advertising context.

Tormala and Petty (2002) describe the persuasion resistance process as one in which there is an absence of attitude change (regarding both the advocated position and the initial position held by the receiver of the persuasive message) that occurs in response to counter-attitudinal information that is presented to receivers who are “committed” to an alternative position. The framework is based on the premise that when committed receivers view counter-attitudinal information as being an attack on their position, they will cognitively reject it. Two important advertising implications are that after exposure to a counter-attitudinal ad message, receivers are not likely to change their attitudes toward the advocated brand and will become more confident in their attitudes toward their brand of use and since persuasion resistance is a motivated process (Tormala and Petty 2004) it follows that the expected increase in attitude confidence should be maintained over time. One could question whether any comparative advertisement will be viewed by all consumers as an attack on the comparative referent (compared-to brand). We contend that this will more likely be the case for users of the comparative referent when they are exposed to negatively framed comparative ads. Given that positively framed comparative ads are less likely to be perceived as attacks (or as derogating the comparative referent), we believe that the persuasion-resistance processes will less likely be evoked by users exposed to such ads – the absence of negative information will be less motivating for users to cognitively support their position. We contend that users of the comparative referent should respond less adversely to positively framed comparative ads than to negatively framed comparative ads. Further, since nonusers of the comparative referent do not have a “stake” in the comparative referent, they should also be less likely than users to employ these processes outlined by the persuasion resistance framework. As a result, we suggest that users (compared to nonusers) of the comparative referent should be more confident in their post-exposure brand attitudes toward the comparative referent after exposure to negatively (as opposed to positively) framed comparative ads.

H1: Users of the comparative referent, as compared to nonusers, should have higher levels of post-exposure attitude confidence (for the comparative referent)
H2: Users of the comparative referent exposed to negatively framed comparative ads should have higher levels of post-exposure attitude confidence (regarding the comparative referent) than users exposed to positively framed comparative ads. (Not supported)

H3: Users of the comparative referent, as compared to nonusers, will generate more counterarguments to negatively framed comparative ads. (Not Supported)

H4: Users of the comparative referent will generate more counterarguments to negatively framed comparative ads as compared to positively framed comparative ads. (Supported)

H5: Users of the comparative referent, as compared to nonusers, should have higher levels of delayed measures of attitude confidence (for the comparative referent) after exposure to negatively framed comparative ads. (Supported)

H6: Users of the comparative referent exposed to negatively framed comparative ads should have higher levels of delayed measures of attitude confidence (regarding the comparative referent) than users exposed to positively framed comparative ads. (Not supported)

The main purpose of the study was to determine the effects of negatively versus positively framed comparative ads on the post-exposure self-reported attitude confidence of users versus nonusers of the comparative referent. It appears that results support the hypothesized notion that users exposed to a negatively framed comparative ad will have higher levels of post-exposure attitude confidence in the comparative referent than do nonusers exposed to the same ad. Moreover, it appears that the attitude frames were unsuccessful in differentially influencing post-exposure attitudes toward the sponsoring brand leading to the belief that the use of attack comparative ads are not more effective than positive comparative ads.

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THE EFFECT OF ANALYTIC AND HOLISTIC THINKING ON CONSUMERS’ ATTITUDES’ TOWARD HOLISTIC OR ATTRIBUTE ADVERTISING

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SUMMARY

Advertising information has a strong impact on consumers’ responses to advertisements and brands (Abernethy and Franks 1996). Many scholars have compared the information content between Eastern and U.S. advertisements. However, almost all but one study (i.e., Taylor, Miracle, and Wilson 1997) were based on content analysis. Therefore, we still know a little about how advertisements with different information content influence consumers’ attitudes. Moreover, cross-cultural advertising scholars have relied too much on Hofstede’s cultural dimensions (Okazaki and Mueller 2007) and few scholars have investigated the effect of analytic versus holistic thinking on advertising, especially the information content of advertising. In this paper, I apply the analytic and holistic theory to advertising. Moreover, this study will also investigate whether cognitive elaboration or quantity of information cues moderate the effect of culture on consumers’ responses toward ads with different information emphasis.

For East Asians, it is not the part but the whole that exists. Thus, East Asians look at everything “in its totality, not in parts” (Moore 1968, p. 3). Thus, when exposed to ads with product attribute information only (attribute ad), East Asians tend to think holistically to consider additional factors not provided in such ads, such as price and availability, because failing to consider a factor – even a minor factor – may result in a bad judgment or purchasing decision. For East Asians, although product attribute information is still important, in isolation it is far from enough to support evaluation, judgment, and decision making.

Since Westerners tend to think analytically (Nisbett et al. 2001), they pay more attention to product attribute information. For them, product attribute information is the predominant factor influencing their evaluation, judgment, and purchase decision. Thinking about attributes in isolation is quite normal because they tend to focus on the analytic parts, not the holistic totality. This discussion leads to the following hypotheses.

H1a: Individuals from East Asian cultures will generate more favorable attitudes toward holistic ads than individuals from Western cultures.

H1b: Individuals from East Asian cultures will generate more favorable attitudes toward holistic ads than toward attribute ads.

H2a: Individuals from Western cultures will generate more favorable attitude toward attribute ads than individuals from East Asian cultures.

H2b: Individuals from Western cultures will generate more favorable attitude toward attribute ads than toward holistic ads.

The purpose of Study 1 is to test how culture affects consumers’ attitudes toward different ads. To assess the stated hypotheses, the study employed a 2 (culture: East vs. Western) x 2 (ad: attribute vs. holistic ad) between-subjects factorial design. A digital camera was used as the target product. Ad stimuli were adapted from a real ad in a magazine to increase the external validity. Sixty Caucasian American students from a public university in the southeastern U.S. and sixty Chinese students from a public university in southwestern China participated in the study. As expected, Chinese participants generated more favorable attitudes toward holistic ads than toward attribute ads while Americans generated more favorable attitudes than the Chinese when exposed to the attribute ad. However, in contrast to identified expectations, Americans generated more favorable attitudes toward the holistic ad than the attribute ad. Moreover, both Americans and the Chinese generated similar attitudes toward the holistic ad.

The surprising finding in Study 1 may be the result of effortful cognitive elaboration. Therefore, Study 2 was designed to examine whether people’s attitudes toward attribute and holistic ads were moderated by effortful deliberation. Seventy-nine Chinese students from a public university in southwestern China and eighty-four American students from a public university in the southeastern U.S. participated in this study. The study utilized a 2 culture (China vs. U.S.) x 2 ad (holistic vs. attribute ad) x 2 time pressure (high vs. low) between subject factorial design. However, the results show that cultural difference in attitudes was not significantly moderated in the low time pressure condition.

Study 1 still has one limitation: the holistic ad had more information cues than the attribute ad. Unlike the
previous studies, Study 3 contained four pieces of information for both attribute and holistic ads. Forty Chinese students at a large university in southwestern China and forty American students at a university in the southeastern U.S. participated in this study. The findings repeated those from study 1. However, reducing attribute cues in the holistic ad slightly (not significantly) moderated the attitude differences between the holistic and attribute ad.

Although culture may not explain why consumers from both Eastern and Western cultures prefer holistic ads to attribute ads, culture can partially explain consumers' attitudes toward the ad with different information emphasis. Yet why do both Americans and the Chinese prefer holistic ads to attribute ads? A possible explanation is consumers' need for holistic information. Consumers need information to make a better purchase decision even though they are not planning to make a purchase decision immediately or in the near future (Schmidt and Spreng 1996). Second, consumers also need more information to justify their decisions to others (Simonson 1989) or even to themselves (Schmidt and Spreng 1996). Third, consumers need information to make an optimal decision rather than an acceptable decision (Swan 1969).

Individuals may have two knowledge systems: cultural and individual knowledge (Briley and Aaker 2006). Although consumers learn consumption knowledge (e.g., how to make a wise decision; which brand is trustworthy) much later than they learn their culture knowledge, consumption knowledge may be woven into their cultural knowledge and used to correct shortcomings of their cultural knowledge since consumers always want to make a wise decision, increase the utility of their purchases, and reduce risks.

This study also has some managerial implications. The current study’s findings suggest that advertisers in both East Asian and Western cultures should use advertisements with holistic information to reduce perceived risks and help consumers make better decisions. The findings further suggest that holistic ads should be used when consumers are under high time-pressure situations (e.g., when consumers are reading a roadside billboard on a highway). The findings in this study may not be limited to the advertising only and may be applied to other areas, such as website design or direct marketing communication. References are available upon request.

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USING SELF- VERSUS OTHER-BENEFIT MESSAGES IN ADS FOR GREEN PRODUCTS: THE MODERATING ROLE OF PERCEIVED CONSUMER EFFECTIVENESS AND CONSUMER GUILT

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SUMMARY

Green marketing efforts are being increasingly used by companies to enhance their corporate image. In spite of its increased importance, there is limited research on the efficacy of green advertising strategies.

The benefit of green marketing efforts can be framed by highlighting the benefit to the self and to others. The notion of influencing consumers by framing the message to highlight the benefit to the self and benefit to others has been investigated in other contexts such as donor behavior. To our knowledge, the effect of message framing (by using self or other benefit green marketing advertising appeals) on the consumer has not been investigated. The perception of consumers about the societal responsibility of the firm has become crucial as consumers pay more and more attention to the green activities undertaken by companies. Therefore, our study investigates the effect of using self and other-benefit messages on consumer perception about the societal responsibility of the company, which in turn influences consumer response (attitude toward the brand, purchase intention, and word of mouth intention). Further, we investigate whether the effect of message framing on perceived societal responsibility is moderated by the consumers’ perceived control over environmental problems and consumer guilt.

We define a self-benefit message frame as “the claim of green product which is beneficial for the consumer himself or the very close family” and an other-benefit message as “the claim of the green product which is beneficial for others such as society and future generations.” We propose that self-benefit appeals enhance the selfish and egoistic motives of consumers and other-benefit appeals enhance the altruistic and empathetic motives of consumers. When either motive is enhanced, it leads to a favorable perception about the company’s societal responsibility. We also propose that a high perceived societal responsibility results in a better attitude toward the brand, purchase intention, and word of mouth. The strength of the effects during the two stages depends upon consumer characteristics such as perceived consumer effectiveness (PCE) and consumer guilt.

Moderating Role of Perceived Consumer Effectiveness

Perceived consumer effectiveness (PCE) is the extent to which consumers believe they individually can influence and solve environmental problems (Ellen et al. 1991). People who believe their individual effort can change the conditions have high PCE. For consumers with high PCE, we propose that other-benefit messages create a better perception of societal responsibility for the company. Individuals who think their effort would not make any difference to change the conditions have low PCE. For low PCE consumers, we hypothesize that self-benefit messages create a better perception of societal responsibility for the company.

Moderating Role of Consumer Guilt

Consumer guilt is the extent to which consumers feel negative emotions for not doing enough for benefit of the environment (Berger and Corbin 1992). Using other-benefit messages help alleviate the guilt felt by a consumer, and can therefore lead to a perception that the company is responsible to the society. Thus, we hypothesize that other-benefit messages will work better than a self-benefit oriented message when the guilt felt by the consumer is high. On the other hand, when the consumer feels less guilty, the self-centered tendencies of the individual will be addressed by the self-benefit message, which will be more effective in improving the company’s perceived societal responsibility.

Results

We test the hypotheses using a 2 (Message frame) X 2 (PCE) X 2 (consumer guilt) between subjects experimental design where message frame was manipulated and PCE and consumer guilt were measured. The self-benefit message was manipulated in the ad by emphasizing benefits to the consumer and their immediate family, and the other-benefit was manipulated by emphasizing benefits to society and future generations. Findings indicate that when consumers’ PCE is high, the company is perceived as more socially responsible with other-benefit messages.
than with self-benefit messages. On the other hand, when consumers’ PCE is low, there is no difference in the company’s perceived societal responsibility between self-benefit and other-benefit appeals. It may be that under low PCE conditions, consumers might believe that as individuals cannot influence environmental problems, the company cannot influence them as well. With regard to consumer guilt, when consumer guilt is high, consumers perceive the company to be more socially responsible with other-benefit messages than with self-benefit messages. However, when consumer guilt is low, we find no difference in the perceived societal responsibility between two different message frames. This may be because less guilty individuals have low involvement and are less concerned about environmental issues. Finally, when the perceived societal responsibility is high, the attitude toward the brand, purchase intention, as well as word of mouth is better.

Our study contributes to the literature on green advertising by investigating the effect of using different message frames (self- and other-benefit messages) on perceived societal responsibility of the company, and through it on consumer’s attitude toward the brand, purchase intention and word-of-mouth intention. In terms of managerial implications, advertisers can motivate consumers with different message frames and influence their perception about the company’s societal responsibility. A better perceived responsibility will enhance attitude toward the brand, purchase and word of mouth intentions. References are available upon request.

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THE IMPACT OF VIOLENT HUMOR ON ADVERTISING SUCCESS:
A GENDER PERSPECTIVE

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SUMMARY

Empirical evidence suggests that aggressive humor is now used in a significant number of television ads (Sharrer et al. 2006). In an analysis of over 4,000 broadcast television ads, Scharrer et al. (2006) found some form of aggression in 12.3 percent of the ads. They further found that 53.5 percent of the ads featuring aggression also contained elements of humor. This represents a significant departure from the predominant styles of non-tendentious humor that had been common in advertising. Gulas, McKeague, and Weinberger (2010) found in 1989, just 13.6 percent of ads using humor involved aggressive or disparaging humor, none of which used physical violence. In 1999, aggression was used in almost a third of the ads using humor, and physical humor mainly aimed at men became more common. In 2009, over 70 percent of the humorous ads used some form of aggression. More notable is that 13 out of 34 of these ads use males as the victims of physical violence, in contrast to only one ad in which women were the victims. The advertisers using physical violence with male victims in the 2009 sample include Coke Zero, Bud Light, Audi, Frito-Lay, Doritos, Castrol, SoBe, and Pepsi Max. The pattern illustrates a clear increase in the use of disparagement, particularly physical aggression, targeting males over the 20-year cross section of ads. Examples they highlight are of waiters being tripped and falling through plate glass windows, men being hit in the groin by flying objects, and men being tossed from meetings out second floor windows for forgetting the beer. There are numerous other illustrations of this genre of violent advertising cloaked in humor.

Brown and his colleagues (2010) examined the impact of violence in an on-line environment and found that more extreme violence contributed to greater ad likability, recall and the likelihood that the ad would be passed along to others in an on-line environment with the implication that this form of disparaging humor may benefit advertisers. The growing use of violence with humor in advertising begs the question whether the level of violence matters, whether it is accepted by men and women and whether it works better than more traditional advertising executions. The current study extends Brown’s investigation by looking at the intensity of humor violence in the context of gender and in comparison to other non-violent advertising.

We examine the effect of this emergent aggressive physical humor in an experiment where male and female subjects were exposed four times to either a high or low intensity violent humor ad and as well as a non-humorous ad and an incongruity humorous ad.

Hypothesis H1 is: Viewed by men, violent ads with humor will be perceived as more humorous, liked more (Aad) and have stronger brand attitudes (Ab) than the same ads viewed by women. Furthermore, we expect a gender by violence intensity humor ad type interaction. In hypothesis H2 we pose an over-arching question by asking whether violent humor works better or worse than more playful humor or no humor at all. We test this issue in the context of gender preferences. The expectation is for a gender by ad type interaction in H2.

The results support a gender interaction for H1 and H2. The gender differences play out as expected from prior humor appreciation literature. Men do like ads with high intensity violent humor more than women though there is no gender difference for low intensity humor violence. For the non-violent humor ads, the female subjects do like the ads with playful humor more than the men. It is noteworthy that even men liked the ad with the playful humor more than the ad in the Hi intensity violent humor condition. The comparison with the non-humor ad gives additional caution to using the violent humor format since violent humor did not outperform either the non-humor or incongruity humor ads on Aad or Ab. The results provide a tale of caution for advertisers who use violence. Though Brown et al. (2010) suggest that such violence may be passed along more in an on-line environment and may be recalled better, the downside risk in comparison to less tendentious humor or no humor appears to be in possible sacrifice to Aad and Ab, when using high intensity violent humor to reach female audiences.
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SUMMARY

Multi-ethnic markets present marketers with an advertising strategy conundrum. Should they use ethnic specific ads or standardized ads? Ethnic specific ads use specific cues related to the targeted ethnicity. Standardized or integrated ads are not tailored to any specific ethnic group. Conflicting information on using ethnic specific ads versus standardized ads warrants further scrutiny to determine the optimal advertising strategy for a multi-ethnic market. Besides, the extant scrutiny of ethnic specific ads has mostly compared the ad effectiveness on different ethnic groups using ads with ethnic specific spokespersons, instead of comparing the ad effectiveness on different ethnic groups using ads with ethnic specific actors versus using ads with a mix of ethnic actors, which better reflects a multi-ethnic market and can be standardized across ethnic groups. Furthermore, in multi-ethnic markets, such as in the U.S., young adults are becoming more cosmopolitan due to increased inter-ethnic marriages and ethnic diversity in schools, neighborhoods and the work place. Therefore, this study compares, across three different young adult US ethnic groups, the effects of using integrated ads, that is, ads using a mix of ethnic spokespersons against the effects of using ads with ethnic specific spokespersons on attitudes toward the ad, attitudes toward the brand, and brand purchase intentions. Specifically, the study tests the effects of using an ad with White, African American, or Hispanic American actors versus using an ad with a mix of actors of these three ethnic groups of young adults on an ethnic group’s attitude toward the ad, attitudes toward the brand, and brand purchase intentions. The study accounts for the influence of cosmopolitanism and prior ethnic contact on ad effects.

Cosmopolitanism engenders greater preference for products outside one’s culture and/or community suggesting a desire for diversity. Because cosmopolitanism leads individuals to experience products outside their own community and/or culture, cosmopolitanism may also lead them to expect ads with ethnic and/or culture diversity. In other words, cosmopolitanism increases consumers’ desire for diversity including ads depicting diversity, such as ads with ethnically diverse spokespersons. Consequently, the increased exposure to ethnic groups in the U.S., particularly for young adults, leads to greater cosmopolitanism and reduces the need for ethnic specific ads but increases the need for ads reflecting diversity, which can be standardized.

The study and the pretests were conducted in several universities in the southern region of the United States; the main study was conducted during a period of 10 months. Each respondent saw an ad out of the four, randomly assigned regardless of ethnic makeup. So, a White respondent saw one of the four ads for a 4 (ads) x 3 (ethnic groups) study. Previously validated and published scales were used to measure the variables of interest. Ethnicity was self-reported as customary in this type of study following the six options (e.g., White American non-Hispanic, African American non-Hispanic, and Hispanic) provided by the census bureau. However, participants were allowed to choose only one option, including “other” to describe their ethnicity. The data was analyzed using multi-group Structural Equations Modeling (SEM) in LISREL 8.72.

The results uphold the premise that cosmopolitanism influences ad effects across three different types of ads. Findings indicate that the difference in effects across all three types of ads is due to the direct and indirect influence of cosmopolitanism on intentions toward the brand advertised. In other words, if cosmopolitanism is not taken into account, advertisers may select ethnic specific ads as the best option to advertise to young adult ethnic groups in the US. However, when cosmopolitanism is taken into account, ads displaying diversity exert a greater influence on intentions toward the brand than ethnic specific ads. Results also indicate that the affinity toward one’s own ethnic group is quite strong and influences the direct effect of attitude toward the brand on intentions toward the brand advertised. The strong desire for seeing one’s ethnicity reflected in the ad may be confusing advertisers if they don’t include cosmopolitanism in their target market analysis. Our findings indicate that as cosmopolitanism increases so thus its influence on intentions toward the brand and this relationship is the strongest for diversity ads. Therefore, advertisers could still appeal to the strong desire for seeing one’s ethnicity reflected in the ad as long as the ad includes diversity features or cues.

The study advances our knowledge on advertising to ethnic groups, specifically young adults, who make up a growing target market in the U.S. However, it needs
future corroboration. Future studies can provide more credence to our findings by using a sample of adults that includes more than just college students. While using college students for studies of this type is valid, college students only represent a portion of the population of young adults. In addition, college students may have more contact with diversity than non-college students. References are available upon request.

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STRONGER ENVIRONMENTAL NORMS INCREASE “GREEN” BUYING INTENTIONS BUT NOT BEHAVIOR: IMPLICATIONS FOR ADVERTISERS

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SUMMARY

Growth in the market for “green” or environmentally friendly (EF) offerings has been slower than expected, as green attitudes and intentions have not been a good predictor of purchase behavior. The most common explanations for this gap between attitudes and behavior concern the perceived quality of EF produced goods and the higher price that these products usually entail (Bazoche, Deola, and Soler 2008; Loureiro 2003). Another reason for this gap could be due to the way the “green” movement has been marketed.

Environmental messages and slogans are often pessimistic and threatening, attempting to guilt or scare people into doing the “right” thing. By doing so, message senders are trying to establish, strengthen and appeal to an individual’s norms – informal rules requiring that one should act or should not act in a particular way in a given situation (Nyborg 2003). For example, some of the most popular green slogans from ThinkSlogans.com are as follows: “Protect our earth today for our children’s tomorrow,” and “Don’t let the water run in the sink, our life’s on the brink!”

Beliefs based in norms – or normative beliefs (NBs) – are important determinants of intentions to act for a wide range of behaviors, including intentions to engage in pro-environmental behaviors. The main normative beliefs promoted by companies producing EF products espouse that people should simply buy products that are good for the environment – and avoid those that are not – even if it costs them more money. However, NBs are individual-specific, such that some “buy into” the movement more than others, and have thus adopted stronger NBs. Others have not, and the convictions to purchase EF offerings and be willing to pay more for them are not held as strongly by these individuals. Therefore, we propose:

H1: Individuals who indicate higher environmental NBs will state (a) higher purchase intentions, and (b) a willingness to pay (WTP) more for EF offerings than individuals with lower NBs.

Norm-Intention-Behavior Linkage

There has been ample evidence across a wide variety of behaviors to support the linkage between norms and behavioral intentions. However, there is much less evidence and far fewer studies that attempt to validate the norm-intentions-behavior relationship (Rivis 2009), particularly in the environmental domain, as it is much more difficult to document actual behavior compared to intentions. It is essential to know if intentions derived from NBs result in a positive relationship with the behavior of interest. If NBs only drive intentions but not the corresponding behavior, it would be useless to try to appeal to individuals’ norms to impact behavior. Therefore, beyond purchase intentions, this study will also examine the impact of NBs on ultimate purchase behavior.

Study 1

A total of 120 individuals (who met the appropriate criteria) in Connecticut participated first in a survey, in which they answered several questions regarding purchase intentions (PIs) and expressed WTP for a bottle of environmentally friendly wine. They also answered specific questions about NBs regarding the purchase of EF offerings. Approximately one month later, participants took part in a Vickrey auction. The purpose of the auction was to measure actual WTP of an EF wine, as measured by participants’ maximum bid prices.

Survey Results

Using a mean split, individuals were categorized as high NBs (n = 76) and low NBs (n = 44), depending on the pressure they reported regarding purchasing EF offerings. High NBs reported significantly greater PIs (M = 5.34) of an EF wine than low NBs (M = 3.03) [t(118) = 6.884, p < .05]. This supports H1a. Further, individuals expressed how much in dollars they would be willing to pay for EF wine (M = $21.49). Those reporting high NBs expressed higher WTP (M = $24.55), while low NB individuals indicated they would pay significantly less (M = $16.38) [t(118) = 7.822, p < .05]. This supports hypothesis 1b.

Auction Results

Comparing stated WTP (survey) to actual WTP (auction), high NBs significantly overstated their actual WTP, with a stated WTP of $24.55 and an actual WTP of $17.65 [t(76) = 7.21, p < .05]. On the other hand, low NBs did not overstate their actual WTP. The $16.75 auction bid was
not statistically different from the price they expressed to pay during the survey ($16.38) \( t(44) = .667, p > .05 \). Comparing the actual WTP amounts between the two groups, high NBs were willing to pay $17.65 while those with low NBs were willing to pay $16.75, though the difference was not significant \( t(118) = 1.10, p > .05 \).

**Study 2**

A second study was conducted to essentially replicate the findings from Study 1 and to extend them to locally produced wine. Very similar results were found among the 98 new participants, such that those with higher NBs (concerning EF or locally produced offerings) did report higher PIs and greater stated WTP. However, high NBs were found to overstate their actual WTP again, while low NBs did not for both EF and locally produced wine. Further, no significant differences were found between groups in terms of their actual WTP.

**Discussion**

Intentions based on NBs that are founded in guilt and/or fear may not translate to behavior, and this may be the reason for such a large gap between what people say and what they actually do. The purpose of this research is to show that those who do evidence stronger normative beliefs to buy EF and locally produced offerings may indicate greater intentions, but this does not actually translate to behavior; thus, a large disparity occurs. Alternatively, those less influenced by normative pressure (low NBs) did not overstate in a survey what they would actually pay in practice. Further, there was no significant difference between the NB groups in their actual WTP for an EF or locally produced product. These findings pose problems for the norm-intention-behavior link. Hence, the primary implication for advertisers (and organizations, etc.) is that those who spend their time and money trying to establish, create, or increase normative pressure through the use of guilt or fear appeals may be wasting their resources. References are available upon request.

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ABSTRACT

When Lowe’s Home Improvement bowed to pressure from Florida Family Association and pulled its ads from TLC’s *All-American Muslim*, #loweshatesmuslims quickly hit Twitter feeds, forcing Lowe’s to respond. Using the theory of planned behavior, SEM showed that subjective norms affected whether consumers planned to avoid purchasing from Lowe’s.

INTRODUCTION

When Lowe’s Home Improvement (Lowe’s) decided to pull its advertising from TLC’s *All-American Muslim*, a firestorm swelled as #loweshatesmuslims soon appeared on Twitter. In an effort to manage its image, Lowe’s apologized on its Facebook page, resulting in thousands of vitriolic responses – so many that Lowe’s pulled them from the page and replaced its original statement with a second apology. It is imperative that organizations use care in managing their brands, but social media present additional challenges when organizations respond to external stakeholders. Pulling advertising from TLC’s *All-American Muslim* created an organizational crisis for Lowe’s. Drawing on the work of Shaw, Shiu, Hassan, Bekin, and Hogg (2007) to study ethical decision making related to planned behavior, this study seeks to understand consumer decision making in relation to the advertising and social media choices of organizations, in this case, Lowe’s. Consumers are more likely to purchase from organizations that are viewed as socially responsible (Wigley 2008; Seeger 1997), which likely includes ethical organizational responses in brand management efforts.

With the advent of social networks such as Facebook and Twitter, organizations have realized the importance of communicating with their stakeholders and managing their brands via social media. Facebook, which recently celebrated its eighth anniversary, has as its mission: “to give people the power to share and make the world more open and connected” (Facebook Info 2012). Facebook now has more than 800 million users (Velaigam 2012). Twitter, another popular social networking site, was launched in 2006. By March 2008, Twitter had 1.3 million registered users, and by September 2011, that number had blossomed to 200 million with 50 million active users on a daily basis (Buck 2011). Besides individual users, many organizations have their own Facebook pages and Twitter streams. These social networking sites, among others, have become a new channel for relationship building between organizations and their stakeholders. Thus, reaching this socially networked world of consumers is essential for any brand, but it has moved beyond simple promotion. Benjamin (2011) states, “Gone are the days when social media was all about marketing through Twitter and Facebook. Brands are increasingly using the medium to be responsive and contactable and to resolve customer issues in real time” (p. 33). More companies are developing, enhancing, and monitoring their brands via social media (Magee 2012). The effectiveness of such social media use depends on how organizations communicate their brand in a variety of situations.

Two companies that were recently named top social media users by *PRWeek* include Carnival and BP, which like Lowe’s, have both used social networks related to crises. Magee (2012) said BP has focused much attention
on its social media channels since the 2010 Deepwater Horizon crisis. With regard to Carnival, after the recent Costa Concordia accident off the coast of Italy, “Facebook has been the most active channel for discussion of the accident” (p. 26). While Costa and Carnival’s social media channels are active, “Carnival’s corporate site is not playing a significant role” (Magee 2012, p. 26). This suggests a giant shift in corporate communication for brand management. Lowe’s also utilized Facebook to interact with its stakeholders, specifically to respond to consumer reaction to its advertising actions, the outcome of which was controversial.

**Lowe’s Under Fire**

TLC, a subsidiary of the privately held Discovery Communications, Inc., described *All-American Muslim* as a program that “follows the daily lives of five American Muslim families in Dearborn, Michigan, one of the most established and largest concentrations of American Muslims in the country and home to the largest mosque in the United States.” Eight *All-American Muslim* episodes were created, and were aired between November 13, 2011 and January 8, 2012. According to Allen (2011), *All-American Muslim* averaged 1.2 million weekly viewers and had a high of 1.7 million viewers for the premier episode. The December 11 episode, the day after Lowe’s pulled its support, dipped to under one million (Levin 2011).

The program faced criticism from those concerned that the program might convert others to follow Islam, but also from Muslims who thought that it did not show traditional Muslim lifestyles or the variety of Muslim beliefs and backgrounds (Allen 2011). The criticism, coupled with an economic downturn (Norris 2012), likely reinforced the need to be concerned about advertising support for a controversial program. Shortly after the program’s airing, a Florida-based religious organization known as the Florida Family Association (FFA) spoke out against the program, stating that it “risky hides the Islamic agenda’s clear and present danger to American liberties and traditional values” (FFA 2012). Reacting to pressure from the FFA, Lowe’s decided to pull its advertising support from the program as of December 10, 2011. Although FFA contacted more than 100 companies encouraging them to pull advertising from the program, and many did, Lowe’s seemed to take the brunt of the attack from users of social media. Although social media relationships are an important part of brand management, interactions on social media sites can impact consumer planned behavior, particularly when stakeholders question the ethical dimension of corporate decisions.

**Theory of Planned Behavior and Consumer Ethics**

Central to the theory of planned behavior (TPB) is that individual intentions to engage in a particular behavi-

ior indicate the likelihood of actually engaging in that behavior in the future (Ajzen 1985, 1991). The theory of planned behavior extends the theory of reasoned action (Ajzen and Fishbein 1980), by adding the concept of behavioral intentions. Behavioral intentions are a function of three distinct constructs: attitudes, subjective norms, and perceived behavioral control. Work on TPB by Ajzen and colleagues found that the more favorable the attitudes and subjective norms, and the greater the perceived behavioral control toward a particular behavior, the stronger the intention for performing that behavior will be. When individuals have a stronger motivation or intention to engage in a behavior, the TPB proposes that individuals are more likely to follow through with that behavior. Building on the work of Ajzen and others, Peruigini and Bagozzi (2001) contend that desire to engage in a focal behavior is the antecedent of intent to engage in said behavior. Desire is defined as “a state of mind whereby an agent has a personal motivation to perform an action or to achieve a goal” (Peruigini and Bagozzi 2001, p. 71).

Shaw and Shiu (2003) extended the theory of planned behavior to develop a model for understanding ethical consumer choices. “Ethical concerns are often ongoing and irresolvable” (Shaw and Shiu 2003, p. 1486), requiring more effort in decision-making. Most models ignore societal-centered concerns in favor of hedonic ones. In order to address the complexity of ethical considerations related to intent to behave in a particular manner, Shaw et al. (2007) proposed the need to examine attitude (ATT), subjective norm (SN), and perceived behavioral control (PBC), as well as ethical obligation and social identity as antecedents of planned behavior. These antecedents were then tested in the context of purchasing goods manufactured by sweatshop labor (Shaw et al. 2007).

Critics of TPB argue that motivations and volition underlying behavioral intent have received little attention; Shaw et al. (2007) thus view the model from the perspective of plan and desire being distinct from intention. In particular, their model looks specifically at desire (DES), intention (INTENT), and plan (PLAN) to avoid purchasing sweatshop clothing. In their study, “desire was found to be pertinent in fully mediating the effect of attitude and partially mediating the effect of subjective norm on intention” (p. 2). Moreover, desire was found to be distinct from intention. In fact, it was found to be a requirement, as attitude alone did not impact intention. Specifically, consumers have to desire the “positive attitude” associated with avoiding sweatshop clothing before intent kicks in. Furthermore, important others “can serve to impact personal motivation to act in terms of desire by positively supporting personal motivation or through negatively influencing desire to avoid sweatshop apparel” (p. 2). Discourse related to corporate decisions and identity is facilitated by social media.
Social media have the potential to affect TPB because of the introduction of multiple voices exerting pressure on user attitudes. Group norms and social identity, when added to TPB related to online communities, were found to significantly predict behavioral intentions (Bagozzi, Dholakia, and Mookerjee 2006). This suggests that online discussions could crystallize norms and identity, which can influence ethical consumer decision-making. Interestingly, it has been found that subjective norms failed to significantly predict intentions related to online communities (Bagozzi et al. 2007), and were not sufficient for capturing the means by which consumer self and social identity influence consumer intentions (Thorbjørnsen, Pedersen, and Nysveen 2007). Extending this research related to the potential influence of social media discourse on TPB, and consonant with Shaw et al. (2007), it is hypothesized:

H1: (a) ATT, (b) perceived SN, and (c) PBC will have a strong positive relationship with DES to avoid purchasing at Lowe’s.

H2: (a) ATT, (b) perceived SN, and (c) PBC will have a strong positive relationship with INTENT to avoid purchasing at Lowe’s.

H3: The relationship between (a) ATT, (b) perceived SN, (c) PBC and INTENT is mediated by DES.

H4: The relationship between (a) ATT, (b) perceived SN, (c) PBC and PLAN is mediated by DES and INTENT.

METHOD

Procedure and Sample

Individuals at least 18 years of age were solicited via social media sites such as Facebook and Twitter, as well as other electronic media to complete an electronic Qualtrics survey. The survey included an assessment of participant demographics, Facebook usage, TV viewing, and Lowe’s shopping behavior and opinions. In addition, participants were asked to read an embedded article about the Lowe’s decision to pull its advertising money from the TV show All-American Muslim, as well as the text of the Facebook apology Lowe’s posted shortly afterward. Next, participants were asked to complete a variety of scales adapted from the theory of planned behavior, as well as demographic items and other measures assessing their view of the ethicality of Lowe’s decision.

A total of 446 surveys were received, although 67 were eliminated because of being incomplete. The final operational sample (N = 379) was evenly balanced on gender (48% male and 52% female), and the majority (85.4%) were Caucasian (with 4.3% Asian American, 4% Latino, 3.2% African American, 1.1% Native American, and 2.1% other). Participants’ ages ranged from 18 to 76, with a mean age of 35. Participants self-identified as married (46.7%), not married (47.2%) or in a domestic partnership (6.1%). In addition, they identified as Democrats (34.9%), Republicans (28%), Independents (32.3%), or Libertarians (4.8%). Participant education ranged from a doctorate (5.9%), through master’s (14.4%), bachelor’s (35.1%), some college (37%), and high school (7.7%). Finally, all 50 states and Washington, D.C. were represented in the sample with the most common location being Texas (29.4%).

Measures

Demographics. Items were collected on each participant’s age, gender, ethnicity, marital status, education, political affiliation, and state of residence.

Planned Behavior (TPB). Scale items in the TPB survey were adapted to fit the Lowe’s scenario, with the primary goal of assessing respondents’ planned avoidance or non-avoidance of Lowe’s. Wording of these items was as consistent as possible to that set forth in Shaw et al. (2007), whose application regarding purchasing products manufactured by sweatshop labor was modified to reflect attitudes and intent toward purchasing from Lowe’s following the company’s controversial decision to stop advertising on All-American Muslim. The Cronbach’s alpha for the full scale was .76.

Consistent with prior studies (e.g., Ajzen and Fishbein 1980; Ajzen and Madden 1986; Shaw et al. 2007), overall attitudes toward Lowe’s were measured by asking respondents to evaluate the behavior using five 7-point semantic differential scales. Participants used the following adjectives to appraise Lowe’s: (a) foolish – wise; (b) harmful – beneficial; (c) boring – exciting; (d) enjoyable – unenjoyable (reverse coded); and, (e) good – bad (reverse coded). Two additional items were added to the attitude construct, in order to reflect nuances of the apology issued on Facebook. These two items, though, were ultimately eliminated after Exploratory Factor Analysis (using SPSS) and Confirmatory Factor Analysis (using AMOS) were performed on the data. The attitude subscale of the TPB had a Cronbach’s alpha of .91.

Subjective norms (SN) (e.g., Ajzen and Fishbein 1980; Ajzen and Madden 1986; Shaw et al. 2007) were assessed by asking whether respondents believed that those who are important to them think they should shop with Lowe’s and whether those referent others would approve of this behavior. Responses to these two items ranged from 1 should to 7 should not. The subjective norms subscale of the TPB had a Cronbach’s alpha of .81.
Perceived behavioral control (PBC) (e.g., Ajzen and Fishbein 1980; Ajzen and Madden 1986; Shaw et al. 2007) was measured using three items. Consistent to past research using the TPB (e.g., Ajzen and Madden 1986), PBC assessed the participants’ perception of control over shopping at Lowe’s. Responses were made on a 7-point scale (1 strongly disagree to 7 strongly agree). The perceived behavioral control subscale of the TPB had a Cronbach’s alpha of .81.

Desire to avoid purchasing at Lowe’s was measured using two-items. Responses were made on a 7-point scale (1 strongly disagree to 7 strongly agree). The desire subscale of the TPB had a Cronbach’s alpha of .97.

Behavioral intentions (BI) (e.g., Ajzen and Fishbein 1980; Ajzen and Madden 1986; Shaw et al. 2007) were measured with two items asking participants their likelihood of avoiding making purchases at Lowe’s and intent of avoiding purchasing at Lowe’s. Respondents used a 7-point scale ranging from 1 very unlikely to 7 very likely. The behavioral intentions subscale of the TPB had a Cronbach’s alpha of .88.

Finally, planned behavior was measured using two-items. Consistent with past research, the plans participants have made to avoid shopping at Lowe’s were assessed. Responses were made on a 7-point scale (1 strongly disagree to 7 strongly agree). The desire subscale of the TPB had a Cronbach’s alpha of .96.

RESULTS

Confirmatory factor analysis (CFA) and structural equation modeling (SEM) analyses were conducted using AMOS 4.0 software (Wothke and Arbuckle 1996) with maximum-likelihood estimation. Structural Equation Models were calculated for a Base Model (ATT, SN and PBC effect on PLAN), Partially Mediated Model 1 (ATT, SN, and PBC relationship to PLAN as mediated by DES), Partially Mediated Model 2 (ATT, SN, and PBC relationship to PLAN as mediated by INTENT), and Fully Mediated Model (ATT, SN and PBC relationship to PLAN as mediated by DES and INTENT). An examination of the differences between the measured model (CFA) and the proposed models (SEM) revealed reasonably good overall fits. Table 1 compares the goodness of fit between the models, along with other relevant measures. A comparison of the four proposed models and the measured model (CFA) supported the fully mediated model as providing the most acceptable path relative to the measured model. This was determined by comparing the X²s and the normed

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X’s of the models. The fully mediated model presented no significant change of the $X^2$ (9.091) nor a significant increase in the normed $X^2$, with only an increase of .009 from the measured $X^2$ of 2.113 to 2.122 for the fully mediated model. The model also returned a CFI of .984 (CFI; Bentler 1990) and a RMSEA of .054 (RMSEA; Steiger and Lind 1980) both indicative of acceptable fit (Bentler and Bonett 1980; Browne and Cudeck 1992; Hu and Bentler 1999). This suggested no other alternative path from that of the proposed model was needed.

Table 2 reports the regression weights for the path model, with Figure 1 depicting the relationships. Results show that ATT had a weak yet significant negative relationship to DES, while DES mediated INTENT. The role of SN is significant as it affected DES, and subsequently INTENT and PLAN. Based on these results, support was thus found for all hypotheses except H1a, H2a, and H2c (see Table 2).

**DISCUSSION**

The negative relationship between ATT and DES indicates that respondents’ views toward Lowe’s apology are of little or no consequence in their decision to avoid/not avoid purchasing at Lowe’s. Instead, it is peer pressure as reflected in SN that is wielding the most influence. In other words, the strong positive relationship between SN and DES, and subsequently INTENT and PLAN, indicate that participants are more concerned with the perception of how their peer group will view them, rather than their own attitudes toward the store.

Furthermore, the weak relationship between PBC and DES indicates that being able to avoid shopping at Lowe’s is not the issue. It may have been different if everything the respondent needs is at Lowe’s, but this is not likely the case. Instead, the results show that, for this sample, it is the perception of what others might think that is driving shoppers to declare their avoidance of Lowe’s.

The findings point to the impact social media can have on people’s planned behavior. The majority of information disseminated about Lowe’s decision was delivered via social media by both the company and thousands of users which, attesting to the legitimacy of these media as well as the inherent risks. The public forum of a corporate Facebook page, as well as the completely unregulated and un-moderated Twitter feed, allow anyone with an opinion to voice it easily. It is entirely possible that the results reported herein are a result of just this phenomenon.
It is also possible that the effects of SN are magnified in the social media era because the notion of one’s peer group has been redefined. No longer are individuals limited to face-to-face interaction, nor temporal nor geographic exchanges. Instead, social media allow for the interaction between a person and his/her friends across multiple layers of one’s life, and, in the case of corporate and organization pages, with people completely unknown to the user. These layers are connected easily by social media, and can span decades and continents.

It is evident that brand perception (in this case, that of Lowe’s) is affected by SN via social media. Whereas 10–20 years ago individuals would be exposed to subjective norms only through their temporal spheres of face-to-face contact, they are now exposed to the perceived views of many by virtue of computer mediated contact. The impact in this instance is a plan to avoid shopping at Lowe’s. Furthermore, that SN would outweigh an individual’s own attitudes is a significant indicator of how planned behaviors (and by extension, brand perception) can be affected via social media.

This study is limited in that it is but a small sample limited to self-reported Facebook users. It is possible that many other shoppers became aware of the controversy without benefit of having seen the dialogue on Facebook or other social media. There may also be geographic difference, given that Lowe’s is a more dominant competitor in the U.S. South.

The controversy occurring immediately before the winter holidays may also have reduced the impact on persons than had it occurred when there were fewer social distractions. Shoppers may have been more attuned to gift-buying than participating in boycotts. Still, the sample is diverse geographically, with good representation across age groups and gender, and there is little reason to suspect that any other sample would respond differently.

Finally, it should be considered that PLAN is not necessarily ACTION. In other words, while respondents may indicate they will avoid purchasing at Lowe’s, only a longitudinal study would allow for examination of actual purchase (or non-purchase) behavior resulting from the controversy. It is possible that shoppers might avoid shopping at Lowe’s in the short-run, only to return there in the long-run; it is also possible that, while shoppers exhibit the effect of peer pressure when in the context of planned behavior, there may be a disconnect when it comes to actually refraining from their stated plan. A future examination of Lowe’s sales data at both the aggregated and same-store level would be able to reveal long-term effects.

<table>
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<th>Construct</th>
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<th>Estimate</th>
<th>S. E.</th>
<th>C.R.</th>
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**TABLE 2**

**Fully Mediated Model**
REFERENCES


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BRAND HERITAGE IN THE LUXURY INDUSTRY: CREATING AND DELIVERING CONTINUOUS VALUE TO CONSUMERS

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SUMMARY

Heritage brands stand for longevity and authenticity, as proof that the core values and performance of the given products are reliable. Focusing on the market for luxury goods where the origin and heritage of a brand is something that consumers are increasingly aware of, the aim of the present study is to analyze the value drivers and outcomes of brand heritage and luxury brand perception. The empirical results show significant effects of brand heritage and luxury brand perception on customer perceived value related to the given brand.

In the luxury industry, most brands are based on craftsmanship in family business with well-known founding fathers; their history is deep-rooted and authentic what creates the heart of brand heritage. The heritage aspect is a crucial part of a luxury brand as it has to appear both perfectly modern to the society of the day and at the same time laden with history. Starting from an integral customer perceived value concept, to investigate the relationships between brand heritage, brand luxury perception and customer perceived value, in our questionnaire, we used already existing and tested measures for brand heritage, brand luxury perception, and customer perceived value. In detail, the measures for brand heritage and brand luxury are by definition and based on the nature of their content conceptualized as formative drivers causing the latent constructs, whereas the reflective indicators of customer perceived value are defined as being caused by the underlying construct. All items were rated on five-point Likert scales and specified to the brand CHANEL, one of the world's leading luxury brands with a strong heritage and a broad product range encompassing both haute couture fashion as well as accessible goods such as accessories, makeup, jewelry, fragrances, skincare etc. For data collection, an Internet survey with a snowball sampling method was employed. The interviewees were invited to actively participate in the survey via personalized emails and links on selective web pages (e.g., Facebook profile pages). A total of 333 valid questionnaires in Germany were received in winter 2011. All respondents have bought or used the brand CHANEL at least once to ensure sufficient brand usage knowledge.

To examine the drivers and outcomes of brand heritage as well as brand luxury and to empirically test our hypotheses, we used Partial Least Squares (PLS) structural modeling. Due to the fact that our conceptual model includes formative and reflective constructs, PLS was considered as the appropriate method. Our PLS path model for antecedents/drivers and consequences/reflectors of brand heritage and brand luxury perception determines the indicators that create brand heritage as well as brand luxury perception using formative measurement and the four types of consumer perceived value using reflective measurement.

With reference to the evaluation of the formative and reflective measurement models, the results revealed satisfactory values. To test the significance of the relations between the latent variables, we applied a nonparametric bootstrapping procedure. The results of the test of our hypotheses revealed the following insights: In H1, a positive effect of brand heritage on brand luxury was postulated. These relation is positive and significant (p < .01), providing full support for H1. Moreover, the postulated effects of brand heritage as well as brand luxury perception on all four dimensions of customer perceived value are positive and significant (p < .01). Consequently, these empirical findings are in line with H2a to H2d and H3a to H3d.

The results indicate that brand heritage has a strong impact on brand luxury. Besides, both constructs have a strong effect on all examined dimensions of customer perceived value. Moreover, the results give evidence that the respective formative indicators of brand heritage as well as brand luxury differ in their impact upon the corresponding construct. Brand managers should concentrate their marketing activities on indicators with the greatest importance to build and sustain a meaningful brand.

In a global economy, where competitive products or counterfeits are easily available, brand managers should identify and concentrate on the specific value dimension that is regarded as the most important driver of consumption for their brand. Based on this, the market communi-
cation should stress the perceived values and emphasize
the benefits of the given brand over competing brands or
fake products. Even if low-cost counterfeit luxuries allow
their buyers to be in tune with fashion without spending an
exorbitant amount of money, a counterfeit product will
never be able to provide the same pleasure or satisfy the
individual need for sensory gratification. Consumers who
place importance on the heritage aspect or hedonistic and
materialistic product features might have a negative atti-
tude toward a counterfeit purchase because they are aware
of the self-deceiving aspect of this behavior. In order to be
successful and to obtain a high perceived value in their
customers’ eye, luxury brand managers will have to
address all relevant value dimensions: To be considered
as a luxury brand in the eyes of the customers, it’s about
understanding the customers’ evaluation and accentuat-
ing the brand appropriately to appeal to both their cogni-
tive needs and affective desires. In sum, successful luxury
brands balance the timelessness of brand heritage with
innovative market communication and brand positioning
to address contemporary consumers’ needs and value
perception. References are available upon request.

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LOSS OF BRAND EQUITY IN CRISSES: THE IMPACT OF EMOTIONS AND ATTRIBUTIONS IN PRODUCT AND NON-PRODUCT NEGATIVE PUBLICITY

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SUMMARY

Companies expend a substantial amount of resource to become distinctive in the mind of consumers through branding. Brand equity is a fragile strategic asset that takes many years to build, the value of which could be lost overnight due to negative publicity and the over-reaching power of mass media. Due to its strategic importance, restoring brand equity is essential for companies mired in negative publicity.

Extant literature examined the link between negative publicity and brand equity (Dawar and Pillutla 2000; Jing, Dawar, and Lemmink 2008; Klein and Dawar 2004; Laczniak, DeCarlo, and Ramaswami 2001). However, several research questions remain unanswered. First, the impact of consumer emotions on brand equity is unexplored. Modern consumers no longer simply buy products and services. Instead they purchase the emotional experience around what is being sold (Fournier 1998; Morrison and Crane 2007). While the term emotional branding has received wide-spread attention from marketing practitioners for years, to date it is still a construct seldom researched by academic researchers. By linking consumers’ post-scandal emotions and brand equity, we highlight a previously veiled example of emotional branding. Second, extant research usually looks at instances of product-harm crises. However, the effect of negative publicity is by no means uniform. Different types of negative publicity may influence brand equity in different ways, and requires tailored responses from the company (Pullig, Netemeyer, and Biswas 2006; Tybout and Roehm 2009). It is still unclear whether consumers adopt similar processing strategies when facing different scandals, especially product and non-product scandals. Product scandal is defined as the wide-spread negative information that indicates the defect or danger embedded in the products or services, whereas non-product scandal is defined as the reported egregious social performance of the company or the brand. For example, product-harm crisis is a type of product negative publicity, and excessive carbon emission is a type of non-product negative publicity. In the literature, the former is better understood and more intensively researched than the latter. The comparison between the two, however, is rare. Third, when investigating the emotions triggered by product and non-product scandals, it should be noted that the product-based negative public-
was being widely sold on the market. In the non-product scandal scenario, the winery company was involved in a fatal workplace injury, in which a 20-year-old part-time employee was killed by a snake bite while working in the vineyard, because she had not been provided proper safety equipment. There were no co-workers or supervisors around to help her when the tragedy happened. The survey data obtained from the responses of 525 Australians indicates that: (1) both emotions and attributions can influence brand equity in product negative publicity; (2) attributions influence all the dimensions of brand equity whereas emotions only influence brand association in a non-product scandal; (3) emotional impact is similar between the two types of scandals, but attributional impact is stronger in the product scandal except for the effect on the perception of product quality; (4) the impact of negative publicity on consumers’ willingness to pay and brand loyalty is fully mediated by brand association and quality perception.

Our study recommends managers to recognize that there are different types of scandals. Therefore, response strategies should be tailored to be consistent with the type of scandals. For example, in a product-harm crisis, consumer attributions are of more importance than a non-product scandal. Thus, a defensive reaction might be justifiable to decrease unnecessary suspicous on corporate integrity. In contrast, in a social scandal like environmental pollution, actions such as affective repair might appease the public emotions by offering possibilities for emotion or problem-focused coping. Several areas are left as avenues for future research. First, we eliminate rather than study the consumer heterogeneity in our model. Future studies can investigate the impact of age, gender, and personality on the links between negative publicity and brand equity. Second, there might be other information-processing routes in addition to emotions and attributions. The identification of such routes can improve the understanding of corporate scandals. Third, we did not discuss the relationship between attributions and emotions in our paper due to the complexity and potential reciprocity. Future studies can adopt longitudinal designs to disentangle the connection between the two. References are available on request.

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INVESTIGATING HOW WORD-OF-MOUTH DRIVES INFORMATION SEARCH FOR A BRAND

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SUMMARY

In this study we investigate how word-of-mouth about a brand (WOM) influences subsequent information search activity by the WOM recipient. We assess the impact of both WOM-level and brand-level characteristics in a series of hierarchical models using data from a (1) longitudinal, nationally representative panel that tracks consumer brand-related WOM of more than 1,000 brands and (2) brand-level measures brand equity (Equitrend). Key findings from this study include the following: (1) positive WOM has an asymmetrically larger absolute effect on information search than negative WOM, (2) online WOM tends to drive more information search than WOM received offline, although the positive impact of the online channel is attenuated somewhat in the case of negative WOM, (3) WOM received from strong social ties tends to motivate information search more than WOM received from weak social ties, but this difference is attenuated if the conversations are generally negative or positive about a brand, (4) information search is a more likely consequence of both positive and negative WOM if brand has higher overall brand equity, and (5) information search is a more likely consequence from a WOM episode with a weak social tie if the brand has higher overall brand equity.

Based on attraction/avoidance theories and information search behavior in the face of skepticism, we hypothesize the following:

H1 & H2: Positive WOM has a positive influence on intentions to seek additional information, and negative WOM has a negative effect. Positive WOM has a greater absolute effect.

Electronic marketplaces have been characterized as platforms that substantially lower search costs (Bakos 1997) and thus increase consumer information search relative to offline channels (Lynch, Jr. and Ariely 2000).

H3: WOM occurring offline tends to decrease intentions to seek additional information compared with online WOM.

Furthermore, it is likely that the arousal/avoidance effect of message valence on consumer information search (H1) will be moderated by the cost of searching out additional information about the brand.

H4: The positive effect of positive WOM on intentions to seek additional information is attenuated when the conversation occurs offline, whereas the negative effect of negative WOM on intentions to seek additional information is accentuated when the conversation occurs offline. Researchers have also linked how WOM disperses across consumer groups to marketing performance. Systematic differences in social tie communication styles between weak and strong ties suggest that how the brand-related valence in a WOM conversation affects intentions to seek additional information will be moderated by the social tie strength.

H5: The positive effect of positive WOM on intentions to seek additional information is attenuated when the conversation occurs between strong social ties, whereas the negative effect of negative WOM on intentions to seek additional information is accentuated when the conversation occurs between strong social ties.

Brands with characteristically high levels of brand equity are expected to be relatively more well-known and have more overall positive associations about them (Keller 2001). Consequently, when a WOM recipient receives negative sentiment about a well-known and generally liked brand, there should be a greater motivation to seek additional information about the brand to seek confirmation or disconfirmation of the brand sentiment.

H6: Compared with brands with lower levels of overall brand equity, brands with higher levels of overall brand equity will have higher levels of intentions to seek additional information when a consumer receives negative WOM about the brand.

For brands with high levels of brand equity, the search behaviors of the WOM recipient should be less impacted by who transmitted the WOM.
H7: Compared with brands with lower levels of overall brand equity, brands with higher levels of overall brand equity have higher levels of intentions to seek additional information when a consumer receives WOM from a weak social tie.

The WOM conversation data analyzed in this study comes from a proprietary database developed and maintained by a marketing consulting firm specializing in providing clients with highly detailed information about U.S. consumers’ WOM activity both offline and online.

The valence of the WOM conversations about a brand is reported by the panel respondent as being either positive, negative, neutral, or mixed. We coded the reported communication medium as either offline or online. BrandChat participants also identify their relationship with the person (coded as strong or weak tie). The 2007 and 2008 BrandWeek Superbrands annual special reports were used to compile brand equity measures. The dependent variable, seeking additional brand-related information, is an 11-point scale using the BrandChat panel participants’ self-report of their propensity to seek additional information about the brand as a result of the WOM conversation. Six hundred and fifty-four brands (level 2) were selected for analysis from the BrandChat database comprising a total of 188,510 conversations (level 1). This full sample was used to evaluate H1 – H5. Not all brands in the BrandChat database were included in the Equitrend database. A subsample of brands was used to evaluate H6 and H7. A total of 226 brands were represented in this sub analysis comprising 125,460 WOM conversations.

A random coefficient regression model was used to test the hypotheses. The population regression intercept is allowed to vary across brands. Likewise, the main effects of WOM valence, channel, and social tie strength allowed to randomly deviate across brands. H1, H2, H3, and H5 were supported. H4 was not supported. H6 was partly supported and H7 was fully supported. References are available upon request.

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EMPLOYEES AS INTERNAL BRAND CONSUMERS: THE NATURE OF RELATIONSHIPS

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SUMMARY

In the past few decades, as the role of the brand has evolved, so too has the role of the employee in brand delivery. In particular, the employee is considered a brand enabler and co-creator of brand value (Merz, Yi, and Vargo 2009). If the free press is any indication, companies such as Starbucks, Ritz-Carlton, Zappos, and Southwest Airlines appear to have achieved the goal of turning employees into brand champions, i.e., those who consistently deliver on the brand promise, and in so doing have set themselves apart from the rest within highly competitive market situations. Thus the employee as an advocate for his/her own brand has achieved heightened attention of late, such that the employee may be viewed as a brand consumer in his/her own right.

However, despite a wealth of research into consumer relationships with brands (e.g., Aaker 1997; Fournier 1998), with some notable exceptions (see Hughes and Ahearne 2010; Morhart, Herzog, and Tomczak 2009; Wieseke et al. 2009) how employees relate to their own brands and subsequently exhibit specific brand-behaviors is poorly understood. Particularly, little attention has been directed toward the concept of the employee as an internal brand consumer (for exceptions see Gilly and Wolfinbarger 1998; Berry 1995; Schneider and Bowen 1985; Merz, Yi, and Vargo 2009).

Given the relative paucity of literature on employees and brands we adopt a grounded theory approach and conduct a series of depth interviews to access employees’ insights and experiences with the brand. The themes that emerged were used to construct a conceptual framework.

Our findings propose that, in the same ways as consumers, (a) employees seek symbolic and emotional value beyond functional value from the brand they work for, (b) employees draw on brand associations in the form of benefits to assess their self-congruence with the brand, (c) employees form self-brand connections and they identify with the brand, and (d) employees exhibit brand specific behaviors dependent on levels of employee self brand connections and employee brand identification.

Our study makes a number of key contributions. Firstly, it expands on existing consumer brand relationship theory (Fournier 1998; Aggarwal 2004) to provide a broad view of the relationship components between brands and internal consumers, i.e., employees. Our findings contribute to self-congruence theorization in consumers (Aaker 1999; Sirgy 1982) in suggesting employees draw on brand associations in this case brand benefits which they “use” to form connections based on congruence with their self-concept which in turn lead to brand identification. Our research is distinct in bridging the divide between consumers, i.e., those consuming brands outside of the company and those inside the company. Secondly, by positing that self-brand connections and brand identification are the constructs which lie at the heart of the relationship employees appear to have with their brand, the study goes some way to addressing scholars’ calls to identify the antecedent conditions for brand specific behaviors (Morhart, Herzog, and Tomczak 2009). In addition to expanding the consumer brand relationship research domain, our research contributes to the fairly recent scholarship on how and why employees interact with their own brands and how this interaction affects their brand-specific behaviors (Hughes and Ahearne 2010; Morhart, Herzog, and Tomczak 2009; Wieseke et al. 2009). Finally, besides new theoretical implications for academic research, the research has important managerial implications, to maximize the positive effects of employee and brand relationships, managers must realize their own capabilities in enabling brand specific behaviors. If managers can maximize the brand value proposition for
employees the connection and identification with the brand that follows will have a positive effect on their behaviors toward the brand. Furthermore, managers must adopt the view that brand-building is not only an external consumer-oriented strategy but indeed an internal consumer strategy. A limitation of this study is that it examines employees of particularly well-known brands. Future efforts should examine employees of lesser-known brands. References are available upon request.

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TO BE FAMILIAR OR TO BE THERE? BRAND FAMILIARITY, SOCIAL PRESENCE, AND ONLINE RETAILING

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SUMMARY

While there is little doubt about the importance of web store image on online retailing, which factors and how such factors may influence the establishment of a strong web store image, consequently the formation of consumers’ purchase intention, however, are still not well understood. In this study, by employing a theoretical framework based on the stimulus-organism-response (SOR) paradigm, we investigate the roles of both brand familiarity and social presence regarding web store emotional image improvement and, sequentially, consumers’ online purchase intention.

The stimulus-organism-response (SOR) paradigm, developed by Mehrabian and Russell (References including this are available on request), fits nicely with the online marketing context, as online consumers are constantly facing various website features and other factors that are critical in shaping consumers’ vendor evaluations and their subsequent purchase intentions. This study considers brand familiarity (the number of brand-related direct or indirect experiences that have been accrued by the consumer) and social presence (interactivity and vividness) as the stimuli that activate online consumers’ affective and cognitive processes, because these two factors are widely documented in the literature as related to web store image improvement (the nature of the relationships, however, has never been depicted conclusively). The cognitive states investigated in this study are web store images perceived by consumers. In alignment with the SOR paradigm, we focus on the emotional store image and its three major dimensions: usefulness, entertainment and trustworthiness. Finally, online purchase intention serves as the response construct in our application of SOR paradigm. The sequence of effects in our theoretical model is that brand familiarity and social presence (S) influence consumers’ perceptions of web store emotional image (O), which in turn influences customers’ online purchase intentions (R). Based on this model, we develop the following hypotheses,

H1: Increased brand familiarity will result in greater web store emotional image.
H2: Increased social presence will result in greater web store emotional image.
H3: Increased brand familiarity will result in greater purchase intention in a web store.
H4: Increased social presence will result in greater purchase intention in a web store.
H5: Web store emotional image will mediate the relationship between brand familiarity/social presence and consumers’ online purchase intention.

We develop a 2X2 between-subjects factorial design experiment on Business-to-Consumer apparel retailing sites, conducted with 160 subjects, all undergraduate students in a large public university in China. Two levels of both brand familiarity (low versus high) and social presence (low versus high) were manipulated as independent variables, generating four experimental conditions. All the constructs included in the study are measured on a seven-point Likert scale. Scale reliabilities are evaluated using Cronbach’s Alpha (α). We develop nine web store emotional image items and conduct a factor analysis with Varimax rotation (the measurements are deemed appropriate by checking KMO and the Barlett’s test of sphericity) to identify entertainment, trustworthiness, and usefulness. Furthermore, we conduct manipulation checks on all the three constructs.

Our analysis reveals that social presence affects both web store emotional image and purchase intention, whereas the influences of brand familiarity on these constructs are limited. We also find that among the three dimensions of web store emotional image, only the entertaining dimension plays a mediating role in the relationship between social presence and purchase intention. The other aspects of store image, although important in determining purchase intention, do not intercede or change the way how social presence affects purchase intention. These findings have significant managerial implications. We also discuss limitations and some interesting avenues for future research.
DO PERSONALITY TRAITS INFLUENCE BRAND RELATED ACTIVITIES IN SOCIAL NETWORKS? AN EMPIRICAL STUDY

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Björn S. Ivens, University of Bamberg, Germany
Gunnar Mau, University of Siegen, Germany

SUMMARY

Facebook is getting more and more important all over the world. More than 700,000 registered users use this online social network to build up and maintain interpersonal relationships and to spend their freetime. Companies can use Facebook as a new channel to interact with their stakeholders, especially with customers. Most of the companies use so called “fanpages” (synonym: brand page). Registered users can connect their personal profiles with those fanpages and become a “fan” of a brand by clicking the “I Like”-Button. Some brands, for example Red Bull, have more than 30 million fans on Facebook.

Marketers can use those fanpages as a channel for publishing contents to their fans and for interacting with them. For example, they can publish pictures of new products and ask their fans about their opinion. However, only a part of the registered users is fan of brands on Facebook or even actively engaging on those brand pages. But who are those active fans? In this empirical study, we examine the relationship between the “Big Five” personality traits and brand related behavior on Facebook. Results are tested on a sample of 865 German “brand fans” on Facebook (mostly students) using moderated regression analyses.

Prior research, mostly from computer science, communications, or psychology investigated the relationship between the user personality and private usage behavior on the internet, especially in social media. Summarizing the findings from those studies, especially extraversion plays an important role in how people use social media. To the best of our knowledge, however, no research on the effects of personality traits on brand related behavior in social media is available. Hence, the scholarly call for such research remains still unanswered.

We measure the independent variables, the “Big Five,” with a reliable German scale with five items for each dimension. Based on qualitative interviews we identified possible brand related activities on fanpages. Those activities were aggregated to indices based on the three-dimensional structure of “consumer online brand related activities (“COBRAs”) from Muntinga et al. (2011). Consuming consists of passive activities, such as watching brand related photos or reading reviews from other fans. Contributing consists of activities with a medium level of interaction, for example to vote in polls or take part in discussions with other fans. Creating is the strongest form of COBRAs, which includes activities like publishing own brand related pictures or writing reviews.

Results from regression analyses reveal that openness to experience and conscientiousness both have a significant effect on all three dimensions of COBRAs. However, the predictive powers of the analyses are low (all $R^2 < 5\%$).

In a second step, we included moderators into our model. The results are surprising and lead to a significant increase of the predictive power: The effects are, with one exception, only significant within the female respondents. Additionally, Facebook-involvement was identified as a moderator: The effects of the personality traits on the COBRAs are stronger when users show a high involvement with Facebook.

The results have important theoretical and managerial implications: To the best of our knowledge, this is the first study examining the relationships between personality traits and brand related activities in social networks. Additionally, the study gives suggestions why the explanatory power of prior studies was very low: most of the other studies did not include moderators in their analyses. The findings also underline the importance of the sample in personality research. Samples with a high share of male respondents might lead to weak or even insignificant effects. Additionally, our results are also contrary to the private usage of social networks: in the field of brand related activities, extraversion plays a less important role. Marketers can use these findings to optimize their communication.

Future studies should adopt brand related characteristics (e.g., emotional brand attachment or brand love) and motivations. As studies from clinical psychologists reveal, Facebook usage has an impact on several constructs related to social well-being, as Facebook helps users to maintain their personal networks. It would be interesting to analyze if brand related activities on fanpages...
also have an impact on those constructs. This seems to be plausible, as users can build up relationships with users who have similar (brand) interests, or, in a more abstract way, with a brand. Furthermore, fans have the opportunity to fulfill themselves by creating contents and to get praised by other fans. Finally, replications in other countries and with representative samples should be conducted. References are available upon request.

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IDENTITY PRESENTATION AND CONFLICT IN A SOCIAL NETWORK: IMPLICATIONS FOR BRANDING IN SOCIAL GAMES

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SUMMARY

Reasons for consumer participation in social networks vary widely; these motivations can influence an individual’s online identity as well as his or her willingness to interact with brands in a social network setting. McCann (2010) suggests that while some users may view social networks as a tool to learn about new products, others view them as a way to build relationships and hang out in a virtual setting. As social networks become more integrated into consumers’ daily lives, they increasingly bring together more diverse groups of individuals. The present research seeks to understand how consumers manage the individual communities within which they participate as well as the varying digital identities they reveal to other network members. As a user’s social network size increases to accommodate new friends and interests, she may feel conflict in selecting a social identity that simultaneously satisfies multiple communities. This can create a tension between presenting a single, consistent identity to all users versus managing distinct identities aimed at different community groups. Such a tension often arises in the context of social gaming, a context we use to investigate the questions posed above.

Methodology

In order to provide a rich description of the social gaming community culture, a combination of netnography and interviews was used (Kozinets 1998). Analysis of interview findings followed procedures outlined by Corbin and Strauss. Participant interviews were open-ended and explored a variety of topics related to self-presentation, coping mechanisms, and impressions of brand related advertising. Interview participants were selected from a diverse group of gamers, and interviews were conducted until saturation occurred and additional interviews generated no additional insights. A total of 18 social network gamers agreed to take part in this research.

Sources of Conflict

Social networking sites often bring vastly different groups of individuals together, which can create internal conflict in attempting to satisfy the conflicting expectations of various groups simultaneously (Biddle 1986). Users reported role conflict in managing three areas of their self presentation. The most prominent conflict that users manage is the one that exists between the professional and personal presentation of self. Second, Facebook algorithms suggest potential Friends based on a user’s existing network of Friends, often resulting in users receiving Friend requests from colleagues, friends, acquaintances, and even strangers. Conflict arises in assessing whether or not to allow these individuals to be a part of one’s network. On the one hand, users do not wish to offend someone who requests ‘Friend’ status. On the other hand, they may also feel that access should be limited to those who are known in real life. Finally, gamers suggest that self-presentation issues are exacerbated by the differences between friends and family. Interactions with family members are likely to be quite different than those with friends, and expectations between the two groups also vary considerably.

Coping Mechanisms

Our research identified three types of coping mechanisms used to address the tensions described above. First, users cope with various tensions by determining which individuals will be allowed into their social network. Once Friends have been granted access, tension can still arise in determining how to present oneself to others. The second type of coping involves censoring oneself to her entire network by carefully choosing objects for display. Several informants noted that they try to be more moderate on Facebook than they are in face-to-face, recognizing the diverse audience to which they communicate online. The final type of coping mechanism is to segregate individuals into distinct groups and to then present different, targeted information to each group. Some participants utilize the group function as a courtesy to others who may find some posts irrelevant or annoying.

What Does This Mean for Brands and Marketing Managers?

Social network game-related advertising campaigns can be grouped into four categories that fall along two dimensions. The first dimension refers to the action context. Advertising campaigns can require gamers to take action online or offline. When the action is online, the gamer experiences minimal disruption in her activity flow and is easily able to maneuver between the activities requested by the ad and the game itself. Offline actions disrupt the gamer’s behavior and may cause internal
conflict as the gamer attempts to keep her game-related world separate from the rest of her life. The second dimension is related to the game context. An advertiser’s campaign may take place solely within the game or may require gamers to exit the game (but remain online) in order to complete a task. Campaigns housed solely within a social network game allow gamers to keep game related behaviors private, whereas out-of-game campaigns may cause conflict in requiring gamers to publicly show they are playing games. The two dimensions create a typology of brand related advertising that can be used to generate differing levels of benefits for firms. We label the four categories created by these dimensions as Awareness, Co-branding, Fans, and Sales.

The first category (“Awareness”) involves an advertising campaign designed to take place strictly within the game. Campaigns in this category build awareness by requiring gamers to complete brand-related in-game tasks, having similar (but stronger) effects to those observed for product placements in movies and video games. Furthermore, unlike traditional product placements, the direct effects of these campaigns can be assessed. This category is likely to minimize the tension associated with self-presentation to distinct social network communities. The second category (“Co-branding”) is designed to generate offline traffic related to the game. This cell represents retailers looking to gain exposure to social network gamers without creating their own extensive online presence. The benefits of this cell are primarily to Zynga and the retailer carrying the card. As was the case for category one, this strategy is not likely to create increased cross-community self-presentation conflict for the gamer. The third category (“Fans”) is focused on generating an increase in social network traffic for the brand. Gamers are required to leave the game and complete a separate online task—such as becoming a brand Fan—in order to receive an in-game benefit. Unlike categories one and two, however, the “Fan” strategy publicly identifies the gamer as a brand Fan to the members of her social network, thereby increasing her need to manage the potential for self-presentation conflict. The final category (“Sales”) is designed to generate brand sales offline. With gamers already willing to spend cash online within a game, social network game advertising can be a profitable venture for brands. However, this category also has the potential to induce self-presentation conflict for gamers. References are available upon request.

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RISK REDUCING PORTFOLIO EFFECTS: UNCERTAINTY AVOIDANCE IN BRAND EXTENSIONS

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ABSTRACT
An individual’s level of uncertainty avoidance impacts brand extension evaluations but uncertainty avoidance is composed of two sub-dimensions: risk aversion and ambiguity tolerance. This study finds high uncertainty avoidance individuals prefer extensions from broad breadth brands over narrow brands which conflicts with prior studies and this finding holds across sub-dimensions.

INTRODUCTION
Introducing a brand extension is a strategic but risky endeavor. Extensions build upon the parent brand’s equity and can benefit from positive attributes transferring to the extension (Boush and Loken 1991; Keller 1998; Milberg, Park, and McCarthy 1997; Nijssen and Agustin 2005). Thus, the expected promotional costs are lower and trial rates are higher for brand extensions than when introducing the product under a new brand (Keller 1998; Keller and Aaker 1998; Klink and Athaide 2010). However, to obtain these benefits the parent brand’s image and future sales are offered as collateral (Dacin and Smith 1994). Brand image can be unintentionally adjusted due to a change in the portfolio composition or worse the image can be negatively impacted if the extension fails (Keller 1998; Milberg, Park, and McCarthy 1997). Prior research has found that brand extension attitudes fluctuate across countries (Bottomley and Holden 2001; Buil, de Chernatony, and Hem 2009; Martinez, Montaner, and Pina 2009). Additionally, openness to innovation has also been found to impact extension evaluations (Klink and Athaide 2010); and, innovation acceptance and uncertainty avoidance are both cultural and personality traits (de Mooij 2004; Xie 2008). Therefore, understanding how uncertainty avoidance tendencies vary across consumer markets is a vital concern for brand managers.

Current research has established that consumers’ uncertainty avoidance tendencies impact brand extension evaluations; but, uncertainty avoidance is composed of two sub-dimensions: risk aversion and ambiguity tolerance (Sharma 2010). Despite repeated calls for in-depth investigations into culture’s role on new product introductions (Bottomley and Holden 2001; Buil, de Chernatony, and Hem 2009; Laroche 2007; Xie 2008) the authors are unaware of any study that investigate the role these sub-dimensions have on extension similarity, portfolio breadth and attitude ratings. In particular, Henseler and colleagues (2010) found that consumers’ level of uncertainty avoidance impacts extension evaluations. However, they provided no insight into which component of uncertainty avoidance leads to evaluation variations.

Additionally, prior research has found that consumers prefer similar extensions from brands with a narrow portfolio and dissimilar extensions from wide breadth brands (Boush and Loken 1991). However, there is limited research on the impact uncertainty avoidance and its sub-dimensions have on brand extensions from parent brands with varying portfolio breadth. Thus, this paper continues to advance the understanding of brand extension acceptance at both the higher uncertainty avoidance level and at the sub-dimension level and on parent brands with varying product portfolios breadths.

Accordingly, a review of the current understanding of brand extensions is presented. Then, the methodology and data analysis sections are detailed. The paper concludes by summarizing the major findings and offering future research ideas stemming from potential study limitations.

EXTENSIONS AND UNCERTAINTY AVOIDANCE

Uncertainty Avoidance
Categorization theory, the underlying assumption behind brand extension research, argues that the positive associations of the parent brand will transfer to the new, extended product (e.g., Boush and Locken 1991; Klink and Smith 2001; McCarthy, Heath, and Milberg 2001; Völckner and Sattler 2006). The importance of categorization theory is supported by the consistent finding that the more similar the extension is to the parent brand the higher extension favorability (e.g., Aaker and Keller 1990; Keller and Aaker 1998; Völckner and Sattler 2007). While it has been argued that consumers might view the firm as lacking the manufacturing skills necessary to produce a quality product if the extension is too dissimilar from the parent brand (Aaker and Keller 1990), more recent research indicates that the lack of similarity limits the formation of attribute transferring schema between the parent and extension (Lau and Phau 2007), as categoriza-
tion theory argues. Thus, the more distant the extension the more likely consumers form extension valuations considering a limited amount of parent brand attributes creating purchase risk thereby elevating the importance of uncertainty avoidance.

A respondents’ level of uncertainty avoidance (UNA) reflects their willingness to try new products and extensions. In particular, consumers from cultures with low UNA tend to be more accepting of brand extensions, regardless of fit, over consumers from a culture with high UNA (de Mooij 2004; Henseler et al. 2010; Klink and Athaide 2010; Klink and Smith 2001; Xie 2008). de Mooij (2004) and Klink and Smith (2001) argue that consumers who are open to innovation and accept uncertainty are less concerned with a lack of information prior to making a decision. Current research indicates that consumers more accepting of innovation provide more positive attitude ratings for both similar and dissimilar extensions. Additionally, it should be noted that this study measures extension attitude with behavioral-based indicators related to product purchase which should favor risk taking consumers. Accordingly, the following dual-hypothesis is proposed:

H1: Low UNA respondents will provide higher extension attitude ratings than high UNA respondents when rating similar (dissimilar) extensions.

Uncertainty Avoidance Sub-Dimensions

Uncertainty avoidance can be decomposed into two sub-dimensions: risk aversion (RSK) and ambiguity tolerance (AMB) (Sharma 2010). Prior research has suggested that the acceptance of risk is the primary driver for consumers’ acceptance of distant extensions (Henseler et al. 2010; Klink and Athaide 2010) however no study has directly investigated the impact of these two positively correlated uncertainty avoidance sub-dimensions. Thus, hypothesis one investigates these sub-dimensions at the aggregated level and the following hypothesis address the sub-dimensions individually.

It is commonly accepted that trying a new product is risky. Further, it is argued that early adopters tend to be more open to risk (Yorkston, Nunes, and Matta 2010). This study conceptualizes risk aversion as “the extent to which people are reluctant to take risk or make risky decisions” (Sharma 2010, p. 791). Under this conceptualization, extensions lacking a perceived fit could be risky to purchase because there is less information transference to base a decision. Then, this lack of information generates purchase risk impacting extension evaluations. For similar extensions, less RSK respondents will provide higher favorability ratings because they are comfortable with the risky decision. Further, for dissimilar extensions the difference between low and high RSK respondents should be more pronounced; again, because these consumers are not as impacted by the lack of information transference. Accordingly, the following hypothesis is proposed:

H2: Low RKS respondents will provide higher extension attitude ratings than high RSK respondents when rating similar (dissimilar) extensions.

Prior research (e.g., Henseler et al. 2010; Yorkston, Nunes, and Matta 2010) has not distinguished between acceptance of risk and acceptance of ambiguity but rather use the concepts interchangeably. However, Henseler and colleagues (2010) and de Mooij (2004) indicate that avoidance of ambiguity leads to lower rates of new product acceptance. Sharma (2010) operationalizes ambiguity as “the degree to which people can tolerate ambiguity and uncertain situations” (p. 791). Thus, trying a new extension creates a situation in which the performance and quality levels are ambiguous. Further, as the perceived similarity between a parent brand and extension decreases, ambiguity related to perceived product performance should increase due do the reduced amount of parent brand attributes transferring to the extension. Therefore, the following hypothesis is proposed:

H3: Low AMB respondents will provide higher extension attitude ratings than high AMB respondents when rating similar (dissimilar) extensions.

Portfolio Breadth

Prior research has found that portfolio breadth also impacts extension favorability ratings. In particular, Bouch and Loken (1991) found that similar extension from narrow portfolio brands receive higher favorability than from broad breadth brands, with breadth measured by size of product portfolio not brand image. Conversely, they found that dissimilar extensions received higher favorability ratings when introduced by broad breadth brands over narrow brands. The enhanced extendability of broad brands can be attributed to consumers interpreting past success as an indicator of ability to produce quality products (Aaker 1996a) and developing more attribute transferring schema, collectively across numerous products. Thus, narrow and broad breadth brands benefit from their size, albeit under different circumstance. However, prior cultural studies typically don’t distinguish between portfolio breadths (e.g., Henseler et al. 2010; Martínez, Polo and de Chernatony 2008) and, thus, have neglected investigating the effect portfolio breadth and uncertainty avoidance have on extension evaluations. Maintaining consistency with prior findings the following hypotheses are proposed:

H4a: When rating similar extensions, respondents will provide higher extension attitude ratings for nar-
row breadth brands than broad brands, regardless of uncertainty tendencies.

H4b: When rating dissimilar extensions, respondents will provide higher extension attitude ratings for broad breadth brands than narrow brands, regardless of uncertainty tendencies.

METHODS AND DATA COLLECTION

Pretests

To determine the global brands and extensions for those brands, a series of pretests were conducted based on Martínez, Polo, and de Chernatony (2008). In pretest one, international graduate students (n = 33), who were specifically sought out to obtain a wide range of global brands, were asked to write down two global brands, one narrow and one broad portfolio brand. Next, the respondents listed two similar and dissimilar extensions for each global brand. The pretest resulted in two narrow and three broad portfolio brands to be tested in pretest two. In pretest two, another group of international graduate marketing students (n = 44) rated one narrow and one broad breadth brand and the fit of their respective extensions. Extension similarity was measured using one global similarity indicator. The respondents also rated the perceived portfolio breadth in terms of size: two indicators to measure portfolio breadth (To your knowledge, (parent brand) sells products in how many different product categories?; Do you consider (parent brand) to have a related or unrelated product portfolio?) were original to this study. The third indicator for portfolio breadth was based on Martínez, Montaner, and Pina (2009) and Boush and Loken (1991) (How many products does (parent brand) sell?). Nestlé was selected to be the broad brand with a

| TABLE 1  |
|---|---|---|---|
| **Main Construct Indicators** | Construct | Source | Indicator |
| | Perceived Fit | Keller & Aaker 1992; Diamantopoulos, Smith, & Grime 2005 | How logical is selling (extension) for (parent brand)? |
| | | | How good/bad is the fit between (parent brand) and (extension)? |
| | | Diamantopoulos, Smith, & Grime 2005* | Overall, how would you rate the similarity of (extension) to the products currently offered by (parent brand)? |
| | Extension Attitudes | Aaker & Keller 1990; Klink & Smith 2001; Martínez, Polo, & de Chernatony 2008 | How likely would you be to try a (extension) sold by (parent brand) assuming that you are planning to purchase a product in this category? |
| | | | Indicate how favorable you are towards (extension) made by (parent brand)? |
| | | McCarthy, Heath, & Milberg 2001 | How likely would you be to buy a (brand extension) made by (parent brand), if you were on vacation, and you needed to buy a (extension)? |

*Global perceived fit indicator used in pretest 2.
similar extension of nutritional snacks and a dissimilar extension of watches. Coca-Cola was selected to be the narrow brand with juice and mobile phones as the similar and dissimilar extensions respectively. Real global brands were used because they improve the validity of the extension evaluations (Dacin and Smith 1994; Völckner and Sattler 2006). The complete questionnaire was tested with a small group of international MBA graduate students before being fully implemented.

Survey Design

The complete survey packet was primarily composed of existing scales; only the two indicators for portfolio breadth are original to this study. The survey packet contained additional constructs for use in another study, such as measuring parent brand image. The main constructs used in the study and their sources are included in Table 1.

In the first part of the survey respondents answered questions related to the parent brand. Then, they were presented with one potential extension and answered questions related to the extension. Lastly, the respondents filled out Sharma’s (2010) cultural measurement scale, followed by a few demographic questions (gender, age, nationality). Sharma’s scale consists of 40-items. For this study four indicators were used to measure RSK and four indicators for AMB, the two sub-dimensions of uncertainty avoidance; thus, UNA was measured by combing these eight indicators.

Data Collection

The sample consists of 146 international students enrolled in an MBA program in Barcelona, Spain. Three respondents did not complete the individual cultural scales; therefore, the final sample size was 143 subjects from forty different countries and five continents. International students were preferred since a wide variance in uncertainty avoidance dimensions could be collected and to reduce any home-country bias towards the global brand.

DATA ANALYSIS

Manipulation Tests

The data was first analyzed to determine if the portfolio manipulation was effective. The data confirmed that the respondents viewed the narrow brand has having less products than the broad brand. The other manipulation to be checked was the extension similarity ratings. The four fit indicators were averaged into one composite score, with a Cronbach’s Alpha of .953. The means were compared using an independent samples test. The results indicate the perceived fit was successfully manipulated, (t(141) = 17, p > .00) with reported means of M_sim = 4.38, M_dis = 1.61.

Extant Confirmation

Existing research indicates similar extensions receive higher attitudinal ratings (e.g., Völckner and Sattler 2007). The four extension attitude indicators were averaged to form a composite attitude score, with a Cronbach’s Alpha of .898. The data confirms prior findings, (t(141) = 12, p > .00), with favorability means of M_sim = 4.22, M_dis = 2.09. Overall, the survey successfully manipulated the portfolio and extension similarity variables as well as providing initial results consistent with established literature.

Uncertainty Avoidance

Respondents’ self-reported uncertainty avoidance scores were averaged and coded into dummy variables. A conservative median split analyses (Monga and John 2007) to classify respondents as either high or low on all three studied cultural dimensions was used: UNA with a Cronbach’s Alpha of .826, RSK with a Cronbach’s Alpha of .745, and AMB with a Cronbach’s Alpha of .795. Additionally, a PCA on uncertainty avoidance resulted in a two-factor solution explaining 60% of the variance, further supporting the two dimensionality of UNA. To test our first hypothesis we performed two separate independent samples tests. The first tested low (n = 42) and high (n = 22) UNA respondents’ attitude ratings for similar extensions. As expected, the results indicated a difference, albeit insignificant, in means between raters, (t(62) = -1.08, p = .29), with favorability means of M_lowUNA-Sim = 4.44, M_highUNA-Sim = 4.11. A similar analysis was performed for dissimilar extensions, the difference between favorability ratings between low (n = 27) and high (n = 52) UNA respondents was minimal and insignificant, (t(77) = -1.25, p = .22), with attitude means of M_lowRSK-Dis = 2.02, M_highRSK-Dis = 2.13.

Risk Aversion

The above test was repeated, by classifying respondents as either low or high RSK, a sub-dimension of UNA. As with UNA, respondents with low (n = 29) RSK rated similar extensions higher than respondents with high RSK (n = 35), (t(62) = -1.46, p = .15), M_lowRSK-Sim = 4.46, M_highRSK-Sim = 4.03. When rating dissimilar extensions, low RSK (n = 34) indicated being less favorable toward the extension than high RSK (n = 45), (t(77) = -1, p = .33). This statistically insignificant result is contradictory than expected, with means of M_lowRSK-Dis = 1.98, M_highRSK-Dis = 2.19.
Ambiguity Avoidance

The data was analyzed to determine if respondents’ AMB impact extension evaluations. For similar extensions, respondents who have low AMB (n = 42) provided higher favorability ratings than high AMB (n = 22). However, the results were not significant at (t(62) = .31, p = .76), with means of MlowAMB-Sim = 4.23, MhighAMB-Sim = 4.16. For dissimilar extensions, both low (n = 26) and high (n = 53) AMB provided similar favorability ratings, (t(77) = .03, p = .98), MlowAMB-Diss = 2.10, MhighAMB-Diss = 2.09.

Portfolio Effects

To test the final hypotheses, a three-way ANOVA (2 x 2 x 2) was conducted to test the effects of portfolio breadth (narrow, broad), extension similarity (similar, dissimilar) and either UNA, RSK, or AMB (low, high) have on extension favorability. Three separate analyses were ran, one for UNA and one for each sub-dimension; thus UNA can be considered a composite score of the eight indicators for RSK and AMB.

The between-subjects effects for the UNA model, showed, as expected, a main effect for extension, (F(1, 135) = 152.41, p < .000) and a portfolio main effect, (F(1, 135) = 2.06, p = .11). Further, there was an interaction effect between portfolio breadth and extension distance, (F(2, 135) = 5.80, p = .02). The predicted three-way interaction effect among uncertainty avoidance, portfolio and extension was not significant (F(1, 135) = .08, p = .79).

Similar results were found with the sub-dimension, RSK. A main effect was found for extension distance (F(1, 135) = 153.52, p < .000) and a relatively significant portfolio main effect, (F(1, 135) = 2.81, p = .10). Further, the interaction effect between portfolio and extension was maintained, (F(1, 135) = 6.13, p > .02). Again, the predicted interaction three-way interaction was not found to be significant, (F(1, 135) = .04, p = .85). However, an interaction effect between aversion to risk and extension distance was slightly significant, (F(1, 135) = 3.32, p = .07).

The AMB model repeated the main effect of extension, (F(1, 135) = 149.45, p > .000) and portfolio main effects, (F(1, 135) = 2.65, p = .11). Unlike risk aversion there was no interaction effect between ambiguity tolerance and extension. However, the portfolio and extension interaction effect remained, (F(1, 135) = 5.49, p = .02). And, the predicted three-way effect was insignificant, (F(1, 135) = .01, p = .94).

Due to a slightly significant interaction effect was found with extension distance and risk aversion this issue was further explored. In particular, an independent samples test was performed on RSK, extension distance and portfolio breadth on extension favorability ratings. Only the relationship between high risk adverse respondents, rating similar extensions varied by portfolio breadth was significant, (t(33) = -2.90, p = .007). High risk adverse respondents appear to prefer similar extensions from broad brands, MhighRSK-Sim-Narrow = 3.54, MhighRSK-Sim-Broad = 4.54. This finding encouraged us to see if the relationship between high RSK preferring similar extensions from broad brands is evident in the other uncertainty dimensions.

Additional tests confirmed that high AMB respondents prefer similar extensions from broad brands over narrow brands, (t(40) = -2.71, p = .01), MhighAMB-Sim-Narrow = 3.85, MhighAMB-Sim-Broad = 4.70. This relationship held at the higher UNA level as well (t(40) = -3.06, p = .004) with means of MhighUNA-Sim-Narrow = 3.66, MhighRSK-Sim-Broad = 4.60 and, respectively.

FINDINGS

The first three hypotheses looked at the impact uncertainty related tendencies have on similar and dissimilar extension evaluations. Based on prior new product and extension research, it was hypothesized that respondents low on uncertainty related tendencies would be more accepting of extensions than respondents high on uncertainty related tendencies. The data indicates this is partially true. First, while not highly statistically significant, low UNA, RSK, and AMB respondents rated similar extensions higher across all three uncertainty measures. However, while not significant, high UNA and RSK respondents provided higher ratings for dissimilar extension contrary to prior conceptualization of risk taking behavior. This could indicate that individuals with lower risk aversion are actually better at evaluating or judging risk and are not free-spirited risk takers. Or, perhaps extensions from broad brands are not seen as risky since large brands project stability and the ability to manufacturer quality products. Thus, it appears that under categorization theory it is not the amount of information transferred by it is the value placed on the information transferred that matters. In this case, the quality and stability of large portfolio brands overcomes the lack of specific product related information.

When portfolio breadth is introduced into the analysis, the data indicates that respondents with high uncertainty related tendencies prefer similar extensions from brands with a broad portfolio breadth. This finding is particularly interesting and deserves further attention since prior research has found narrow brands receive higher favorability ratings for similar extensions (Boush and Loken 1991). These results suggest that high uncer-
tainty avoiders can overcome their aversion to risk by placing trust in larger, established brands, essentially placing greater weight on the past success of larger brands. Again, this finding tentatively suggests that under categorization theory it is the value placed on the information transferred is more important than quantity of information transfer. The other relationships tested proved to be statistically insignificant.

**LIMITATIONS AND CONCLUSION**

**Future Brand Image and Size Effect**

This study sought to identify if risk aversion or ambiguity tolerance, both sub-dimensions of Hofstede’s (2001) uncertainty avoidance cultural dimensions, is the main driver behind brand extension acceptance. The major finding of this study is high uncertainty avoidance individuals prefer similar extensions from broad breadth brands over narrow brands. This finding conflicts with prior studies; however, Boush and Loken (1991) most likely used American students, who tend to be lower in uncertainty avoidance. This does indicate that much of our current knowledge on brand extensions is heavily biased towards American cultural and personality values. Including a moderate brand extension (Barone, Miniard, and Romeo 2000; Boush and Loken 1991) or even a moderate portfolio breadth brand could help in this endeavor. Perhaps, replicating this study but with brand size measured by perceived brand image over product portfolio breadth will add additional insights. Further, the study suggests that future studies should investigate the value consumers place on the attributes transferred to extensions over quantity of parent brand attributes transferred under a categorization theory framework. For marketers, selecting countries to introduce extensions it is recommend to consider the views toward company size held by the citizenry.

Clearly sample sizes and lack of significance can be major limitations for empirical studies; however for an exploration into the impact the sub-dimensions of uncertainty avoidance have on brand extensions exercising caution can conserve resources and facilitate the development of more pointed follow-up studies. Additionally, the use of an American brand and European brand could have impacted response but this critique is limited by the use of international subject from forty different countries and five continents. In conclusion, this study directs the way for future research projects to go more in-depth into how consumers’ uncertainty avoidance tendencies impact extension evaluations, as there appears to be interesting interaction effects waiting to be revealed.

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SUB-BRANDING AFFECT TRANSFER: THE ROLE OF PRODUCT CATEGORY CROWDEDNESS AND BRAND LOYALTY

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SUMMARY

Today, it is widely accepted among managers and scholars that brands are valuable intangible assets of a firm that can significantly contribute to its performance and financial value (Bahadir, Bharadwaj, and Srivastava 2008; Morgan and Lego 2009). To capitalize on the value of existing brands, the burgeoning brand extension research has provided valuable managerial insights into how an existing brand can be extended to different product categories such as Heinz cheese cracker (Keller and Aaker 1992) or Frito Lay’s partially baked pizza (Oakley et al. 2007). However, brand extensions have been considered as a double-edged sword. While successful brand extensions provide new sources of revenue and enhance brand equity, failed extensions damage family brands, squandering millions of dollars in building the family brands’ equity (Keller and Sood 2003). To take advantage of a positive spillover from a family brand and at the same time to avoid the family brand being diluted from a possible failed extension, some firms opt for a sub-branding strategy, which is a combination of the family brand name and a new brand name such as Courtyard by Marriott (Kirmani, Sood, and Bridges 1999). Despite the noted importance of sub-branding, there is little empirical evidence to guide managers’ sub-branding decisions. Even though marketing literature is replete with findings supporting the transfer of affect from a brand to its extensions (Keller and Aaker 1992, 1993), the direct empirical evidence on the occurrence of affect transfer from a family brand to its sub-brand has rarely been documented (see Milberg et al. 1997 for a rare exception).

Against this backdrop, we aim to examine the occurrence and nature of affect transfer from a family brand to its sub-brand. Further, extant research has yet to identify the boundary conditions of sub-branding affect transfer effect. Building on prior research, we propose three moderators, product category crowdedness and competing/family brand loyalty, on sub-branding affect transfer. Although product category crowdedness has received considerable attention in the new product introduction literature that supports pioneer advantage and order of entry effects (Carson, Jewell, and Joiner 2007), empirical evidence on product crowdedness in a sub-brand introduction context is scarce despite its clear linkage with critical sub-branding decisions such as entry timing and customer loyalty (Morgan and Rego 2009). Brand loyalty has been described as the ultimate corporate objective in the new millennium due to the widely-accepted link between loyalty and firm performance (Aaker 1996; Chaudhuri and Holbrook 2001; Dubin 1998; Harris and Goode 2004); however, systematic research on its implications to branding development decisions (e.g., sub-branding) is lacking.

To build an overall nomological network, we call upon the associative network theory (Anderson 1983) in delineating the nature of sub-branding affect transfer. In studying family brand attitude activation and sub-brand attitude formation (Herr et al. 1996; Zimmerman, Redker, and Gibson 2011), we conducted four experiments to test (1) whether there is brand affect transfer from a family brand to its sub-brand (Experiment 1); (2) whether the brand affect transfer effect will be moderated by product category crowdedness (Experiment 2); and (3) whether the moderated brand affect transfer effect in Experiment 2 will further interact with consumers’ loyalty to the family brand (Experiment 3) as well as a competing brand (Experiment 4).

Experiment 1 demonstrates that there exists a positive relationship between family brand attitude and its sub-brand attitude ($B = .51, t = 3.10, p < .01$). Experiment 2 replicates the results found in Experiment 1, confirming the occurrence of family brand affect transfer to its sub-brand in a less crowded product category setting ($B = .56, t = 3.80, p < .001$). Experiment 2 demonstrates that product category crowdedness moderates affect transfer, that is, the affect transfer from the family brand to the sub-brand attitude disappears in more crowded product category setting ($t_s < .98, ps > .32$). The findings from Experiment 3 reveals that the suppressed affect transfer in more crowded category setting from Experiment 2 can be restored for consumers who are highly loyal to the family brand ($B = .63, t = 2.92, p < .01$). The findings from Experiment 4 show that loyalty to the competing brand can offset the desired affect transfer in the less crowded category setting ($B = -.05, t = -.25, p > .08$).

To conclude, our research advances marketing theory by detailing affect transfer from a family brand to its sub-
brand. Our results further demonstrate major differences in affect transfer due to the competitive environment (i.e., product category crowdedness) and brand loyalty. These findings provide important insights for researchers and marketers attempting to effectively manage a company’s brand portfolio.

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EXPLICIT AND IMPLICIT MEASURES OF BRAND INFORMATION PROCESSING AND ITS IMPACT ON BRAND PERCEPTION AND BRAND-RELATED BEHAVIOR

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SUMMARY

In our paper we introduce a formative construct of brand information processing (BIP) combining both implicit (EEG, SC-IAT) and explicit measures (brand believability, brand attitude) to one integrated framework. To validate BIP we present a structural model linking brand information processing, brand perception (BP) and brand behavior (BB). Hypotheses on the formative construct as well as on the interrelations of BIP, BP and BB are proposed and the model is empirically tested using causal analysis. The results show that the combination of explicit and implicit measures can reliably explain even small changes in brand perception and behavior.

In an attempt to combine explicit and implicit measures of brand perception and behavioral responses toward the brand, our study relies on the two-dimensional framework of Camerer et al. (2005). They distinguish between explicit and implicit processes, and between cognition and affect. The combination of these two dimensions defines information processing. The four quadrants form the basis for the development of our hypotheses.

Our questionnaire includes already existing and tested measures for brand believability and brand attitude as our defined core elements of BP as well as for price premium and buying intention as essential constituents of BB. All items were rated on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). With regard to the multi-dimensional BIP construct, the explicit-cognitive dimension was assessed using a believability measure, while the explicit-cognitive dimension was captured employing an attitude measure. Both measures were rated on seven-point semantic differentials. For measuring the implicit-cognitive dimension, a single category IAT (SC-IAT) was programmed. Via an EEG, the implicit-affective dimension was measured with regard to record mediation activation. Partial Least Squares (PLS) structural modeling was used to examine the drivers and outcomes of BIP and to empirically test our additional hypotheses.

With reference to BIP all explicit and implicit measures reach satisfactory values. Especially for implicit measures, the achievement of a substantial internal consistency is a continuous challenge. Moreover, this is the kernel of a bright acceptance as a reliable measure approach within a traditionally explicit measure dominated research stream as it is in marketing research. Both implicit measures in this study, the reaction time based single category implicit association test (SC-IAT) as well as the EEG-based mediation measure display a satisfying reliability. The evaluation of the formative BIP construct with the four calculated variables believability, attitude, SC-IAT score and mediation led to satisfactory results as well. The same holds for the reflective measurement of BP and BB. Moreover, the results reveal a high predictive relevance of the PLS structural equation model. With regard to the test of our hypotheses the results give evidence that BIP is indeed constituted by a combination of explicit and implicit measures, providing a holistic picture of its significant impact upon behavioral outcomes such as BP and BB.

Although in the last 30 years many authors have tested various technologies measuring implicit reactions in order to better understand the fundamentals of information processing regarding brand related messages, most of the research concentrated on very specific research problems like memory processes, attention tracking or emotional reactions. Particularly the number of studies that follow a holistic approach that combines both implicit and explicit measures are rather scarce. In this light our study offers a promising idea of uniting conscious and subconscious reactions in one integrated framework. With our concept of BIP, we present a new way to better determine not only how, when and in which combination implicit and explicit perceived stimuli are processed, but also offer an alternative approach to more precisely measure brand stimuli and their effects on BP and BB. References are available upon request.
DIMINISHING EFFECTS OF PERCEIVED FIT ON VERTICAL EXTENSIONS

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SUMMARY

A common finding in brand extension literature is that extension’s favorability is a function of the perceived fit between the parent brand and its extension (Aaker and Keller 1990; Park, Milberg, and Lawson 1991; Volckner and Sattler 2006) that is partially mediated by perceptions of risk (Milberg, Sinn, and Goodstein 2010; Smith and Andrews 1995). In other words, as fit between the parent brand and its extension increases, parent brand beliefs become more readily available, thus increasing consumer certainty and confidence about the new extension, which results in more positive evaluations. On the other hand, as perceived fit decreases, consumer certainty about the parent brand’s ability to introduce the extension is reduced, leading to more negative evaluations. Building on the notion that perceived fit of vertical line extensions is a function of the price/quality distance between parent brand and its extension (Lei, de Ruyter, and Wetzel 2008), traditional brand extension knowledge predicts a directionally consistent impact of perceived fit on evaluations of vertical extensions. Hence, vertical (upscale or downscale) extensions that are placed closer to the parent brand in the price/quality spectrum should lead to higher favorability ratings compared to more distant ones.

In contrast to existing literature, this research shows that the extension’s direction is a key moderator of the perceived fit effect on vertical line extension evaluations. Specifically, we argue that consumers rely on perceived fit to diminish risk perceptions and increase favorability ratings for upscale but not for downscale extensions. To account for such asymmetric effect we argue that perceived brand expertise plays an important role. Because introducing an upscale extension implies a change in brand expertise, perceived fit is evoked to diminish rising levels of uncertainty. Conversely, because there is no change in brand expertise for downscale extensions, consumers do not need to search for a second risk reduction mechanism which in turn leads to a diminish effect of perceived risk. We examine this proposition in two empirical studies that offer converging evidence of the moderating role of the extension’s direction in the perceived fit – extension evaluation relationship.

Study 1 was an online 2 (distance: close vs. far) x 2 (extension direction: up vs. down) between-subjects factorial design experiment to test the hypothesis that the effect of perceived fit on vertical extension evaluations is moderated by the extension’s direction. In particular, we test the hypothesis that the greater the perceived fit between an upscale extension and its parent brand, the greater the perceived risk, which in turn results in more favorable evaluations of the extension. We show that this is actually an asymmetrical effect that does not arise in downscale scenarios. Consumers will not perceive a more distant downscale extension to be of higher risk compared to a closer extension.

Two-way ANOVA results showed no significant main effect for perceived fit on extension evaluations (F(1, 131) = 1.54, p > .10), but a significant main effect for direction (F(1, 131) = 12.39, p < .05) on the extension evaluations. More importantly there was a significant interaction effect between perceived fit and direction on extension evaluations (F(1, 131) = 4.54, p < .05). This interaction effect was in the hypothesised direction. In particular, one-way ANOVA results show that upscale extension evaluations are significantly lower in the far compared to the close condition (M_{uf} = 4.76 vs. M_{cf} = 5.39; F(1, 64) = 4.84, p < .05). In contrast, no significant differences between far versus close downscale extensions were found in the extension evaluation (M_{df} = 5.82 vs. M_{cu} = 5.66; F(1, 67) = .47, p > .10). We conducted an additional analysis to test the proposition that the effect of perceived fit on upscale extension evaluations is mediated by perceptions of risk. The bias-corrected bootstrap (based on 5,000 bootstraps samples) reveal that the mean mediating effect is positive (a x b = .12) and significant with a 90% confidence interval excluding zero (.004 to .408). In the indirect path, a unit increase in perceived fit reduces risk by a = -.69 units and a unit increase in risk reduces extension evaluation by b = -.17. The effect of the direct effect c (.51) is only marginally significant (p = .086). According to Zhao et al. (2010), because a x b x c (.06) is positive, this is a complementary mediation.

Study 2 was also an online 2 (distance: close vs. far) x 2 (direction: up vs. down) between-subjects factorial design experiment that sought to explain why there is a diminishing effect of fit on the extension’s evaluation in downscale scenarios. We examined the effect of brand expertise on the extension evaluation in the upscale and downscale scenarios and tested whether perceived risk
mediates this relationship in both directions (up vs. down). Our results replicated the findings of study 1 in a different manipulation setting; the extension price was kept constant while the parent brand price was manipulated. The bias-corrected bootstrap analysis (based on 5,000 bootstrap samples) reveal that the mean mediating effect of perceived risk on the fit-evaluation relationship is positive ($a \times b = .2423$) and significant with a 95% confidence interval excluding zero (.0522 to .4806) when brand expertise was used as a covariate for upscale extensions. In contrast, the bias-corrected bootstrapping (using 5,000 sample) show that mean mediating effect of perceived risk on the brand expertise-extension evaluation is positive ($a \times b = .2216$) and significant with a 95% confidence interval excluding zero (.0457 to .4687) when perceived fit was used as a covariate. In both cases, the covariate was not significant ($p > .20$).

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Taken together, the two studies provide strong evidence that consumers systematically use perceived fit as a risk reduction mechanism for upscale extensions while brand expertise plays that role for downscale extensions. First, we show that the effect of perceived fit on vertical extension evaluations is moderated by the extension’s direction. Results show a positive effect of perceived fit on upscale evaluations but not for downscale extensions. Study 2 replicated this finding and further showed that that risk perceptions are lower for downscale extensions compared to upscale extensions because it is the effect of brand expertise on the extension evaluation that is mediated by perceived risk in the downscale setting while the effect of perceived fit on the extension’s evaluation is mediated by perceived risk in upscale scenarios. References are available upon request.
MANAGING BRAND ARCHITECTURE: STATE-OF-THE-ART AND DECISION-MAKING

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SUMMARY

The complexity of corporate brand portfolios has increased significantly within the last years (Aaker 2004; Muzellec and Lambkin 2009). In most corporations a large variety of brands are managed simultaneously (Schuiling and Kapferer 2004). Hence, the management is faced with major challenges. First, brand portfolios have to be coordinated with the corporate strategy. In this context, the brand architecture research focuses on the brand portfolio management in multiple brand corporations (Strebinger 2004).

The current state of brand architecture research leaves out important questions unanswered (Muzellec and Lambkin 2009). For example, how do companies make brand architecture decisions? For this purpose, practically applicable decision-making criteria are glaringly missing (Strebinger 2004). The other major criticism is the measurement of the perceived brand architecture (Rao, Agarwal, and Dahlhoff 2004). Current methodologies fade out behavioral relevant brand associations and focus only on the assessment of brand logos’ perception. The present paper is set to develop a conceptual framework for the management of brand architectures with the aim of closing major research gaps.

The first important result is the identity-based brand architecture process (iBAP). It illustrates the theoretical framework of managing brand architecture and is divided in four steps: (1) Hierarchizing brand portfolios, (2) Corporate-strategic development of brand architecture consisting of two steps: (a) Identifying courses of action, and (b) Evaluating and deciding courses of action, (3) Translating brand architecture in brand strategies, and (4) Monitoring. The implementation-oriented perspective translates the brand architecture in individual strategies for every single brand within the portfolio. The final monitoring perspective includes the internal acceptance of the brand architecture by the employees and the external perception of the brand architecture by the customers.

As a second major result besides the vertical dimension of brand architecture, as already known in the literature (e.g., Aaker 2004; Strebinger 2004), a horizontal and a distribution-oriented dimension will be integrated into the conceptual brand architecture model. The vertical dimension refers to the intensity of the connection between brands on different hierarchy levels within the brand portfolio (branded house vs. house of brands). The horizontal dimension states, whether a market segment is treated with either one or multiple brands in parallel. The distribution-oriented dimension defines whether a company exclusively offers products as a classic branded manufacturer or further provides other manufacturers with ready-made products using their product brands in the market or even white label brands of major retailers.

The third result is the derivation of internal and external evaluation criteria for brand architecture decision-making. These criteria will be derived for the vertical dimension of the brand architecture model as it is the major driver of brand architecture decision-making. For internal criteria the internal acceptance by the employees, the risk balance within the brand portfolio and the requirements of resources are divided. For external criteria the acceptance of external stakeholders, the skimming of market potential and the strategic flexibility of the brand architecture will be differentiated. With the help of these evaluation criteria companies can make profound brand architecture decisions. The last important result is the operationalization of the mentioned evaluation criteria. In this context, especially a new approach of measuring the perceived brand architecture is developed, implementing a profound brand image measurement instead of focusing on a brand logos’ perception only.

It is shown, that the increasing complexity of brand portfolios in many corporations requests a systematic brand portfolio management. Therefore, the identity-based brand architecture process (iBAP) and the evaluation criteria for strategic brand architecture decision-making offer a solid approach for multiple brand corporations to face this challenge and improve their brand architecture management. References are available upon request.
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BRANDING WITH POLITICAL THEORIES:
AN INTERDISCIPLINARY APPROACH

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ABSTRACT

This paper tries to illustrate the way that political theories and models may be useful for the study of branding. For example, branding focuses on the construction of specific brand and corporate values, meanings, cultures, and myths, while political framing is used to mobilize political support and loyalty. Political theories thus may provide cognitive, organizational, and strategic assistance to the study of branding.

INTRODUCTION

Branding is an important strategy for firms to maintain or build up their images in competing with other firms. To establish, maintain, and extend the meanings and values of brands, which are also through branding, are vital for companies’ operation and development. This paper tries to show that political theories may offer some theoretical assistance to the study of branding. The study first discusses brandings and theories of branding. Second, the study defines some useful political theories and how they can be employed to study branding. The paper then illustrates the application of political theories to the study of branding by examining two cases: branding and political framing; and the institutionalization of consumer loyalty and identity via brand community. The paper finally concludes with the suggestion that some political models may offer interdisciplinary assistance to the study of branding.

BRANDING AND THEORIES OF BRANDING

According to David Aaker, branding mainly means to build a strong brand for a corporation, a product, a person, or a symbol (Aaker 1991). Douglas Holt argues that branding is constructive; that is, “a brand emerges as various ‘authors’ tell stories that involve the brand” (Holt 2004, p. 3). These authors include: companies, culture industries, social media, and consumers. Thus, we perceive branding as a specific type of storytelling with multiple-authors (Fog et al. 2005).

Branding is important because it may generate some significant advantages for the company or consumers. These advantages include: product identification, shopping efficiency, risk reduction, product acceptance, enhanced self-image, and enhanced product loyalty (Ferrell and Hartline 2008, pp. 197–199).

Indeed, conventional studies on branding focus on the product dimension. These studies explore the way firms design brand, via logo or verbal signs, to expand the image of their products and services (Johansson and Holm 2006). Branding is necessary because it helps firms differentiate their products or identities from those of other firms. Indeed, branding is crucial in delineating the boundary between “them” and “us” in consumers’ minds, which helps firms maintain or increase their market shares.

Recent research focus on the dynamic and constructive process of building corporate identities that incorporates culture of the corporation (Schultz and Chernatony 2002). Basically, the study of brand focuses on three important fields: brand positioning, brand resonance, and brand value chain (Ferrell and Hartline 2009). Brand positioning describes how to maximize firms’ competitive advantages. It is an art of showing the difference of meanings and highlighting the personality of the firm’s product or service (Tybout and Sterntthal 2005, pp. 18–20). Brand resonance describes how to create and consolidate positive relationship with consumers. This perspective defines dynamic process of branding; that is, the reactions from consumers. Brand value chain describes how to explore the process of creating values to understand the financial influences of marketing expenditures and investments.

Some studies stress building and enhancing brand culture, involving profound meaning-construction in multielements context. These studies show that brands can reflect a myth, history, or value that the corporation adheres to. More important, brand culture can exist beyond the products, services, or even the corporation because it supports some social values that people desire (Holt 2004). Once the brand culture is established, it may attract supporters via a contagious-like transmission mechanism, assuming that consumer’s motivations, perceptions, and feelings can be transmitted among consumers like virus (Hatfield et al. 1994). Brand culture hence helps to consolidate brand identification, inducing consumers to support the product, service, brand, or the firm. In other words, brand culture becomes an ID for a group of people who belongs to specific groups or communities.

Moreover, conventional theories argue that brand culture or identity is mainly created by firms, Holt and other authors argue that consumers may also create brand and brand culture (Holt 2004, pp. 3, 28–29; Schultz and Chernatony 2002).
Siding with Holt, this study believes that the power of consumers to create brand culture to some extent balances the power of firms, which is beneficial to consolidate consumer democracy and reduce the feeling of “alienation” among consumers (Gobé 2001, xv-xviii; Schultz and Chernatony 2002; Tucker 1970, pp. 133–135). The process is similar to what Robert Dahl once suggested that the extensive participation of labors in management will increase economic equity, efficiency, and democracy (Dahl 1989).

**POLITICAL THEORIES AND THE STUDY OF BRANDING**

In political arena, political parties also compete for selling their ideas or policies to constituencies. Thus, political theories also study the relationships between parties and voters. Political theories may offer theoretical or intuitive assistance to the study of branding at least from three perspectives.

First, cognitive models in political science argue that perceptions or misperceptions, depending on availability of information and the extent of rationality of actors, significantly determine actors’ activities (Zaller 1992). This dimension provides a constructive analysis to study symbols, values, meanings, and changes of individual and organizational behaviors. For instance, in political economy model, symbols may be deemed as a “signaling mechanism” to sift candidates or choose policies from policy pools (Spence 1974); that is, specific symbols indicate, if not equal to, particular values of policies or competency of individuals and organizations, providing fundamental evaluating parameters to decision makers. Brand can also act as a “signaling mechanism” for consumers to choose products or show their corporate alignment because specific brands may embody guaranteed quality or preferred values to consumers and therefore decrease consumers’ cost of selection.

In political theory, the building of culture or norms is often labeled as the “internalization” of values, meaning that people voluntarily accept, advocate, and spread some particular values without coercion from political authorities. According to this model, more outsiders will soon join the dominant group or community due to the “bandwagoning effect,” or they will be marginalized by the mainstream ideology (Key 1960; Shatttscneider 1960; North 1990). This phenomenon is also depicted by the Italian communist Antonio Gramsci in the 1920s that the ruling ideas of an epoch are the ideas of its ruling class (Gramsci 1971). In political economy, the mechanism is called “network effect,” exemplified by the fact that the more users of a type of computer software, the more values of the software in the future (Pindycyk and Rubinfeld 2004). As have mentioned, brand culture also helps to advocate or legitimize specific brand communities (McAlexander et al. 2002). Thus, once a brand culture is built, it will have longer longevity than other brands.

Political theories also evidence that people or organizations may misjudge something due to insufficient information or “bounded rationality,” and political organizations or leaders may also manipulate people’s perceptions to serve some particular interests (Lindblom 1959).

By contrast, branding may engender perceptions or misperceptions among consumers and it can also manipulate information or identities to achieve some specific goals. The extension of brand may also dilute the original brand image and bring negative impression of the brand or the firm. In addition, as Jurgen Habermas finds that the loss of awareness and belief of the government or political party may cause the government’s or the party’s “legitimation crisis,” Albert M. Muniz and Thomas C. O’Guinn also argue that brand affects legitimacy of branding community, because brand shows the essence of the firm and differentiates it from others (Habermas 1975; Muniz and O’Guinn 2001). Perceptions and misperceptions are thus not only important topics in political science, they are also essential for studying branding.

Second, organizational models have been employed to explain collective behaviors of political parties, political movements, and social networks. These models and theories define the controlling, maintenance, and evolution of political organizations and movements and examine transaction scope, cost, and efficiency of certain policies and behaviors. In organizational dimension, political organizations have to build strong organizational or policy identity in the society, which is like companies to create strong corporate or product brand.

In political theory, especially in voting models, political parties or candidates often use advertisement to affect people’s party identification and hence their partisan alignment or realignment (Key 1960). Using political branding or labeling of specific stories, images, slogans, or policies, political parties or candidates can mobilize or enhance political support. In this regard, politicians or political parties must build “the power to persuade” (Neustadt 1960). Political parties or candidates may also use negative advertisements to derogate their rivals’ images. Even for a governing party, political branding also affects problem definition and hence the policy-agenda building. With financial or managerial constraints, firms may also have to choose from a variety of potential brands to build brands that will most likely benefit firms, indicating the most highlighted brands are more likely to be chosen. Such “brand portfolio strategy” is often weighted carefully by brand entrepreneurs to extend the current brand and to build the firm’s future growth with internal and external constraints. In other words, brand entrepreneurs must design mix of brands to maximize firm interests (Aaker 2004 a).
In political models, legislators’ reputation will affect which kind of bills to be transmitted to or proposed by them. For instance, controversial bills will more likely be proposed by legislators who have the “maverick” reputation, while “tough bills” will more likely to be first transmitted to legislators who are branded as easygoing (Tullock 1960). All these models help us understand how firms use advertisements to enhance their own brands or to use “negative advertisements” to depreciate their rivals’ brands.

Third, political theories study games and strategies taken by various actors in given contexts. This is the study of interactive and dynamic relations among actors. According to political theories and economic models, participants in any transactions will act or react accordingly to their counterparts’ strategies or activities. Game results are decided by the power balance of all participants. Such power balance is further determined by strategies taken by participants, the asymmetry information each participant owns, and the timing of implementing strategies. The game can be one-shot or sequential, depending on transaction rules or transaction cost. If the game is a one-shot game, then the first mover will more likely to gain at the expense of other players. If it is a sequential game, then each player must carefully calculate the stance and the following steps that others will take. Such reciprocity helps to build stable relationship among game players (Axerold 1984). More important, political and economic theories assume that everyone has the freedom to make decision based on given information and knowledge. They may show their preferences in the form of loyalty, voice, or just exit (Hirschman 1978). These preferences, however, are not always stable and they will shift when external or internal cognition of the issue changes (Downs 1972).

To build strong consumer loyalty, firms must consider reactions from consumers, employees, and rival companies to their branding strategies. The efficiency and effectiveness of branding is more likely to be determined by interactive or reciprocal mechanisms among various components (Fournier 1998; McAlexander et al. 2002; Csaba, Faurholt, and Bengtson 2006; Dacin and Brown 2006). Consumers do affect cultural branding. According to Holt, unlike emotional branding, viral branding, and mind-share branding, the delineation of “authors” and “audiences” in cultural branding is not necessarily clear and the reciprocity between firms and consumers affect the building of brand values and brand identities (Holt 2004, pp. 13–16). For example, the successful branding of Corona beer was mainly driven by consumers’ perception of the beer as producing “party myth” (Holt 2004, pp. 16–20).

In competing with other products or firm, a good understanding of game theories may also help firms design brands that enhance the firms’ competitiveness in the market. Hence, the brand the firm wants to create must be creative and difficult to be copied. The essence is that the brand must effectively help the firm or product be differentiated from their peers, meaning that the firms must try to take steps to maintain or enhance brand values by preventing potential competitors from constructing the same or much similar brands (Muzellec 2006).

In addition, social-contract model argues that each social member should act according to the social contract she has agreed upon. Again, those who refused to accept social contract terms have the freedom to exit (Rousseau 2003). By contrast, we can also study branding as a process of building contractual relationship among firms, consumers, and other related actors such as the society (McMurrian and Washburn 2008, 5–22). This normative study explores branding ethics as well as mutual trust between consumers and firms. Due to the “voting” role of consumers and the reciprocity between firms and consumers, dishonest branding often brings negative responses to firms or brands, so branding must try to fulfill its promises to consumers.

Indeed, political theories can be applied to the study of branding, which is detailed in the following two comparative cases.

**CASE 1 – BRANDING AND FRAMING: A TALE OF TWO CONSTRUCTS**

One important strategy that is often used in political process is framing, which is very similar to branding in marketing. According to political theories, parties or political individuals differentiate themselves from their counterparts generally through framing, which means to create or even manipulate specific values, meanings, or symbols to achieve political goals. According to standard political model, framing is “not simply an expression of preexisting group claims, but is an active, creative, constructive process (McAdam et al. 2001, pp. 16–18, pp. 132–137).

To build a good image of products or firms, branding not only has to focus on physical features of products or services; it also has to explore deep meanings and values of firms or the society. Similarly, to political organization, framing not only aims at building specific policies or ideas, it also centers on advocating political values, cultures, and long-term goals of political parties or political organizations. Verbal and non-verbal indicators, therefore, may be used in political framing. Political entrepreneurs, for example, may use mass media to propose political opinions and build or destroy images of policies, political leaders and parties (Paletyz 2002). Similarly, branding also need the help of mass media in creating, maintaining, and developing identities and values.
As framing is often used by political parties or political entrepreneurs to mobilize support to partisan doctrines or goals, branding is often taken by firms to build or develop consumer support. The basic similarities of branding and framing are that both can be used to construct or manipulate meanings in given contexts and they are essential to maintain or increase the capacity of organizations and momentum of a movement. In other words, both branding and framing can be deemed as specific tools to realize strategic goals of individuals, firms, and political organizations. Just like framing, branding may also use symbols and mass media to help build or destroy images, or to advocate particular values that company or consumers prefer (Elliott and Davies 2006).

Moreover, Laurent Muzellec points out that branding must consider resonance from all corporate brand audiences, meaning any “radical” or eccentric brand will harm the firm (Muzellec 2006). By contrast, political theories introduce the “median voter” model, which argues that political candidate must try to attract more voters as he can. Therefore, the candidate must try to ensure that his policy platform (or political brand) is not radical and conforms to majority’s preference (Condorcet 1795; Riker 1962).

To compete with rival firms or political organizations, branding and framing both are intended to build “discursive hegemony” that helps firms or political parties survive and develop. If we say concrete quality of products or services are hard power of firms, then such “discursive hegemony” is the “soft power” that firms or political organizations often eagerly in pursuit of. Originated from Plato and Aristotle, rhetoric is important in persuading others to accept your point, which constitutes discursive power (Plato 1998). In an extreme sense, we may label persuasion as “brainwashing,” the effect and the process of which has been vividly illustrated by Alexander Solzenitzen and George Orwell (Ericson and Mahoney 2009; Orwell 1946). Orwell, for example, said that political prose was issued “to make lies sound truthful and murder respectable, and to give an appearance of solidity to pure wind.” Orwell hence complained that political writing, adied by vague or meaningless languages, was used to hide the truth rather than express it. In addition, this ambiguous prose was a “contagion” to spread even to those who had no intent to hide the truth, and it concealed a writer’s thoughts from himself and others (Orwell 1946). Thus, Orwell’s semantic criticism against language manipulation supports Ludwig Wittgenstein’s point that words may not necessarily express what they have intended to (Wittgenstein 1953).

Branding, however, is more often appeared in different forms. This feature means branding may design effective symbols and verbal or non-verbal signs to “persuade” or convince consumers to accept their services, products, or particular values and cultural modes (Johansson and Holm 2006). Branding also helps to integrate organizational structures of firms by building employees’ identification of the firm or increasing employees’ morale (Aaker 1991, 1996). Thus, effective branding not only intends to secure external understanding and support, it also tries to mobilize internal support or identification of specific values or culture (Chong 2007; Ind 2001). The important question is: to what extent can we stabilize and elongate internal and external advocacy? To build and strengthen brand community may be an effective answer to this question.

CASE 2 – INSTITUTIONALIZING BRAND IDENTITY AND LOYALTY VIA BRAND COMMUNITY

Branding is used to engender or enhance consumer awareness of and loyalty to the products, services, and the culture of the firm. To stabilize or institutionalize such loyalty and awareness, it is vital to build a brand community. Muniz and O’Guinn define brand community as “a specialized, non-geographically bound community, based on a structured set of social relationships among users of a brand”, and “Like other communities, it is marked by a shared consciousness, rituals and traditions, and a sense of moral responsibility” (Muniz and O’Guinn 2001). This definition stresses that brand community is non-geographically bounded and is driven by consumers’ share of particular values of the brand.

Another definition of brand community is proposed by McAlexander et al. highlighting three dimensions of this construct: geographic concentration, social context, and temporality (McAlexander et al. 2002). McAlexander et al. find that brand community establishes and strengthens four relationships, including the consumer-product, consumer-brand, consumer-company, and consumer-consumer relationships. These interwoven and cumulative relationships help to build long term consumer identification and loyalty. Members belong to the community have the similar consuming experience, value perception, and interactive personal relationship that function as exit barriers. Aaker also finds that by leveraging brands, companies can build or increase consumer awareness and loyalty (Aaker 2004 b). The crucial point of these relationships is the creation and negotiation of meaning or culture that strengthens consumers’ understanding and identification of the product, the brand, and the company (Balmer 2006; McAlexander et al. 2002). The example is the consumers of Jeep. They not only consume the vehicle, but also build strong identity and multi-actor relationships among themselves with the Jeep brand as locus of all these relationships. In this regard, brand is not entirely objective, it is also the subjective image perceived or created by others.
Similarly, framing in political process is also used to propagate political ideas, goals, and images of political organizations, political leaders, or policies via positive or negative languages (McAdam et al. 2001). In addition, framing is used to institutionalize support or emotional advocacy from different geographic areas, social strata, and political backgrounds, which constructs exit barriers. Regarding this, “information is not neutral”, and “information is strategically manipulated to serve different aims for different elements in the policy process.” The manipulated information is aimed to “provide meaning, clarification, and identity” (Zahariadis 2003, pp. 21–22) and is primarily used to help political entrepreneurs “sell” their pet solutions to the government or decision makers; or to institutionalize people’s support to the party, the leader, or the policy. Just like consumers use Jeep as a symbol to build common identity, the Coke continuously reinterpret Coca Cola in the past decades, or the Morris Philips interpreted Marlboro reflected the “frontier spirit” to entrench the selling of the product to blue-collar workers (McAlexander et al. 2002; Holt 2004, pp. 22–28).

Indeed, to increase consumers’ or constituents’ awareness of, and support to, the specific goal and to acquire and maintain consumer loyalty, firms or political parties must integrate their goals via branding or framing. Just like forming consumer loyalty to firms, framing helps to build up political loyalty to, or namely legitimacy of, political organizations. If constituencies no longer believe in ideologies or values proposed by this political organization, they may turn to advocate other organizations. To secure constituent advocacy, political entrepreneurs generally have to resort to framing or even manipulation to retain people’s support (Riker 1962, 1976).

When people do not believe any more, political parties may take another strategy to retain support; that is, coercion (Machiavelli 1989). However, in democratic regimes, the cost of such Machiavellian tactic can be prohibitive. Hence, to build a stable belief system among the people via peaceful means is essential for political parties’ survival and development. One strategy is to establish informal institutions, which are “internally enforced codes that modify behavior” (North 1990, pp. 41–42). Informal institutions help to solve coordination problems in collective actions where the “free rider” problem is frequent (North 1990, pp. 40–41; Olson 1960). Informal institutions also help political activists mobilize political movement by building advocacy networks among participants across geographic borders (Keck and Sikkink 1998).

As for branding, consumers or the firm can build some informal institutions to guide their behaviors. According to Holt, Aaker, Muniz, and O’Guinn, Gobé, Schultz, and Chernatony, and other authors, successful branding must build a strong brand identity, brand myth, and, if possible, brand culture to coordinate multiple-level relationships among firms, consumers, and shareholders across geographic regions.

**CONCLUDING REMARKS**

This paper studies related theories in political science and marketing and suggests that interdisciplinary methods may help to extent research scale and scope of branding theory. The paper finds that successful branding and political framing depend on effective creation of meanings, values, cultures, and myths.

First, theories from political science may provide some useful analytical models or intuitions to the study of branding because they all involves the creation, maintaining, and development of values, ideas, cultures, and meanings that affect the comparative or competitive advantages of related players. Branding and political framing both have the constructive implications of selling ideas or products.

Second, this paper also indicates that practically interdisciplinary theories may provide assistance to professionals in the other field. For instance, knowing something about framing may help businessmen enhance their business interests by igniting consumers’ imagination of particular values of proposed brands. There are ample evidences to show how Chinese businessmen in the 1930s framed nationalism to increase their share in the tobacco, kerosene, alkaline, and textile market by labeling the purchases as patriotic (Wang 1995).

In sum, branding focuses on the construction of specific brand and corporate values, meanings, cultures, and myths, while political framing is used to mobilize political support and loyalty. Political theories thus may provide cognitive, organizational, and strategic assistances to the study of branding.

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CONSTRUCTING BAYESIAN NETWORK AND NOMOLOGICAL NETWORK OF PERFORMANCE-BASED USABILITY OF MOBILE DEVICES

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SUMMARY

This article builds up on the previous research by Suh et al. (2008). It begins with a definition of mobile devices and a review of the usability literature. A basic definition for Usability of Mobile Devices (PUMD) is then presented and followed by a discussion of the scale development process. Continuing Suh et al.’s (2008)’s basic scale development, two subsequent studies that were undertaken and added. Our first study, utilizing a set of 200 subjects, employs a complementary tool, Bayesian Network (BN), to revalidate and expand the results from the previous validation of PUMD. Second study, utilizing a separate sample of 190 students, attempts to assess nomological validity with a comparison of the final scale with other relevant marketing constructs.

In the previous research, PUMD were developed and validated through confirmatory factor analysis and Item Response Theory using two different research samples. The four-factor, 24 item scale was now deemed appropriate for further analysis (Suh et al. 2008). Our first study continues to describe how a Bayesian Network (BN) can be used to make probabilistic statement about the multi-dimensional marketing construct. Similar to SEMs, BNs graphically display the nature of relationships among variables and can be interpreted causally (Anderson and Vastag 2004; Lauritzen 2000). Graphical analysis and descriptive analysis were conducted based on the resulted BN. First, graphical analysis was based on the current four-factor structure of PUMD. Our initial analysis found six clusters in the BN, and, after few iterations, we could get the expected number of clusters. Therefore, the graphical analysis produced a similar result to our previous factor structure. While the traditional factor analysis only reveals the factor structure among the measure items, BN portrays the probabilistic statements between measure items.

To properly test for nomological validity, it is necessary to build a strong theoretical rationale for the nature of the relationships of the construct in question (PUMD) and other constructs. Thus, we build a nomological network to examine the relationship of the measure with other important theoretical constructs to assess nomological validity. This study also allows for the exploration of the different influences of the four sub-dimensions of PUMD in the nomological set. We conclude that among the four usability factors, Interface Usefulness (IU) is the most critical factor in the long-term relationship between a brand and its customers. It was interesting to note that the relationship for Ease of Learning and Use (ELU) was significant but negative on all dimensions of brand relationships except for Sense of Community. As a result, being easy to learn or use may be detrimental to the user’s relationship with the brand in certain situations; however, this conclusion needs further study. As a follow-up to the previous finding, two path models were tested to shed further light on the sets of relationships involved using both the advanced and basic user samples. In this case consumer satisfaction was measured using readily used and recognized measures. IU directly influences the four brand relationship constructs and indirectly influences them through satisfaction’s mediation. In contrast, IU has no significant direct impact on the relationship-based constructs in the basic user model. Its role is totally mediated by satisfaction in the basic user model.

This research is both scientific and pragmatic in nature. Following a strong argument for the relevance of the design mode in business research (Romme 2003), this research is focused on the science-design interface to bridge the important gap between theory and practice. Built on the work of Herbert Simon (1996), the design-mode camp in the research debate argues the main question, “Will it work?” rather than “Is it valid or true?” This allows the researchers to pursue the true synergies between science and design. Thus, in our attempt to gain the complementarities which the design camp posits, it is important to stretch beyond the traditional approach of developing a methodological instrument and representational knowledge in the subject matter and to seek to be more pragmatic in the development of knowledge in the service of action, which is normative and synthetic in nature (Simon 1996).
This type of design-science interface concerns both testing in practical contexts and grounding in empirical findings (Romme 2003). Hopefully with this kind of effort, the study of marketing may become increasing pluralistic in nature as it evolves (e.g., Achrol and Kotler 2012). References are available upon request.

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INVESTIGATING THE EFFECTS OF VAGUENESS IN ADVERTISING SLOGANS ON BRAND PREFERENCE

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SUMMARY

Vagueness embedded in advertising slogans play an important role in determining consumers’ experiences and attitudes upon receiving the message. Vagueness was generally defined as violation of semantic standard of informativeness, explicitness and clarity (Kaufner 1983); incomplete definition (Bosch et al. 1983); and the opposite of precision (Cook 2007). This paper investigated the effects of vagueness on cognitive response by measuring the magnitude of evoked thought and the effects of both related constructs on consumer’s attitude and purchase intention. Preliminary study of content analysis applying Meta Model coding (Bandler and Grinder 1976) was used to set the foundation as to how various vagueness levels existed in the slogan, how vagueness was recognized, coded and analyzed. The result of the content analysis also showed how vagueness is pervasively found in advertising slogan and in what kind of patterns it usually appears.

Extant literature in advertising was extensive with the investigation of vivid (vs. abstract) concept in the advertising message in its effect on recall and attitude. However, such concept of “vividness” was problematic and the measures of vividness such as Vividness of Visual Imagery Questionnaire/VVIQ (Marks et al. 1995) did not correlate highly with many other variables (Benjafield 1997). The influence of vividness on consumer’s recall and persuasiveness is inconsistent across literature (Simpson and Borgida 1991; Taylor and Thompson 1982; Collines et al. 1988; Frey and Eagly 1993). This paper focused on the vagueness (vs. clarity) quality of advertising messages with the attempt to further scrutinize one of the building blocks of the abstractness (vs. vividness) construct.

Drawing on the extant literature, seven hypotheses were developed. Perceived vagueness was hypothesized as having negative association with the (1) level of evoked thought and (2) attitude toward brand. The level of evoked thought would be positive association with (3) the attitude toward brand and (4) purchase intention. The level of (5) evoked thought and attitude toward brand would mediate the relationship between perceived vagueness of the slogan and purchase intention. Two moderators; (6) need for cognition / NFC and (7) purchase involvement; were hypothesized as amplifying the effect of perceived vagueness on the level of evoked thought and on the attitude toward brand.

Constructs were measured using 7-point Likert-style scales for attitude toward brand (Spears and Singh 2004), purchase intention (modified from Bower and Landreth 2001), perceived vagueness (developmental), evoked thought (modified from Unnava and Burnkrant 1991), cognitive dimensions of brand experience (Brakus et al. 2001), perceived vagueness (developmental), evoked thought (modified from Unnava and Burnkrant 1991), cognitive dimensions of brand experience (Brakus et al. 2001), the need for cognition (Cacioppo et al. 1984), and purchase involvement (Mittal 1989). The sample was collected from a Southwestern public university in the United States. In filling out the questionnaires, participants were asked to recall ad slogans they noticed in the past two weeks. There were 433 out of 512 responses used in the final study. Early and late survey respondents were compared and the result showed lack of non-response bias.

The used measures were validated using item-to-total correlations and confirmatory factor analysis using LISREL 8.8. (Jöreskog and Sörbom 2006). The global fit indices were reported. Individual composite reliabilities and the average variance extracted (AVEs) were calculated using procedures suggested by Fornell and Larcker (1981). All of the factor loadings were significant, and composite reliabilities range from 0.75 to 0.81. The AVEs ranged from 0.93 to 0.96, above the recommended 0.50 level (Bagozzi and Yi 1988; Fornell and Larcker 1981; Hair et al. 2006). Discriminant validity was examined by comparing the correlations among constructs and the AVE.

The structural model was analyzed and showed acceptable overall fit of the model with the $\chi^2$ (183, N = 403) = 624.34, $\chi^2$/df = 3.41, NFI = .97, NNFI = .97, CFI = .98, SRMR = .061, and RMSEA = .078. The path coefficients were examined and all of the hypothesized associations were significant. As expected, perceived vagueness negatively predicts both evoked thought (\( \gamma = -.16 \)) and brand attitude (\( \gamma = -.32 \)), and evoked thought was positively associated with brand attitude (\( \beta = .26 \)), while the indirect effect of perceived vagueness to brand attitude (\( \beta = -.04 \)). Evoked thought has a positive impact on purchase intention (\( \beta = .18 \)) and similarly but stronger positive effect of brand attitude on purchase intention (\( \beta = .58 \)), while the indirect effect of evoked thought on purchase intention (\( \beta = .15 \)) and indirect effect of perceived vagueness on purchase intention (\( \beta = .24 \)). This model was better than other two alternative models that were analyzed.
Multi-group analysis was used to test the moderating effects of need for cognition and purchase involvement using LISREL (Schumacker and Lomax 2010). Purchase involvement was significant as a moderator $\Delta \chi^2(23) = 35.43, p$-value = 0.047, while the NFC was not significant $\Delta \chi^2(23) = 19.8, p$-value = 0.065.

The study contributes to the advertising literatures in supporting the existence and the patterns of vagueness in advertising slogans which at the same time sets a foundation for studying vagueness in persuasion message in the future, the influence of vagueness in advertising slogan on some critical variables in consumer preference, the negative relationships of vagueness as one of the dimensions of vividness construct on consumer’s attitude and behavior, and the mediated relationship between perceived vagueness on brand attitude and purchase intention by evoked thought. One of the managerial implications is that slogans need to be designed in ways that effectively aim the specific targeted segments. This can be done by entertaining them with clarity and precision reflected in the wording of the slogans, which at the same time providing enough vagueness to be relevant to the wider scope of audiences. References are available upon request.

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CONSUMING ETHICALLY: THE ROLE OF EMOTIONS

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SUMMARY

Previous studies about emotions have enhanced understanding of their influence in generic consumption decisions but a detailed examination of emotions in the context of ethical consumption has been lacking. Previous research in psychology has established that some emotions (e.g., guilt, shame) play a pivotal role in choices with a moral/ethical dimension (Haidt 2003; Tangney, Stuewig, and Mashek 2007). The term ‘ethical consumption’ implies an ethical/moral dimension, where the hedonic function and/or product utility are, to some extent, subordinated by concerns about right and wrong and consequences of consumption acts (Starr 2009) in areas such as human welfare, animal welfare and environmental welfare (Low and Davenport 2007).

In order to examine the manifestation and role of emotions in the context of ethical consumption, in-depth interviews with consumers with different degrees of ethical orientation were undertaken. A theoretical thematic analysis was employed in order to systematically code and analyze the data (Thompson 1997; Braun and Clarke 2006).

Overall, the findings indicated that self-conscious behavior that is perceived to be ethical is context dependent more than person dependent, with the majority of consumers displaying patterns of complex behavior involving both ethical and unethical choices. It was also found that consumers compensate their unethical choices with ethical ones in many categories and stages of consumption and disposal, with emotions playing a key role in this compensatory process. Positive emotions (e.g., feeling good, pleased, happy, proud) were found to encourage future ethical choices while negative emotions (e.g., feeling uncomfortable, guilty, ashamed, regretful, disappointed) delayed or restrained unethical consumption. Emotions were experienced at different stages within the consumption cycle (i.e., before, during and after purchase) and emerged in different areas of concern. The findings also identified different types of strategies employed by consumers to manage their guilt: expediency-oriented actions, introspection, diminishing net impacts, and the use of positive emotions.

This study has both theoretical and practical implications. Firstly, this research adds further evidence about the manifestation of emotions in consumers’ decision making. Secondly, it contributes to the literature on ethical consumption by moving the debate further from cognition-related variables and by highlighting the role played by emotions both in relation to ethical and unethical choices. Within this context, emotions can explain the attitude-behavior gap for consumers with various degrees of ethical orientation. Thirdly, knowledge about how consumers manage their guilt is of use for marketers since counteracting strategies could be employed in marketing communications, i.e., aimed at neutralizing the techniques that allow consumers to justify and sustain their less ethical behavior.

Future research needs to be undertaken to validate some of the present results. A longitudinal study could observe consumers’ choice and behavior over time as the findings presented here rely on respondents’ memory. Future research could also investigate the efficacy of marketing communications employing positive or negative emotions in determining attitude change and encouraging ethical behavior. References are available upon request.

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DOES IN-STORE MARKETING REDUCE THE ATTITUDE-BEHAVIOR GAP FOR ETHICAL PRODUCTS?

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SUMMARY

In-Store Marketing and “Ethical Gap”

The enigma around why positive consumer attitudes toward ethical products do not seem to translate into actual purchase behavior has led many researchers to explore the “ethical attitude – behavior gap.” However, till date, the focus of research has been on the underlying reasons behind this ethical gap, whereas the effectiveness of the strategies eliminating these reasons has not been tested empirically. In this paper, the effectiveness of two in-store marketing variables – fair trade labeling as well as temporary price reductions on consumers’ purchase behaviors are explored. In order to evaluate their effects compared to demographical, attitudinal or behavioral variables, this study analyses these two factors’ interaction with other situational context elements – mainly shopping goals and shopping trip type.

A discrete choice experiment (DCE) was designed to determine the significance of certain in-store marketing variables in customers’ purchase decisions for Fair Trade chocolate compared to personal attributes. The most concrete variables – Fair Trade labeling as well as temporary price reductions – were chosen as the attributes to be assessed efficiently in a paper-based survey overcoming social desirability bias at the same time. The variables Fair Trade labeling and temporary price reductions were manipulated whereas the variables shopping trip type and shopping goals were measured. In terms of shopping goals, participants were divided into two categories – planned vs. impulsive shoppers (using median split based on how much they plan ahead before grocery shopping). Likewise, for the shopping trip type, participants were split into two categories – fill-in vs. major shoppers (using median split based on the time they spend on grocery shopping in general). In order to measure the effect of situational variables on the purchase of Fair Trade products, we chose to focus on one product category – chocolate. Being a hedonic product, chocolate is considered to be bought mostly as part of unplanned purchases which can be triggered effectively by in-store stimuli. However, in order to isolate the effect of situational dimensions from brand loyalty, which is commonly cited as another intervening factor, anonymous chocolate brands were introduced in this study.

Findings reveal that the presence of the Fair Trade logo increases consumers’ purchase decisions significantly whereas temporary price reductions ironically have no significant impact. Furthermore, it is noted that the effect of Fair Trade labeling on purchase decisions is larger than the effect of ethical attitudes, highlighting the importance of situational context in ethical decision-making. Besides, the interaction between different situational elements such as shopping trip type or shopping goals is found to influence the effectiveness of in-store marketing initiatives in different ways.

It is found that the existence of a Fair Trade logo increases the probability of purchasing a chocolate by 25 percent, confirming our hypothesis about the positive effect of Fair Trade labeling on purchase decisions. Fair Trade labeling is assumed to overcome consumer skepticism about a product’s origins and its ethical credentials by providing clear and credible information. The significant impact of Fair Trade labeling supported the consumer arguments for the lack of credible information being an obstacle to purchasing Fair Trade products. Likewise, the positive effect of Fair Trade labeling can be justified due to its role in mainstreaming Fair Trade products – differentiating them in a mass market by improving the connection between producers and consumers. Furthermore, Fair Trade labeling is considered to be instrumental for building a brand image. The importance of the Fair Trade logo in consumers’ purchase decisions indicates that it creates brand awareness; forming a brand image subsequently when accompanied with the relevant message in a market setting.

On the other hand, it is found that the price difference variable does not have a statistically significant impact, disproving our hypothesis about the positive effect of temporary price reductions on purchase decisions. The insignificant impact of price cuts actually provides evidence for the “ethical premium” concept. Although it is argued that consumers consider high prices of Fair Trade products to be a key impeding factor, they have been increasing their support for Fair Trade and becoming more likely to pay a premium for it.
In terms of ethical decision-making, shopping trip type and planning ahead are found to have no significant impact on individuals’ purchase decisions. However, when ethical decision making of different shopper groups is compared, it is found that the effect of certain in-store variables or attitudinal variables differed across shopper groups. Firstly, planned shoppers are found to be more influenced by the Fair Trade logo as well as temporary price reductions when compared to impulsive shoppers. This is in contrast to previous studies which claim that concreteness of shopping goals reduces the influence of in-store actions. Interestingly, this finding may support another perspective about planned shoppers, i.e., planned shoppers are more likely to consider product image as the key factor in their purchase decisions. When the effect of Fair Trade labeling in the formation of brand image is taken into account, it may be concluded that the Fair Trade logo has an indirect impact on the purchase decision through the product image which may be more important for planned shoppers.

Furthermore, it is noted that once consumers plan ahead for chocolate purchase, they seem more likely to purchase Fair Trade brands. This finding actually supports the assertion that following the accumulation of information about Fair Trade, consumers have started to form Fair Trade loyalty. In the long run, this may develop the Fair Trade market much further.

In terms of shopping trip type, this study finds that fill-in shoppers who go grocery shopping more frequently to meet urgent needs are more likely to be influenced by in-store activities. On the other hand, past purchase frequency for Fair Trade products seems to be a better indicator for future purchase decisions of major shoppers rather than the existence of in-store stimuli.

Understanding the effect of in-store marketing on purchase decisions can help Fair Trade brands to position their products better and establish long-term customer relationships. The significant impact of the Fair Trade logo suggests that more sophisticated Fair Trade labeling including vivid visuals/images from the lives of producers as well as wider use of the logo in retail promotions might form an emotional bond with consumers. This would help such brands build an identity and create customer loyalty in the long-run. The consumers’ insensitivity to different price levels suggests that instead of considering temporary price reductions, marketers should focus on the premium positioning of Fair Trade products. Once high-quality perceptions are established in customers’ minds, another underlying factor behind “ethical gap” – the skepticism about product quality – may be eliminated.

Our findings which relate to distinctions between fill-in and major shoppers in terms of their susceptibility to in-store stimuli may be useful for retailers in several ways. Retailers can plan their in-store activities so that they would attract fill-in shoppers. Likewise, our study shows that consumers who purchase Fair Trade products more frequently are more likely to buy Fair Trade chocolate. This indicates that cross-selling opportunities exist within different Fair Trade product ranges. Thus, a more extensive Fair Trade consumer segmentation should incorporate not only attitudes or demographics but also past purchase behaviors.

Given the relevant implications of this study, it would be useful to extend the product range in a future study or even compare the effect of in-store marketing variables on different product categories in an experimental setting. References are available upon request.
UNDERSTANDING TEENAGE POKER GAMBLING: POLICY AND CONSUMER BEHAVIOR IMPLICATIONS

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SUMMARY

Poker has become a popular pastime for many teenagers all over the world. Once characterized as a game played in dingy basements reeking of stale cigar smoke with tattered cards and grimy chips, poker gambling is now perceived as the “sport of choice” among media celebrities, catwalk models, Hollywood actors, and anyone aspiring to quick fame and fortune. Stories in popular media seem to suggest that the popularity of poker is luring increasingly large number of young people to gamble, creating a new cadre of youth gamblers and problem gamblers.

Despite the vast media attention poker gambling has thus far received, there are very few academic studies devoted to poker, especially to young people’s gambling on poker. Consequently, it is very hard for policy makers, regulators, educators, and parents to respond to youth poker gambling in an informed and effective manner. At a crucial time when several states and provinces are deciding whether to legalize internet poker gambling, we need solid data to assess the prevalence of poker gambling, especially among our youth, and to better comprehend the antecedents and consequences of this phenomenon. In a recent debate on legalizing internet poker, Rep. Frank Wolf characterized internet poker as “the crack cocaine of gambling.”

Our research sought to focus on teenage poker with three key objectives: (1) establish general gambling participation and poker gambling prevalence among teenagers in Australia; (2) understand how poker gamblers differ from other gamblers and non-gamblers on the trait of impulsive sensation seeking; and (3) to understand the degree of gambling related distortions among poker players relative to those teenagers who gamble on other things besides poker.

Based on an extensive literature search and on focus groups with 25 Australian teenagers, we formulated three research hypotheses:

$H_1$: Teenagers who have gambled will score higher on the impulsive sensation seeking scale than those who have never gambled.

$H_2$: Impulsive sensation seeking, cognitive distortions, and problem gambling tendencies will be positively intercorrelated.

$H_3$: Poker players will score higher than other gamblers on impulsive sensation seeking, cognitive distortions, and problem gambling.

Data were collected online from 2,000 teenagers, aged 15–19, from the Australian state of Victoria. Under an arrangement with the commercial firm that provided us access to the sample, prospective respondents signed up to participate in online surveys in exchange for points, with around three dollars worth of points per survey earned by each respondent. The points earned can then be cashed for purchases.

The online questionnaire took 20–25 minutes to complete. It comprised of questions relating to respondents’ level of impulsive sensation seeking, their gambling behaviors and gambling-related cognitions, their poker gambling activity, and their proclivity for problem gambling. Other information gathered but not addressed in this summary included information on respondents’ consumption of tobacco, recreational drugs, and alcohol, parental awareness of teenagers’ gambling, and information on help-seeking behavior from teenagers who had faced issues relating to relationships, academic problems, alcohol-related problems, and gambling-related problems.

The sample comprised of 1003 females and 997 males. Just over 88 percent of the participants went to school or university full-time, 3.8 percent worked full-time, and 46.5 percent worked part-time. Just over half of the sample (54.7 percent) had engaged in some form of gambling at least once in their lifetime. Around two-thirds (66.3 percent) of the teenagers had played poker for money at some time in their life. Four hundred and fifty teenagers (22.5 percent) had played poker for money at least once in their life, and 308 respondents (15.4 percent) had done so in the preceding twelve months. Of the 450 teenagers who had gambled on poker, 245 were males and 205 were females.

Participant scores on impulsivity and sensation seeking were computed by summing responses to the 19-item
Impulsive Sensation Seeking Scale (ImpSS) adapted from the Zuckerman-Kuhlman Personality Questionnaire (Zuckerman and Kuhlman 2000). Participants were asked to indicate whether statements such as “I like doing things for the thrill of it” were true (coded as one) or false (coded as zero). The possible scores on ImpSS ranged from zero to nineteen. The mean ImpSS score was 9.49 with a standard deviation of 3.95. The scale showed acceptable reliability (Cronbach’s alpha = 0.76). Our analysis revealed a significant difference on ImpSS between gamblers (M = 9.92, SD = 3.88) and non-gamblers (M = 8.97, SD = 3.98), t(1,1998) = 5.40, p < 0.001. Hypothesis H1 is thus supported.

To test the prevalence of irrational beliefs among gamblers, the Gambling Related Cognitions Scale (GRCS, Raylu and Oei 2004) was used. This scale comprises of 23 items with five underlying dimensions: interpretive control or bias, illusion of control, predictive control, gambling-related expectancies, and a perceived inability to stop gambling. This scale exhibited excellent internal reliability (Cronbach’s alpha = 0.96).

The proclivity for problem gambling was measured using the nine-item Problem Gambling Severity Index (Ferris and Wynne 2001). Four items assess problem gambling behaviors (e.g., How often have you bet more than you could afford to lose?) and five items seek information on the adverse consequences of gambling (e.g., How often have you felt you might have a problem with gambling?). The nine questions were answered on a 0–3 scale (0 = Not in the last year or never; 1 = Sometimes; 2 = Most of the time; and 3 = Almost always). Cronbach’s alpha for this scale was 0.93.

Analysis of data revealed a weak but positive correlation of teenagers’ scores on the ImpSS and PGSI scales, r = 0.13, p < 0.01, and between ImpSS and GRCS, r = 0.18, p < 0.001. The PGSI and GRCS scores were highly correlated with r = .66, p < 0.001, thus supporting H2. The GRCS scores for poker players vis-à-vis other gamblers reveal that teenagers who have gambled on poker even once scored considerably higher (M = 45.42, SD = 17.41) compared to those gamblers who have never bet on poker (M = 37.11, SD = 14.76, F(1,1093) = 72.29, p < 0.001). The mean ImpSS rating for poker players was 10.43 (SD = 3.85), while that for non-poker gamblers was 9.56 (SD = 3.86). This difference in means is statistically significant (F(1,1093) = 13.34, p < 0.001). Finally, the mean PGSI score for poker players was 3.21 (SD = 5.08), while that for other gamblers was 1.18 (SD = 3.02, F(1,1093) = 68.36, p < .001). These results are supportive of H3. Closer inspection of the results on the PGSI scores of poker gamblers vis-à-vis other gamblers reveals that poker players are almost three and a half times more likely to be problem gamblers compared to other teenagers who have gambled, but never on poker (18.4% vs. 5.4%). Furthermore, while 70 percent of those who have gambled on poker at least once in their life fall into the “Non-problem” or “low-risk” category, almost 30 percent face moderate to high gambling risks.

Our cumulative analysis suggests that while poker gambling is a popular pastime among Australian teenagers, it is nowhere as rampant as some media stories would lead one to believe. While more than half the 15–19 year olds have gambled at least once in their life, slightly over one in five have ever gambled on poker. What we do find concerning is that poker players exhibit a far higher tendency to become problem gamblers. Even having gambled on poker just once dramatically increases a teenager’s risk of becoming a problem gambler.

This is the first reported large-scale study to assess poker playing among Australian teenagers. Our findings corroborate previous studies suggesting that poker players tend to have more distorted cognitions than other gamblers (Wohl et al. 2005). Poker players also tend to be more impulsive and sensation seeking oriented compared to other gamblers. If other specific individual and contextual factors influencing problem gambling in poker players can be identified, advances toward possible interventions for prevention and treatment of problem gambling among poker players can be made (cf., Dickerson 1993; Mitrovic and Brown 2009). Given the high scores of poker gamblers on GRCS, cognitive behavioral therapy should prove particularly effective with poker players who face high problem-gambling risks. References are available upon request.

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“IT’S NOT MY FAULT” AND “MONEY CAN BUY ANYTHING”: RECOVERING FROM ETHICAL FAILURES

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SUMMARY

Research has found that denying ethical failures elicits more favorable attitudes than accepting them (Ferrin et al. 2007) due to the differential inferences people draw from the failure (Reeder and Brewer 1979). An ethical failure is more diagnostic in judging moral character and hence likely to have greater informational value and impact on judgment. This suggests that the effect of accepting ethical failures is difficult to overcome. However, the literature on moral disengagement (White, Bandura, and Bero 2009) provides insight into recovery strategies from ethical transgressions. We focus on two such alternatives that are often observed in a marketing context – external attribution and monetary compensation.

Attributing a failure to outside sources is commonly adopted by firms (e.g., Ford/Firestone). External attribution shifts the culpability of the unethical act away from the firm. By attributing the failure to an outside party, firms can restrict the negative association of having committed an unethical act and consequently reduce the future likelihood of repeating the act. In other words, the diagnostic value of the ethical failure for consumers is reduced. Thus, when the failure is attributed externally, consumers will have more favorable attitudes and intentions toward the firm, greater trust in the firm and be less likely to believe that the firm will make similar errors in the future, as compared to when the firm accepts the failure. Finally, there will be no differences in attitudes, intentions, future likelihood estimates or trust in the firm when the firm externally attributes the failure as compared to when the firm denies the failure.

Monetary compensation, however, attempts to shift the focus away from the failure and its consequences to resolution of the failure. Therefore, we expected to find that this response would improve consumer attitudes but would not improve intentions or reduce the future failure likelihood.

In real life, consumers often hold varying levels of trust in a company. We therefore also hypothesize that under conditions of low prior trust, there will be no differences in consumer responses toward the firm between offering monetary compensation, accepting, externally attributing or denying the failure.

Study 1 (N = 154; Table 1, Appendix)

Design: 2 (prior trust: high versus low) x 3 (recovery: accept, deny, external attribution) between subjects study. The dependent measures included attitudes toward the firm, trust in the firm, likelihood of future transgressions by the firm and behavioral intentions toward the firm (7-point scales).

We found a significant interaction between prior trust and company responses on attitudes (F (1, 147) = 7.62, p < .01), intentions (F (1, 147) = 10.3, p < .01, post-failure trust (F (1, 147) = 4.89, p < .01) and future likelihood of failure (F (1, 147) = 2.73, p = .06). Planned contrasts revealed that when trust was high, externally attributing the failure led to results that were no different from denying the failure (p’s > .1). However, when trust was low, externally attributing the failure did not improve any of the dependent measures as compared to accepting the failure.

In addition, a mediation analysis revealed that the response significantly predicted post-failure trust in the company (β = .68, p < .05), and the likelihood of future failures significantly predicted post-recovery trust in the company (β = .32, p < .05). When both the type of response and likelihood of future failures were included as predictors of post-recovery trust, only the likelihood of future failures remained a significant predictor (β = .68, p < .05) and the type of response was non-significant (β = .32, p > .1). Thus, external attribution reduces the diagnosticity of the ethical failure and thereby improves consumer perceptions of the firm.

Study 2 (N = 147; Table 2)

In study 2, we varied the failure context (environmental damage) and conducted a 2 (prior trust: high versus low) x 3 (response: accept, deny, external attribution) between subjects study. We replicated the findings from Study 1 and found a significant interaction between prior trust and type of response on consumer attitudes (F (2, 140) = 3.57, p < .05) and post-recovery trust (F (2, 140) = 3.49, p < .05). Under high trust, external attribution elicited responses that were no different as compared to denying the failure (p’s > .1) but were significantly higher than when the failure was accepted (p’s < .05) but under
low trust, external attribution elicited results that were no different from accepting the failure.

**Study 3 (N = 200; Table 3)**

Design: 2 (prior trust: low versus high) x 4 (responses to failure: accept, deny, monetary compensation, external attribution) between subjects study. We used the same scenario and dependent measures used in study 1.

We found the expected interaction between prior trust and company responses on attitudes toward the firm (F (3, 192) = 3.0, p < .05), intentions toward the firm (F (3, 192) = 4.39, p < .05) and post-failure trust in the firm (F (3, 192) = 2.29, p = .07). We replicated the pattern of results for external attribution that was found in study 1. Thus, external attribution improved attitudes and intentions and lowered future likelihood of failure when trust was high.

When prior trust was high, monetary compensation improved attitudes, but not intentions, trust or future failure likelihood, as compared to accepting the failure. Thus, externally attributing the failure was better than offering monetary compensation in terms of future intentions and diagnosticity. Also as predicted, there were no differences between any of the four conditions on attitudes, intentions, post-failure trust in the firm or the likelihood of future failures when prior trust in the firm was low (all p’s > .1). Thus, any response to an ethical failure appears to require a modicum of trust in the firm in order to be successful.

While prior research has shown that denying ethical failures is the only option to retain favorable consumer attitudes and intentions, we identify exceptions to this finding. We show that external attribution reduces the perceived diagnosticity of ethical failures, leading to more favorable attitudes/intentions toward the firm while monetary compensation can improve attitudes, but not future intentions. We also identify an important moderator to these effects—prior trust in the company. References are available upon request.

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WORD-OF-MOUTH BEHAVIOR, ONLINE ACTIVITY AND COMPANY’S COMMUNICATION STRATEGY

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SUMMARY

Word-of-mouth (WOM) communication has been recognized for quite some time as a powerful means of disseminating information about products and services (Brooks 1957). For example, Schmitt, Skiera, and Van den Bulte (2011) found that referral programs generate more customers in both the short- and long-term; Cheema and Kaikati (2010) found that high-uniqueness consumers (consumers who prefer to differentiate themselves from members of their respective reference groups) were more likely to recommend products they themselves consumed; and Court, Gordon, and Perrey (2010) proposed using “word-of-mouth equity” as an index of a brand’s power to generate messages that influence consumers’ purchasing decisions. The importance of the WOM phenomenon has been shown in studies that describe the effects of WOM on purchasing decisions (e.g., Chevalier and Mayzlin 2006). However, the vast majority of the seminal work and observations about informal, unsolicited WOM communication have been based on a marketing world untouched by the internet (Brown, Broderick, and Lee 2007; Dellarocas 2003; Godes et al. 2005; Hennig-Thurau et al. 2004).

Online communities have increased in size, number, and character, and companies have begun to recognize the growing importance of WOM in that context. Firms’ investment in online technology is increasing, and significant resources are allocated in digital and online marketing venues. The widespread, but misguided, belief among business managers is that companies’ websites must provide community-generated content if they are to build brand loyalty and achieve high sales figures. This belief is posing an enormous challenge for such companies. The opportunities for managers to monitor and influence WOM communication lie in the increasing accessibility and reach of the internet. Companies then need to be vigilant to WOM behavior and online activity that allow for a better understanding of what makes WOM effective and how to measure its impact. While WOM Behavior refers to the motivations and beliefs that drive individuals to pass information, Online Activity refers to the exercise of information dissemination by using online means.

We therefore aim to study WOM behavior and analyze the impact of companies’ on- and offline communication and consumers’ online activities on consumption. For example, online customer reviews are an important source of information about product quality for interested consumers, complementing, and very often substituting for, other aspects of a company’s communication strategy. By collecting information about consumers’ perspectives on companies’ communication strategies and analyzing it together with information about their own behavior and activities, we offer insights into how consumers react to and influence the online environment. This study is an attempt to contribute to the WOM literature and provide a model with four hypotheses as well as evidence of a survey data drawn from a population of internet heavy users. Our sample yielded a response rate of 9.2 percent (313); after excluding incomplete questionnaires, we had 248 usable responses.

Using the antecedent variables, mediator variables and outcome variable specified in our research model, we analyzed three sets of ordinary-least-square regressions. The first set of equations took the two dimensions of WOM behavior as dependent variables and the company’s communication strategies as the explanatory variables. In the second set of equations, the four dimensions of online activity were considered the dependent variables and the dimensions of WOM behavior were considered the explanatory variables. In the third set of equations, the WOM outcome was the dependent variable and the communication strategies and WOM activity were the explanatory variables. A total of seven equations were modeled; all included the control variables.

Our results provide evidence to address other scholars’ calls for research that leads to a better understanding of WOM behavior and that identifies those who influence online activity and consumption (Brown and Reingen 1987; Schmitt, Skiera, and Van den Bulte 2011). It has also been suggested that studying companies’ communication strategies might provide indications as to which strategies are more effective in encouraging online consumption. This paper presents evidence that such communication influences consumption through WOM behavior and online activity.

The direct impact of some types of communications on consumption is, interestingly, negative. A communication strategy employing both on- and offline media was
shown to have negative impact on online consumption. Consumers may look with suspicion on any kind of direct manipulation of the press or of customer evaluations. We believe that the extremely high volume of information available today has altered the balance of power between companies and consumers. Consumers have become overloaded and are skeptical about traditional company-driven communications. However, company-driven communication can impact online consumption through WOM behavior and online activity. Companies cannot control what consumers tell other consumers. But marketers can use insights from research on WOM to shift from consequential to intentional marketing. WOM communication can be effective at encouraging a consumer to consider a product in a positive light in a way advertising simply cannot, no matter how much is spent on it. The most effective communication messages echo within interested social networks and expand their influence, affecting product perceptions.

We found that respondents’ engagement in active WOM did not have an impact on their online consumption. One may argue that consumers will not spend time providing product reviews for which they are not directly compensated. A company’s competitors may benefit from its investment in online recommendation systems, and perhaps most importantly, companies do not have much control over community-generated content. References are available upon request.

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THE ROLE OF RESISTANCE AND POSITIVE COPING IN CONSUMPTION OF MOBILE APPS

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SUMMARY

Although mobile app is one of the fastest growing markets, data from smartphone owners suggest that not all users actively download and use apps (Wayne 2012; Dowell 2010). However, little research investigates why consumers elude technology after ownership (Kleijnen, Lee, and Wetzels 2009) and the strategies they employ that ultimately lead to their decision to continue/discontinue using a technology. The proposed research employed cognitive appraisal theory in a process-based model to explore consumer resistance as a part of their decision-making process during consumption. The research model proposed appraisal of perceived facilitators and inhibitors in using mobile apps to influence consumers’ coping strategies in the form of positive coping and resistance toward using apps. The coping strategies then influence consumers’ intentions of continued use of mobile apps.

Data were collected via a self-administered, web-based survey from 375 smartphone users who had downloaded app(s) on their smartphone since the time of purchase. SPSS and Lisrel 8.8 were used to analyze the data. Consumers’ appraisal of mobile apps was explored via the diametric anchors of paradoxes of technology as proposed by Mick and Fournier (1998). Exploratory factor analysis suggested three distinct factors underlying the paradoxes. The first factor, perceived benefits, highlights the extent to which using mobile apps provide control, freedom, newness, fulfillment of needs and assimilation to the users. Compared to the concept of “optimism” from the Technology Readiness Index (Parasuraman 2000), perceived benefits provide a richer dimension by incorporating consumers’ perceptions of connectedness in the scale. The second factor, perceived apprehension, addresses consumers’ perceptions of disruption in ones’ life, dependence, fear of obsolescence, isolation, and additional needs as a result of using mobile app(s). Perceived apprehension is more detailed as compared to the concept of “discomfort” (Parasuraman 2000) that mostly explains anxiety toward the use of technology itself and the fear of malfunctioning. Lastly, consumers’ perceptions of incompetence and inefficiency in using mobile app(s) encompassed a third factor, termed as perceived obscurity. Unlike perceived obscurity, scale based on technology paradoxes, e.g., TRI, does not propose such a factor that explains the confusion and ambiguity within individuals as a result of using a technology. Items intended to measure perceived competence and efficiency in using mobile app(s) did not load significantly on any factor.

All indicators intended to measure rejection loaded on a single factor comprised of behavioral tendencies such as, distancing, abandoning, and neglecting. Positive coping strategies such as partnering and mastering also loaded on a single factor. Continued usage was measured by three items. CFA supported the factor structure. The overall fit for the measurement model was \( \chi^2 = 2040.62 \) (df = 865; \( p \leq .001 \)); CFI = .98; IFI = .98; NFI = .97; RMSEA = .061; \( \chi^2 / df = 2.36 \) indicating a good fit. The reliabilities ranged from .80 to .96. The AVE for each construct was greater than 50 percent except for positive coping (44.39%) (Fornell and Larcker 1981). Discriminant validity was successfully assessed by examining the confidence interval for the cross-construct correlations (Bagozzi, Yi, and Phillips 1991).

Structural modeling results supported most of the hypotheses (\( \chi^2 = 2068.54 \) (df = 869; \( p \leq .001 \)); CFI = .98; IFI = .98; NFI = .97; RMSEA = .061; \( \chi^2 / df = 2.38 \)). The paths from perceived benefits (\( \beta = .66, p < .001 \)) and perceived apprehension (\( \beta = .31, p < .001 \)) to positive coping, and in turn, on continued usage (\( \beta = .39, p < .001 \)) highlights consumers’ use of proactive coping (Aspinwall and Taylor 1997). Individuals use proactive coping to cultivate their capabilities in an effort to build general resources that either facilitate overcoming challenging goals or enhance personal growth. In the present context, consumers who might see the use of mobile apps as beneficial or challenging may engage in positive coping to gather more resources and continue their use or outweigh their difficulties in using apps.

Interestingly, perceived obscurity had no influence on positive coping but a strong positive influence on rejection (\( \beta = .40, p < .001 \)). These relationships suggest that if a smartphone owner had already tried using apps and still doubts his or her ability to use apps then she/he was likely to strictly limit the use of apps or reject using them all together. These respondents showed no intentions to try and master the art of using apps. This reasoning can also explain the positive effect of perceived apprehension on rejection (\( \beta = .53, p < .001 \)) which, in turn, negatively influence continued usage (\( \beta = .49, p < .001 \)). The negative path from perceived benefits to rejection
(β = -.07, p < .01), and in turn, to continued usage supported Mick and Fournier’s (1998) findings. In that, consumers’ perceptions of low benefits derived from the actual use of mobile apps were found to result in limited or discontinued use of mobile apps, or being ignorant toward using apps. The above mentioned paths can explain the plausible reason for the recent market research report advocating that some consumers do not use app(s) after initial downloading (Realwire 2010).

The results of the present study give us valuable information regarding consumers’ decision-making process during consumption of mobile apps. The findings and implications are timely in the current market given the exponential growth of the apps market, and the use of mobile technologies in the retail environment, e.g., QR codes which permit consumers, via an app, to see greater depth of product information via videos on their smart phones, apps for self-scanning, apps for coupon redemptions, etc. (Greene 2011). In addition, interactive technologies are penetrating many different product lines and services such as, the recent announcement that Toyota is going to include interactive windshields in some of its automobiles; some stores are installing interactive windows as display windows, etc. (Technology 2011). Hence, there are many new technologies on the near horizon for which the study results may have implications. References are available upon request.

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SUMMARY

Given the increasing use of online technology to gather information and the importance of consumer opinions and experiences in driving decisions about the type and range of products offered, marketers are interested in understanding how to engage consumers in sharing their opinions and increasing the quantity and quality of participation. The purpose of this paper is to identify strategies for encouraging online survey participation.

Researchers have identified a number of motivational constructs related to knowledge sharing that may have application to online survey participation. These include trust and shared norms, self-efficacy, exchange and reciprocity, altruism, social interaction and privacy concerns. One issue that has not been addressed by previous research is whether these motivational constructs are differentially important within online user groups. This project examines motivation within four social media user group segments to gain insight into why knowledge is shared online and to test the appeal of various strategies for increasing online participation.

We chose the sample of 1501 from the 160,000 member “Asking Canadians” panel to be representative of the Canadian population in terms of regional distribution, age and gender according to the latest information from Statistics Canada. The instrument was developed based on questions from the Foster, Francescucci, and West (2011) study to identify social media user group segments, and the existing literature on motivational constructs.

Using SPSS 19 and AMOS 19, we constructed a model to describe online behavior that considered both types of behavior and frequency. Three distinct types of behavior emerged: creating, socializing, and info seeking. Using K-means cluster analysis, we segmented the sample into four user groups: (a) Social Media Technology Mavens, representing 7 percent of the sample and scoring high on need for information and need for interaction in social networks; (b) Info Seekers, representing 18 percent of the sample and scoring high on the need for information and low on the need for interaction; (c) Socializers, representing 26 percent of the sample and scoring high on the need for interaction and low on the need for information; and (d) Minimally Involved, representing 49 percent of the sample scoring low on both the need for information and the need for interaction.

Analysis of variance and Chi² were used to understand the strength of the various motivational constructs for each of the user groups and to identify strategies with the most appeal. Three motivational constructs are important to all user group segments: (a) trust in sponsor, when the survey is associated with a familiar sponsor and one that is revealed to them in advance of participating; (b) reciprocity sponsor, when respondents receive feedback from the sponsor about the impact of the information provided, and/or when there is a tangible incentive to participate; and (c) privacy, when respondents have no concern about the confidentiality or security of their responses. These top motivators are within the sponsors’ control. They are not dependent on peer response or intrinsic motivators within an individual.

The findings suggest that the most effective strategies for motivating participation in online surveys are linked to the most important motivations. Participants are motivated by “trust in sponsor” and this relates to their report of an increased likelihood to share opinions if sponsors prominently display how they protect respondents’ personal information. “Reciprocity sponsor” motivation is linked to the reported positive impact of the opportunity for respondents to earn points for the quality of their contributions, which can later be used for rewards. Finally, identifying privacy issues as a motivator is consistent with the positive response to enforcing an online code of conduct.

In terms of differences within user groups, SMT Mavens appear intrinsically motivated to participate online, and respond positively to any number of online strategies designed to increase participation. Info Seekers may be the most promising segment to target because they are technologically engaged, are motivated by a variety of constructs to share opinions online and respond positively to a number of proposed community formats and features for increasing participation. Socializers appear limited in their scope of expertise and comfort in that their online activities seem to consist mainly of Facebook. Few have progressed beyond this entry level technology. The Minimally Involveds are technological laggards and it is unlikely that any targeted strategy is going to result in an increase in participation.
While this study was conducted with a representative demographic sample, it only included those who are currently part of an online panel. A broader sample may have yielded different results. References are available upon request.

ENDNOTE
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TOO MUCH FACEBOOK: AN EXPLORATORY EXAMINATION OF SOCIAL MEDIA FATIGUE

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SUMMARY

Social networking sites like Facebook and microblogging sites like Twitter have become some of the primary sources of communication for people to find out about people in their network and brands with which they identify. Facebook has become the world’s largest social networking site with more than 800 million active users and with more than 50 percent of those active users logging onto Facebook in any given day (Facebook 2012). Similarly, Twitter has 100 million active user accounts and one billion tweets sent every seven days (Sullivan 2011). Overall media usage has become fractured with people spending 24 percent of their time online (second only to television at 40%). But while Facebook has grown in popularity over the years, it appears it may have reached its peak in terms of usage. There appears to be a usage-related phenomenon setting in among users of Facebook and other social media websites – users are visiting social media sites less. This phenomenon is called “social media fatigue” (Goasduff and Pettey 2011).

Social media fatigue is defined as “social media users’ tendency to back away from social media usage when they become overwhelmed with too many sites, too many pieces of content, too many friends and contacts and too much time spent keeping up with these connections” (Technopedia 2011). Social media fatigue is rooted in the idea that too much information stemming from social media can lead to feelings of being overwhelmed. The Limited Capacity Model (Lang 2000) suggests that people have a limited amount of mental resources to process information. As such, LCM is being utilized in this research to determine whether information overload plays a conceptual role in social media fatigue. Therefore, the purpose of this study is to identify the concept of social media fatigue and understand its antecedents.

There are several antecedents that we want to examine for social media fatigue. Social media confidence describes a person’s perception of their ability to use social media in an effective manner. For the purposes of this research, confidence refers to the level of certainty or assurance consumers have for dealing with content on social media websites. Self-efficacy is belief in one’s ability to organize and execute a particular course of action – in this case, engagement and participation in social media (Bandura 1986). As such, social media users who become more self-efficacious will increase their expectations of obtaining specific outcomes from their social media use. In turn, the more self-efficacious, the more likely the user will continue engaging and participating in social media. As social media grows, the issue of privacy becomes ever more important. Facebook continues to have a liberal viewpoint on privacy and Google recently announced major changes to privacy for all of its properties. We would expect those with higher privacy concerns to also have social media fatigue due to the “threshold beyond which social contact becomes irritating for all parties” (Schwartz 1968, p. 741) meaning that people might experience being too accessible or receiving too much information from too many people. Social media helpfulness refers to the extent to which users gain resources and helpful information from their exploration of social media sites. Research has explored why people participate in social media and social networks (Foster, Francescurri, and West 2010). It is hypothesized that all four of these antecedents will have an impact on consumers’ level of social media fatigue in positive (privacy) and negative (self-efficacy, helpfulness, and confidence) ways.

A 210-item questionnaire was administered to an opt-in subject pool recruited for web-based research (i.e., online panel). A representative sample of social media users between the ages of 18–49 was recruited for the survey. Data was gathered from a total of 750 participants over a seven-day period to insure an even distribution of respondents on each day of the week (i.e., weekdays and weekend days). The final sample consisted of 747 current social media users with a Facebook account. Amongst this sample, 47.5 percent (N = 355) were male and 52.5 percent (N = 392) were female. Respondents ranged in age from 18 to 49 (M = 32.52, SD = 9.1). Respondents belonged to a variety of social media websites including Facebook, Twitter, Google+, Pinterest, and LinkedIn.

To test the hypothesized conceptual framework for social media fatigue, a step-wise regression was undertaken using IBM SPSS version 19.0 statistical software. The results of this investigation indicate that all four antecedents, social media privacy, self-efficacy, confidence and helpfulness, all had significant relationships with social media fatigue. However, two antecedents, self-efficacy and helpfulness, had positive and significant relationships.
predictive effects for social media fatigue which was the inverse of the hypothesized model. Privacy concerns and social media confidence were significant in their ability to predict social media fatigue in line with the hypothesized model.

Results showed that respondents with greater levels of confidence about their social media usage were less likely to experience social media fatigue. However, we found a positive relationship between social media self-efficacy and social media fatigue that was not the hypothesized relationship. This relationship may be the result of burnout experienced when using social media. We found that there was a relationship between privacy concerns and social media fatigue whereas those respondents with higher levels of privacy concerns experienced social media fatigue. Last, we found a positive relationship of social media helpfulness and greater levels of social media fatigue. However, contrary to our hypothesis, when respondents experience high levels of social media helpfulness they also experience high levels of social media fatigue. Even as exploratory research, this has theoretical and managerial implications. Future research needs to explore the social media fatigue construct further as there could be additional antecedents, moderators, mediators and outcomes. References are available upon request.

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ON MATERIALISM, COPING AND CONSUMER BEHAVIORS UNDER TRAUMATIC STRESS

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SUMMARY

Focusing on existential stress and guided by the Terror Management Theory (TMT), scholars have theorized that materialistic behaviors may serve as a coping mechanism with stress (Arndt, Solomon, Kasser, and Sheldon 2004; Mandel and Smeesters 2008). Nevertheless, very little empirical support has been provided for these theoretical arguments and in most studies the methodological procedures entailed the induction of mortality salience among participants in well-controlled lab settings (e.g., Mandel and Smeesters 2008; Rindfleisch, Burroughs, and Wong 2009). Thus, although this pioneering body of literature highlights the potential contribution of materialism to the study of coping, it has also left some unresolved theoretical and methodological issues.

To address the lacunae in the traumatic stress and consumer behavior literature, we explored how exposure to traumatic stress, posttraumatic reactions and materialistic values impact coping and consumption behaviors in real life traumatic conditions. We collected data in two Israeli towns during a prolonged period of hostilities along the Gaza-Israel border. Our respondents were sampled in Sderot, an Israeli community that had been subjected to the launching of thousands of mortar shells and rockets during this conflict, and in a comparison city.

In this study we hypothesize that compared to a group exposed to low levels of stress, respondents residing in a high-level stress environment will report higher levels of posttraumatic distress (PTSD), coping and maladaptive consumption behaviors in real life traumatic conditions. We collected data in two Israeli towns during a prolonged period of hostilities along the Gaza-Israel border. Our respondents were sampled in Sderot, an Israeli community that had been subjected to the launching of thousands of mortar shells and rockets during this conflict, and in a comparison city.

In this study we hypothesize that compared to a group exposed to low levels of stress, respondents residing in a high-level stress environment will report higher levels of posttraumatic distress (PTSD), coping and maladaptive consumption behaviors (shopping escapism, hedonic shopping and impulsive consumption). We also predicted that materialism would be a significant risk factor for the study’s dependent variables.

Method

Participants and Procedures. Our sample consisted of two groups of civilians: 139 participants who lived in Sderot, a town in the southern part of Israel, located close to the Gaza Strip. Data were collected when this area was subjected to extensive mortar shell and rocket attacks from the Gaza Strip. Participants in the low-stress group were 179 residents of a large city that was not threatened by rocket attacks.

Measures

Materialism. We used Richins’ (2004) 9-item Material Values Scale (MVS) to measure materialism ($\alpha = 0.84$). Posttraumatic distress, measured using 17-item self-reported PTSD Symptom Scale (PSS-SR; Foa, Riggs, Dancu, and Rothbaum 1993). Reliability of the scale in this study was $\alpha = 0.95$. Coping. The Brief COPE (Carver 1997), 17-items scale was utilized to measure coping with the following sub-dimensions: Direct Active coping (5-items); Interpersonal Expressive coping (5-items); Avoidance and Distancing (3-items); Positive Restructuring (4-items). Coefficient alpha for the scale was $\alpha = 0.85$. Shopping escapism. We used Mathwick et al. (2001) 3-item scale ($\alpha = 0.92$). Compulsive buying. We used Babin, Garden and Griffin’s (1994) 5-item scale ($\alpha = 0.81$). Hedonic Shopping. We used Arnold and Reynolds (2003) 3-times “gratification shopping, factor of their hedonic shopping motivation scale ($\alpha = 0.90$).

Results and Discussion

To shed further light on the interconnectedness of exposure to stress, coping, consumer behavior and posttraumatic distress we investigated the role of materialistic values in this matrix. A main effect for materialism was found for all the distress, coping and consumer behaviors under study, with the exception of Interpersonal Expressive coping. Highly materialistic individuals under duress tended not to intensify Interpersonal Expressive coping. These findings are aligned with the main premise of materialism that places a high premium on possessions rather than social relationships (Richins and Dawson 1992). It seems that even in times of upheaval highly materialistic individuals tend to seek solace in material possessions rather than social relationships.

Our data also show a significant interaction between materialism and exposure to traumatic stress with regard to PTSD, Direct Active coping, Interpersonal Expressive coping, Avoidance coping and compulsive buying. When exposed to severe psychological stress, highly materialistic individuals reported the highest level of PTSD. These findings support previous literature that demonstrated the detrimental effect of materialism on an individual’s well-being (e.g., Burroughs and Rindfleisch 2002; Kasser and Kanner 2005). Nevertheless, the mechanism causing
materialistic individuals to be more vulnerable to PTSD requires further investigation. Values have been documented to be relevant to the experience of stress (Bouckenooghe et al. 2005). Kishon-Barash and her associates (1999) demonstrated that individuals reporting high levels of other-directedness were less likely to suffer from PTSD symptoms. The attraction of highly materialistic persons objects could be incompatible with their ability to benefit from social support, a known moderator of stress in general (e.g., Field and Schuldenberg 2011), and PTSD in particular (e.g., Haden et al. 2007; Scarpa et al. 2006). In line with this view is our data showing that in the high-stress group Interpersonal Expressive coping, reflecting an inclination to utilize social support, was highest among mildly materialistic individuals.

Under normal conditions, people who had been upset by adverse life events were more likely to endorse materialistic values and more inclined to react with maladaptive consumer behaviors. However, under extreme and prolonged duress, PTSD seemed to have been unrelated to both hedonic shopping and compulsive buying, but appeared to have been significantly associated with shopping escapism. Thus, to cope with their distress, civilians living under continuous shelling shopped to escape from the hardships of their threatening milieu, but were not more likely to engage in spendthrift purchases or to react with indulgent, extravagant shopping. Escapist shopping was probably motivated by the need to capture attention resources and offer a distraction from the bleak environment, rather than to satisfy materialistic values and the need for ownership of objects. Again, these findings imply that materialistic individuals who are exposed to traumatic stress, experience shopping as a temporary means to alleviate distress when higher-level psychological coping skills are unavailable.

Our data indicates a significant relationship between materialism and the consumer behaviors we measured, regardless of how stressful the environment had been. However, in the high-stress group materialism, as well as the interaction between PTSD and materialism, were significant predictors of the three measured consumption behavior constructs. That is to say, under extremely stressful conditions, PTSD tended to exacerbate the effect of materialism on elevating maladaptive shopping patterns. References are available upon request.

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THE GREEN SIDE OF MATERIALISM

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SUMMARY

Individuals use material possessions to judge themselves and others (Richins 1994, 1999). In serving as symbols of identity and self-expression, possessions extend the owner’s self (Belk 1988). Closely related to insecurity (Rindfleisch and Wong 2009), compulsive consumption (Rindfleisch, Burroughs, and Denton 1997) or traits like possessiveness, self-centeredness, greed and general life-dissatisfaction (Belk 1983, 1985) materialism is predominately viewed as a dark side variable of consumer behavior (Mick 1996).

Rising concerns about environmental or ethical issues (Shaw et al. 2005; Shaw and Shiu 2003), however, have made many individuals rethink their consumption behavior. In the last years, ecological and economical sustainability or ethical aspects have become a mainstream issue (Gordon, Carrigan, and Hastings 2011; Prothero, McDonagh, and Dobscha 2010; Shaw et al. 2005; Shaw and Newholm 2002; Shaw and Shiu 2003) and are regarded important by companies, consumers, and governments alike (Sheth, Sethia, and Srinivas 2011).

Prior research has agreed on a mutually incompatibility of materialistic and sustainable consumption (e.g., Banerjee and McKeage 1994; Doran 2009; Kilbourne and Pickett 2008; Muncy and Eastman 1998; Prothero, McDonagh, and Dobscha 2010; Shaw et al. 2005). Burroughs and Rindfleisch (2002) even propose that the conflict between material values and collective-oriented values creates psychological tension that lowers subjective well-being.

By contrast, the present paper delineates how sustainability and materialism can be aligned by presenting a conceptual framework that links both phenomena from three perspectives. In a first step, we show that materialism and sustainability need not be at odds. Going beyond the normative view of green consumption, the concept of consumer value (Holbrook 1994, 2006) helps to explain why green consumption may entail status elements. Holbrook (2006) identifies four key types of consumer value (economic, hedonic, social, and altruistic). Importantly, the four types of value potentially coexist in any consumption experience (Holbrook 1994). This notion of compresence of consumer value types offers a new perspective on both altruistic and materialistic consumer behavior. Given that altruistic value includes aspects that are most often related to green consumer behavior and that social value refers to the case in which consumption experiences serve as a means to attain status-relevant responses from others, there need not be a conflict between green and materialistic consumption.

Second, we enrich existing materialism research by discussing the nature of material possessions in more detail. Researchers tend to agree that material possessions have to be more expensive than other products and have to be socially visible (Richins 1994). Accordingly, luxury goods, cars, homes, money, or new clothes that symbolize status are typical objects of investigation in most materialism research (e.g., Burroughs and Rindfleisch 2002; Chaplin and John 2007; Richins 1994; Rindfleisch, Burroughs, and Wong 2009; Wong and Ahuvia 1998). Granted that those types of products are suitable to discuss materialistic consumer behavior one has to bear in mind that it is not a particular feature or group of features which guarantees the desired consumption outcomes. Considering the importance of possessions for identity purposes as well as their influence on the respective social environment (Solomon 1983), the reduction of material possessions to costly goods only is subject to debate. Rather, the actual value of possessions depends on the social environment’s (envious) response (Solomon 1983). Suitable possessions need to be rare, valued by the respective social environment, and socially visible. This abstract classification of material possessions allows inclusion of products whose consumption is closely tied to scarce properties, such as unique knowledge, intelligence, self-sacrifice, or farsightedness. Notably, knowledge, intelligence, self-sacrifice, and farsightedness are closely connected with green consumption.

In a third step we conceptualize why green product attributes can be attractive for materialists. Materialists try to create, express, and shape themselves through possessions. While the use of possessions for identity signaling purposes addresses an outward perspective of materialism, the desire to enhance self-esteem focuses on an inward perception. Although correlated it seems feasible to draw a distinction between the two. Referring to outward-signaling processes the theory of competitive altruism provides further insight how green consumption can be utilized for status-signaling purposes. An altruistic act that is performed in public, e.g., buying green products, serves to communicate both one’s willingness and
the ability to incur the cost of self-sacrifice for public wealth (Griskevicius, Tybur, and van den Bergh 2010; van Vugt, Roberts, and Hardy 2007) and therefore can be associated with signaling status. Green consumption subsumes the deliberate and conscious decision due to moral and ethical beliefs (Crane and Matten 2003) and consequently demonstrates an individual’s farsightedness, humanity, and intellectual capacity. As such, materialists may use these rather subtle signals to communicate one’s own identity to the social environment and therefore signal affiliation to a desired group while drawing a clear distinction from dissociative groups. In addition, consumers use products for self-definitional reasons (Belk 1988; Hunt, Kernan, and Mitchell 1996; Richins 1994). It is likely that individuals may consider attributes of green consumption (e.g., strength of character, humanity) to be noble values. Hence, green consumption may serve self-signaling purposes which closely corresponds with typical materialistic behavior (Richins 1999). In this vein, our analysis suggests that even green products can serve as enviable possessions. This does not imply that all green products are used for materialistic reasons. If green products are suitable to satisfy the conditions of outward and inward signaling, there is reason to assume that they can be regarded as legitimate material possessions as are luxury goods.

The consideration of a green side of materialism contributes to current discussions in transformative consumer research (Mick et al. 2012). This broader perspective not only overcomes the often mentioned dark side of materialism but also shows that green materialism can entail positive consequences for nature and environment. References are available upon request.

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ABSTRACT

In previous literature, researchers have studied subjective well-being; however, there appears to be limited research on the relationship between subjective well-being and consumer purchase behavior of luxury items. In this paper, the author explores the relationship between subjective well-being, materialism and affective autonomy and consumer purchase behavior of luxury items.

(Keywords: subjective well-being, consumer behavior, marketing, affective autonomy, materialism.)

INTRODUCTION

Over the last few decades, psychologists and researchers in the field of psychology have studied subjective well-being as it relates to happiness and life satisfaction. However, there appears to be limited, if any, research on the effect that subjective well-being has on consumer purchase behavior of luxury items. Subjective well-being may need to be researched further in the field of marketing in order to determine how important the construct is in the field of marketing. Marketers may want to know if happy consumers or consumers who are satisfied with their lives have different shopping behaviors than unhappy consumers or consumers who are dissatisfied with their lives. Consumers are promised greater well-being in the promotion of goods and services (La Barbera and Gurhan 1997). Marketing theory and practice have evolved from the focus on competition and performance to customer satisfaction and consumer well-being (Sara and Surendra 2010).

This paper explores subjective well-being and its impact on consumer purchasing behavior of luxury items. The purchase of luxury items has increased in various markets over the last few years. For example, there has been growth of the middle class in Asian economies, specifically the Chinese middle class. From 2005 to 2007, the Chinese middle class grew from 65.5 million to 80 million and it is expected to grow to 700 million by 2020 (People’s Daily Online 2010). Consumers in Chinese cities such as Zhuhai are estimated to account for 60 percent of the growth of China’s luxury buyers in 2008 and 2009 (Lannes and Han 2010). Luxury companies, such as Louis Vuitton have recognized the growth of the Chinese middle class and have opened up stores in China (Adams and Elliot 2010).

Two variables, materialism and affective autonomy, will also be discussed in regard to how they affect consumer purchase behavior of luxury items. Materialism reflects the importance a consumer attaches his or herself to worldly possession (Belk 1984). These possessions are assumed to be a central place in this person’s life and provide sources of satisfaction or dissatisfaction in life (Belk 1984). Affective autonomy is the cultural emphasis on the desirability of individuals independently pursuing affectively their positive experiences (Schwartz 1999).

The first section consists of a literature review of subjective well-being, its antecedents – life satisfaction and happiness as well as materialism and affective autonomy. The second section consists of the development of the propositions, which are based on the literature review. The final section consists of the discussion and future research.

LITERATURE REVIEW

Subjective Well-Being

Subjective well-being refers to how people evaluate their lives. It involves how individuals view the meaning of their lives, their purpose, their potential for growth, and their experiences of emotions (Gaia 2005). People tend to experience large amounts of subjective well-being when they feel many pleasant and few unpleasant emotions, when they are engaged in interesting activities, when they experience many pleasures and few pains, and when they are satisfied with their lives (Diener 2000). Subjective well-being is a scientific concept that contains affective components (moods and emotions like joy, happiness, etc.) as well as cognitive evaluations of life satisfaction (i.e., global judgments of one’s life (Diener 2000; Frey and Stutzer 2000). As people fulfill more basic material needs, it is likely that subjective well-being may become an even more valued goal (Diener 2000).

The two main antecedents discussed in this paper are happiness and life satisfaction. At the individual level, good health, adequate education, fit between personality and culture, personal growth, and purpose of life are among the factors that can increase subjective well-being (Gaia 2005). Though some researchers use happiness and life satisfaction interchangeably (Easterlin 2005) and the constructs are correlated to some degree, they are two
distinctive constructs and should be treated as such (Tsou and Liu 2001). Happiness is sensitive to sudden mood changes while life satisfaction is related to a cognitive or judgmental state (Tsou and Liu 2001).

Happiness

Happiness is defined as the degree to which an individual evaluates the overall quality of his or her life as whole on a positive level (Veenhoven 1994). Many individuals aspire to be happy throughout their lives. Previous research has shown that happiness is difficult to measure and has to be compared interpersonally (Ng 2002). Happiness is also an important indicator in identifying people’s life satisfaction (Susniene and Jurkauskas 2009). Researchers have found that happiness, as a construct, has remained constant and factors such as prosperity or misfortune have a permanent effect on happiness (Inglehart et al. 2008).

Research has also shown that multiple variables are used to determine happiness. For example, Brereton et al. (2008) find environmental climate has a significant influence on an individual’s happiness and that geography and the environment have a larger influence on happiness. The variables used in this paper are income level and social status to determine happiness. 

Happiness and Income

Income may be evaluated relative to others (social comparison) or to oneself in the past (habituation) (Clark et al. 2008). Ball and Chernova (2008) discuss an individual’s happiness as it relates to income in absolute and relative terms. The author’s findings show happiness is affected by both relative and absolute income. Bartrum (2011) finds that the relationship between income and happiness is stronger between immigrants in the United States than with those individuals who were born in the United States.

On the other hand, other research has shown that money may not buy happiness. Subjective well-being (and its antecedent) is positively associated with income but only to a certain point (Gaia, 2005). For example, dramatic increases in income, say from below poverty to financial sustainability, are considered strongly related to subjective well-being. However, if an individual is a billionaire, acquiring $100,000 in a business transaction may not have an impact on the individual’s subjective well-being or happiness.

Happiness and Social Status

Social psychologists remind us that we are social animals (Myers 2000). Scholars have studied the effect social status has on happiness. Studies have shown that most people are happier when attached than when unattached (Myers 2000). Studies also show that married people tend to be happier than single or divorced people. For example, Selim (2008) finds that married people have the highest degree of happiness in Turkey. Individuals who are married, have children or participate actively in social and religious terms, are significantly happier than those who are not in such relationships (Haller and Hadler 2006). In comparison with people who never marry, it has been reported that married people are happier and more satisfied with life (Myers 2000).

Life Satisfaction

Life satisfaction has been examined in fields such as sociology, psychology, and marketing (Bhardwaj et al. 2011). It is a cognitive evaluation that is particularly dependent on social comparisons with other important reference groups as well as individual’s desires, expectations, and hopes (Selim 2008). Life satisfaction reflects an individual’s life conditions, improved or demographic and physical conditions such as employment and health (Bhardwaj et al. 2011). Some research has associated materialism with life satisfaction. For example, Belk (1984, as cited by Parker et al. 2010) states, “At the highest levels of materialism, such possessions assume a central place in a person’s life and are believed to provide the greatest sources of satisfaction and dissatisfaction in life. . . .”

Several studies have associated life satisfaction with the acquisition of goods (Bhardwaj et al. 2011). For example, researchers find that material possessions in an individual’s life are related to happiness and satisfaction with life (Andrews and Withey 1976). Some studies find that life satisfaction has a negative on consumer behavior and consumption. Yujie and Talpade (2009) find that materialism will be stronger for older adults who are less satisfied with their lives.

Materialism

Materialism is defined as a “set of centrally held beliefs about the importance of possessions in one’s life” (Richins and Dawson 1992). Materialism is also said to be a “value that guides people’s choices and conduct in a variety of situations, including, but not limited to, consumption arenas” (Richins and Dawson 1992). Richins (1994) states materialism sometimes influences what consumer’s desire from their possessions and which products they believe can fulfill their desires during consumption. Consumers who are highly materialistic tend to use possessions and materialism to signal success and prestige (Wang and Wallendorf 2006).

When discussing consumer purchase behavior, specifically consumer purchase behavior of luxury items,
materialism predicts consumer purchase frequency of luxury products such as perfume, jewelry, antique furniture, etc. (Cleveland et al. 2009). Based on the research, it can be inferred that materialism does affect a consumer’s consumption patterns. Highly materialistic consumers may purchase more items in order to gain or retain the appearance of having a high social or economic status. Highly materialistic individuals are usually status oriented and prefer a higher perceived social and economic status (Demirbag et al. 2010).

**Affective Autonomy**

When using the individual as the unit of analysis, sets of value priorities reveal the trade-offs an individual makes in order to pursue a particular value (Siew Imm et al. 2007). Schwartz (1999) summarizes three cultural dimensions (Conservatism versus Intellectual and Affective Autonomy; Hierarchy versus Egalitarianism; Mastery versus Harmony) and seven culture level values (conservatism, intellectual autonomy, hierarchy, mastery, egalitarian commitment, harmony) based on research done using 49 different countries.

In this paper, affective autonomy is used as a moderating variable for subjective well-being. Siew Imm et al. (2007) define affective autonomy as a society that recognizes individuals as autonomous entities who are entitled to pursue their stimulation and hedonism interests and desires. Affective autonomy is the cultural value that is related to individualism and has an emphasis on the desirability of individuals independently pursuing affectively their positive experience (i.e., pleasure, exciting life, etc.) (Schwartz 1999). In societies emphasizing affective autonomy, people are encouraged to pursue affectively pleasant experiences and are expected to express their own ideas and find meaning in their own uniqueness (Fischer and Boer 2011).

It is important to note that Hofstede’s four dimensions (masculinity, uncertainty avoidance, individualism, and power distance) were researched for this body of work. Though Hofstede’s work has been used in countless amounts of research, Hofstede’s dimensions measures culture at the national level (Earley 2006) and this paper looks at the consumer at the individual level. Based on this, it has been determined that since this paper is looking at the individual consumer, Schwartz’s dimensions are more appropriate.

**PROPOSITION DEVELOPMENT**

**Conceptual Framework**

Based on research presented in this paper, Figure 1 (below) shows the relationship between subjective well-being, materialism and affective autonomy and consumer purchase behavior of luxury goods.
Previous research states happiness and life satisfaction are the antecedents of subjective well-being (Selim 2008). A person that is happy and satisfied with his or her life may have large amounts of subjective well-being. As stated earlier, life satisfaction and happiness, though correlated are two distinct constructs that are used to define subjective well-being. Happiness is sensitive to sudden mood changes and life satisfaction is related to a cognitive or judgmental state (Tsou and Liu 2001).

Evans (1989) findings indicate that individuals who prefer products that facilitate achievements in life are more likely to buy well-known brands. One may consider certain luxury items as well known brands. However, research has also shown that though increased happiness and life satisfaction means that an individual’s subjective well-being will increase, it does not mean that the individual will be inclined to purchase more goods because they are happy with their lives. Based on this reasoning, I propose Proposition 1:

Proposition 1: Increased subjective well-being will have a negative impact on consumer purchase behavior of luxury items.

Research supports the argument stating that in the relationship between subjective well-being and materialism, materialistic people generally are found to be unhappy (La Barbera and Gurhan 1997). A number of theories, including the telic and judgment theories, predict that materialism has a negative correlation with subjective well-being (La Barbera and Gurhan 1997). Belk (1984) finds that the three aspects of materialistic orientation (possessiveness, nongenerosity, and envy) are negatively correlated with satisfaction. Materialistic individuals who have a desire for better possessions and longing for things they cannot afford are less satisfied with their possessions in a certain category (Wang and Wallendorf 2006). In comparison to materialistic people with higher levels of education or income level, materialistic people with lower levels of education or income will feel frustrated with their ability to satisfy their materialistic desires (La Barbera and Gurhan 1997). Therefore, one can infer that people who are highly materialistic may have lower levels of subjective well-being. It can also be inferred that materialism will have a positive impact on consumer purchase behavior of luxury items. Based on this argument, I propose proposition 2:

Proposition 2: Materialism positively impacts consumer purchase behavior of luxury items.

Affective autonomy is used as a moderating variable in the relationship of subjective well-being and consumer purchase behavior of luxury items. Consumers in an affective autonomy society are encouraged to pursue affectively pleasant experiences and are expected to express their own ideas and find meaning in their own uniqueness (Fischer and Boer 2011). Sun et al. (2004) state that consumers with individualistic values are most satisfied with their lives, more satisfied financially, optimistic, more fashion conscious, and more brand-savvy. Based on this argument, I propose Proposition 3:

Proposition 3: Affective autonomy positively moderates the relationship being subjective well-being and consumer purchase behavior of luxury items.

DISCUSSION AND FUTURE RESEARCH

The research in this paper is the first step in exploring the relationship between subjective well-being and consumer purchase behavior of luxury items. Research has shown that happiness and life satisfaction are the antecedents of subjective well-being (Selim 2008). Happiness has been associated with variables such as income level and social status. Diener (2000) states that people tend to experience a large amount of subjective well-being when they feel many pleasant and few unpleasant emotions, when they are engaged in interesting activities, when they experience many pleasures and few pains, and when they are satisfied with their lives. Based on this, research tells us that increased happiness and increased life satisfaction leads to an increased amount of subjective well being.

Materialism is used to show its direct relationship with consumer purchase behavior of luxury items. Research has shown that highly materialistic people tend to be unhappy with their lives (La Barbera and Gurhan 1997) and tend to use possessions and materialism to signal success and prestige (Wang and Wallendorf 2006). Affective autonomy is also used as a moderating variable in the relationship of subjective well-being and consumer behavior toward luxury items. As discussed earlier, consumers in an affective autonomy society are encouraged to pursue affectively pleasant experiences and are expected to express their own ideas and find meaning in their own uniqueness (Fischer and Boer 2011).

Future Research

The next step for this body of research is to develop testable hypotheses in order to test the theories presented. A questionnaire may be developed and administered to consumers in multiple markets (ex. the U.S. and China). An attempt will be made to measure the level of subjective well-being the respondents possess.

Before the questionnaire can be administered to the participants, the questionnaire will go through cognitive and field pretesting procedures. The cognitive procedure will be done to ensure that the wording of the questions and answers in the questionnaire are precise and understandable. The pretest participants will be queried imme-
immediately after completing the questionnaire in order to determine what changes need to be made and what questions need to be reworded, possibly eliminated or added. This procedure will also help in determining if the questionnaire is too time-consuming to complete. The field pretesting procedure will be used as a “dress rehearsal” of the questionnaire and will be used to remove any additional issues that may appear during the administering of the questionnaire.

I propose that, once fully tested, this body of research may be used to help marketers explore which markets they should target for sales of luxury items. An investigation on how happy consumers are could aid the marketer in the development of the best marketing plan or the best marketing strategy for a particular luxury item. In addition to this, a market that has a majority of materialistic consumers could mean a change to the marketing plan or strategy.

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IT IS CRITICAL FOR FIRMS TO UNDERSTAND HOW DEMAND FOR THEIR PRODUCTS IS IMPACTED BY THE WAY IN WHICH PRODUCT INFORMATION IS COMMUNICATED. DESPITE RESEARCH DEVOTED TO UNDERSTANDING HOW THE PROVISION OF INFORMATION IMPACTS PRODUCT EVALUATION AND CHOICE, RESEARCH ON THE COMMUNICATION OF PRODUCT SPECIFICATIONS IS LIMITED. FIRMS OFTEN USE ESOTERIC SPECIFICATIONS TO DESCRIBE ATTRIBUTES. IN CONTRAST TO CONVENTIONAL SPECIFICATIONS THAT ARE FAMILIAR AND RELATIVELY EASY TO EVALUATE, ESOTERIC SPECIFICATIONS ARE DEFINED AS DESCRIPTIONS OF PRODUCT ATTRIBUTES THAT ARE UNFAMILIAR, NOVEL, AND DIFFICULT TO EVALUATE EVEN WHEN COMPARABLE ALTERNATIVES ARE AVAILABLE TO ACT AS REFERENCE POINTS. FOR EXAMPLE, THE ‘ZOOM’ ATTRIBUTE OF A DIGITAL CAMERA MAY BE DESCRIBED IN A SIMPLE, EASY-TO-EVALUATE SPECIFICATION (E.G., 7X), OR EQUIVALENTLY DESCRIBED IN AN ESOTERIC, DIFFICULT-TO-EVALUATE WAY (E.G., 37–260MM).

ALTHOUGH THE USE OF ESOTERIC SPECIFICATIONS IS WIDESPREAD, LITTLE IS KNOWN ABOUT HOW ESOTERIC SPECIFICATIONS IMPACT UPON CHOICE. PREVIOUS RESEARCH SUGGESTS CONFLICTING IMPACTS OF THE USE OF ESOTERIC SPECIFICATIONS IN INFLUENCING PRODUCT EVALUATIONS. FOR INSTANCE, AMBIGUOUS ATTRIBUTES HAVE BEEN DEMONSTRATED TO POSITIVELY INFLUENCE PRODUCT EVALUATIONS, BUT, PARADOXICALLY, CONSUMERS OFTEN IGNORE PRODUCT INFORMATION THAT IS DIFFICULT TO EVALUATE, INSTEAD UTILIZING SPECIFICATIONS THAT CAN BE EASILY COMPARED ACROSS ALTERNATIVES. GIVEN THESE CONFLICTING VIEWS, THE OBJECTIVE OF THIS RESEARCH IS TO UNDERSTAND HOW ESOTERIC SPECIFICATIONS IMPACT RELIANCE ON BOTH ESOTERICALLY AND CONVENTIONALLY DESCRIBED ATTRIBUTES IN CHOICE CONTEXTS.

WE DEMONSTRATE THAT ATTRIBUTE RELIANCE IS LOWER WHEN DESCRIBED BY ESOTERIC SPECIFICATIONS THAN WHEN DESCRIBED BY CONVENTIONAL SPECIFICATIONS AND, AS A RESULT, RELIANCE SHIFTS TO THOSE OTHER ATTRIBUTES CONVENTIONALLY DESCRIBED. WE PROPOSE THAT THE SHIFT IN RELIANCE TO OTHER CONVENTIONALLY SPECIFIED ATTRIBUTES DEPENDS ON BRAND CREDIBILITY. FINALLY, WE DEMONSTRATE THE MODERATING ROLE OF PROCESSING EFFORT IN ATTENUATING THE DISCOUNTING OF ESOTERICALLY DESCRIBED ATTRIBUTES IN CHOICE. PRACTICALLY, THE FINDINGS SUGGEST THAT FIRMS SHOULD BE MINDFUL OF THE LANGUAGE USED TO DESCRIBE KEY ATTRIBUTES AND, IN PARTICULAR, WHETHER CONSUMERS CAN COMPREHEND AND COMPARE THE VALUES OF STATED SPECIFICATIONS. FAILURE OF FIRMS TO DO SO MAY LEAD TO CONSUMERS USING ATTRIBUTE INFORMATION IN CHOICE CONTEXTS IN UNANTICIPATED WAYS. REFERENCES ARE AVAILABLE UPON REQUEST.

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CONFORMITY, UNIQUENESS, AND SOCIAL CLASS MOBILITY: CONSUMER SELF IDENTITY IN THE YARD

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ABSTRACT

The present study examines the conceptual and empirical links between two psychological traits – social conformity and the need for uniqueness – and the sociological constructs of social class and social mobility. Using depth interviews with consumers drawn from the working, lower middle, middle, upper middle and lower upper social classes about their yards, we learned that the need for uniqueness is not necessarily limited to persons having higher social status and that the motive of social conformity extends across the social class spectrum. Theoretical discussion invokes Veblen’s historical notions of conspicuous consumption and status display to link the psychological and sociological aspects of symbolic consumption.

INTRODUCTION

One of the most fervently investigated aspects of consumer behavior is product symbolism. As early as 1959, Levy noted that people purchased products not only for what they do, but also for what they mean. In contemporary American culture, the products and services one chooses to consume form the basis of both private self-identity and one’s public image (Aaker, Martina, and Garoloa 2001; Belk 1988; Dennis 2002; Hirschman 1985; McCracken 1988; Schor 1999). As a result, researchers have subjected a remarkably wide array of products and services to scrutiny, attempting to determine the meanings they hold for consumers. Among these are apparel (Jolson, Anderson, and Leber 1981; Solomon and Anand 1985; Newell, Claiborne, and Sirgy 1991; Phaum and Prendergast 2000), automobiles (Munson and Spivey 1981), motorcycles (Schouten and McAlexander 1996), home furnishings (McCracken 1988; Ulver-Sniestrup 2008), artwork and musical preferences (Halle 1993; Holbrook and Huber 1979), hairstyles (McAlexander and Schouten 1989), make-up usage (Miller and Cox 1982), and foods (Levy 1959).

In virtually all of these consumption areas, both psychological and social structural characteristics are found to guide consumer choices and usage patterns (Belk 1988; Frank 1999; McCracken 1986; Simmel 1957). For instance, psychological traits such as conformity, approval seeking, materialism, innovativeness, desire for uniqueness, and risk aversion have all been linked to symbolic product preferences (Aaker et al. 2001; Simonson and Nowlis 2000; Nunes 2009; Bagwell 1996; Lynn and Harris 1997; Tian, Bearden, and Hunter 2001; Frank 1999; Richins 1995). Concurrently, social structural variables such as social class, upward mobility, status striving, and social, economic and cultural capital have also been determined to underlie possession meaning and acquisition (Frank 1999; Holt 1998; Veblen 1899).

Our present purpose is to discuss the relationship between two of these psychological traits – conformity and the desire for uniqueness – and the sociological constructs of social class and social mobility. As will be discussed in the theoretical section below, there is some evidence that consumer conformity may be more common among the working and lower middle classes; while, conversely, the desire for uniqueness has been identified as a trait found more often among those in the upper social classes who possess high levels of cultural capital (see, e.g., DiMaggio and Useem 1978; Fussell, Peterson, and DiMaggio 1975; Wilensky 1964).

To examine this potential relationship, we conducted depth interviews with a cross-section of American homeowners about the meanings of their yards. We chose yards as our focal consumption area, because they seemed a priori to be a site where social class membership, public self-consciousness and the desire to differentiate oneself from others could all be displayed. Remarkably, the yard – a very socially conspicuous aspect of symbolic consumption – remains unexplored by consumer behavior researchers (except as a peripheral cue, see, e.g., Holt 1998), despite the fact that maintaining a lawn requires vast amounts of time, effort and money on the part of consumers. Lawn care is a $30 billion annual business in the United States (www.yardsandlandscapes.com), with homeowners expending 150 hours per year, on average, mowing, trimming, weeding, fertilizing, and seeding their yards. There are presently 24,000,000 acres of residential lawn in the U.S. – an area the size of the state of Indiana (www.lawnsandlandscapes.com). Approximately seven billion gallons of fresh water are used every year to irrigate American lawns; and lawn mowing machines consume 580,000,000 gallons of gasoline annually. Obviously, the household yard represents a substantial financial investment for the American family. Our study delves...
into the nature of consumers’ psychological and sociological investments, as well.

**PSYCHOLOGICAL AND SOCIOLOGICAL PERSPECTIVES ON SYMBOLISM**

From their inception in Europe, especially France and Britain, during the eighteenth century, formal gardens and lawns were used to announce the elevated social status and cultivated tastes of their owners. They are prominent among the examples of conspicuous consumption cited by Veblen (1899, p. 133) who concluded that the turn-of-the-century Victorian yard was a public display “requiring constant tending by gardeners employed by the affluent in England and the Eastern Seaboard of the U.S. in order to announce their rank in society.” In other words, yards were, and are, examples of symbolic consumption.

Symbolic meanings have been invested in objects on a personal and social level within human populations since at least the foundation of city-states around 5,000 BCE; yet the systematic investigation of these meanings can probably be dated to Thorstein Veblen’s (1899) sociological observations of the American upper class during the Gilded Age. Veblen’s, and later Bourdeiu’s (1984), theories of consumption symbolism are premised upon the linked social motives of status competition and imitation of the successful. More recently, evolutionary psychologists, such as Richerson and Boyd (2005), have proposed the same paired set of motivations as underlying human social behaviors.

Analogously, Fussell (1992), a social class theorist, notes that “one of the unique anxieties [of the American consumer] is the constant struggle for individual self-respect based on social approval . . . Despite our public embrace of political . . . equality, . . . we arrange things vertically and insist on crucial differences in personal and social value” (www.pbs.org/peoplelikeus/resources/essays6.html, p. 4, accessed on 8/18/2011). Other observers have proposed that the upper class Victorian conformity noted by Veblen has now given way to a search for ways to publicly display individuality. For example, Peterson (1997, p. 1), writing in *Poetics*, argues that “highbrow snobbery” as a status marker has now been replaced by a “system of cosmopolitan omnivorousness.” Under this new system, one’s exposure to the exotic, the rare, and the unusual represents the apex of social status. This would seem consistent with Holt’s (1998) proposal that persons having high levels of cultural capital will expend greater effort on self-expression and creative pursuits in order to differentiate themselves from others.

Within the consumer behavior literature, social stratification has been consistently linked to the symbolic meanings attributed to products and services, with persons located along the social class continuum varying systematically in taste preferences. For instance, using depth interviews with respondents possessing high and low levels of cultural capital (see, e.g., Bourdieu 1984). Holt (1998, p. 3) reports that “consumption continues to serve as a consequential site for class reproduction in the United States.”

**Conformity and Uniqueness**

Consumer psychologists have investigated two personality characteristics that are relevant to the present study: the need for approval that may undergird social conformity behaviors and the need for uniqueness that may motivate efforts at personal deviation from social norms (Tian, Bearden, and Hunter 2001). Thus far, research in this area has focused on personality traits such as susceptibility to interpersonal influence (Bearden, Netemeyer, and Teel 1989) and attention to social comparison information (Bearden and Rose 1990). Findings from these studies suggest that both the need for social conformity and the need for uniqueness may play important roles in consumer use of product symbolism. For example, the kinds of clothing or makeup worn (Jolson, Anderson, and Leber 1981; Solomon and Schapler 1982), reference group judgments as to product and style appropriateness (Miniard and Cohen 1983), the potential for social approval or disapproval by relevant reference groups (Allen 1965), and expectations about how significant others might respond to particular consumer behaviors (Calder and Burnkrant 1977) have all been found linked to motivations for conformity or uniqueness. Thus, we anticipate that consumers’ lawn care practices will be influenced by concerns about the opinions of others, especially neighbors, who are publicly able to view the lawn.

Conversely, others’ expectations and social norms may also serve as a point of differentiation for those consumers who desire to create a distinct image for themselves. Tian, Bearden, and Hunter (2001, p. 1) report that “consumers acquire and display material possessions for the purpose of feeling differentiated from other people. . . . Consumers’ need for uniqueness is defined as an individual’s pursuit of differentiation relative to others . . . achieved through the acquisition, utilization and disposition of consumer goods [in order to] develop and enhance one’s personal and social identity.”

Because household yards are publicly displayed possessions, we anticipate that some homeowners will be motivated to use their yards to differentiate themselves from others in the neighborhood, while others will use their yards to display conformity to community standards. Following Holt’s (1998) propositions, we further anticipate that persons lower in social class status will display a higher level of conformity, while those higher in status will exhibit greater efforts to differentiate themselves from their neighbors.
METHOD

Depth interviews were conducted with 26 homeowners in two states in the northeastern U.S. The socioeconomic status of the homeowners ranged from working class to lower upper class using standard categorization procedures (see, e.g., Coleman 1983). Interviews were conducted on-site by trained graduate students. Each homeowner consented to the interview and also to photographs being taken of his/her yard. A semi-structured set of questions was used to guide the dialogue [Exhibit One], but interviewers were instructed to permit the respondents to diverge from the format to enable flexibility in responses.

Exhibit One: Yard Questionnaire

1. How long have you lived at this house?
2. What did the yard look like when you arrived here?
3. What changes have you made?
4. Are there things you would still like to do?
5. What is your favorite part of the yard?
6. What part of the yard do you like least?
7. If you could change your yard in any way, what would you do?
8. How are the seasons different in your yard?
9. What do you do during each season?

Interviews were either audio-taped or recorded in field notes. The transcripts were then examined by the two primary researchers, independently. After initial content categories had been identified by each researcher, a joint discussion followed during which further interpretation was used to compare the data set with pre-existing theorization on consumption symbolism, generally, and social class, conformity and desire for uniqueness, specifically.

FINDINGS

The interview transcripts provide a much more intricate and nuanced view of social class status, conformity and uniqueness than is presently theorized. Indeed, the three phenomena appear to be intimately connected in many ways. First, we learned that social conformity and status competitiveness are often behavioral correlates. Frequently, homeowners would carefully observe what others in the area were doing in terms of landscaping their yards, and then mimic the accepted “look,” while at the same time trying to “outdo” the neighbors by adding more expensive plants and trees and installing architectural details such as stone walkways, elaborate decks, swimming pools, ponds, waterfalls and gazebos. Significantly, this conformity-and-competition pattern was present throughout the social class spectrum.

Working to Lower Middle Class

We first discuss how this conformity/competitive-ness pattern was enacted among working to lower middle class consumers. Ben, for example, is a Filipino registered nurse who lives in a lower-middle class housing development with his wife and three children. Because their house is governed by association rules regarding yard appearance, Ben feels pressure to conform to the neighborhood norms, which include having tidy, mulched flower beds and mulched trees surrounded by stone or brick borders. Ben states that although they live in a “cookie cutter” neighborhood, he strives to have “the best lawn” on his street.

The family is upwardly mobile, having recently moved to their present residence from an older, working class neighborhood. Ben has recently acquired a set of “good to excellent quality” lawn tools that he stores in a new shed. In order to make the shed “visually attractive” and conform to association rules, Ben planted evergreen shrubs around it. The family has not yet reached an income level that permits it to hire a professional lawn care service, so Ben and his wife mow and trim the yard themselves.

Upon arriving at their new home, Ben and his wife, Jess, purchased a “trophy” tree, a weeping Alaskan cedar, they had desired to own for several years. Both Ben and Jess also exhibit some signs of “status anxiety” about the appearance of their yard. Ben is especially bothered by a “sink hole that does not drain properly” and he feels is “unattractive.” He tried planting a tree near the sink hole, but that effort was unsuccessful – the tree died. Jess states that she “feels bad” about a rock wall and area of red gravel at the front of their house which she believes are “ugly” and she is “embarrassed” for neighbors to “have to look at.” In these instances, we see concern about inadequate conformity being present, especially in the couple’s concerns that their yard is not “up to par” with the rest of the neighborhood, because of some unattractive features. The concern is strong enough to cause them to feel pressure to remedy the “unsightly” aspects of the yard. Yet at the same time, they have prominently planted a rare and expensive tree in the front yard as a statement of their aesthetic taste and likely a gesture of cultural superiority. Notably, this action on their part is counter to Holt’s (1998) proposition that such gestures of individuation and uniqueness would be confined to the upper classes and/or those with high levels of cultural capital.
Another example is provided by Bhuban and her family, who immigrated to the U.S. from India, and now live in a lower middle class development which they also describe as “cookie cutter,” because “all the houses look so much the same.” They reported experiencing conformity pressure regarding the appearance of their lawn: “there are many expectations to uphold. What you do to your yard affects your neighbors who have adjoining yards. If you let weeds infect your lawn, then they can spread to your neighbor’s lawn, no matter how hard they might try to prevent it.”

Both a sense of community belongingness and competition were present in Bhuban’s transcript. She reported that she felt “a part of” the community and enjoyed that. But she also felt pressure to conform to her neighbors’ expectations. “What other lawns look like can set a standard that you strive to reach for your own lawn.”

She also noted that “competition can arise between different families and households.”

Bhuban notes that she is “confident in the appearance” of her yard, however, because she “is the only one with a rose garden; often neighbors will knock on my door asking for a rose or two.” She does, however, feel some unhappiness and insecurity about the tree in their front yard. “Our tree was planted really late . . . in the winter time. So while the other trees on our street bloom a lot and are very voluminous, our tree is little and wimpy by comparison.” In this example, the tree represents an inadequacy in their efforts to conform to community standards, while the rose garden serves as both a point of uniqueness and a marker of superiority. Importantly, this consumer is at the lower end of the socio-economic continuum, a place where such strivings were previously believed to be absent.
Middle to Upper Middle Class

Consumers in the middle to upper middle class exhibited the same intertwining of social class status, conformity, and competition as we found with the classes below them, but gave much stronger voice to aspirational possessions. Anne-Marie is a middle class homeowner who seeks to move upward to the upper middle class. She seems to have studied the landscaping norms prevailing in the upper middle class and desires to add them to her yard. When asked “How would you change your yard?” she responded, “I would tear up the entire deck and replace it with the new [non degradable] material. I would put in a huge hot tub and completely new backyard furniture . . . I would add an outdoor kitchen against the back wall . . . That would be so convenient when I’m serving people outside . . . I’ve always wanted one of those outdoor fireplaces with couches, as well, and definitely a huge bar . . . perhaps connected to a built-in barbecue over there.” In this example, Anne-Marie sees one route to signaling her upward mobility to be the adding of higher cultural capital assets to her yard. But in naming the accoutrements she wishes to acquire, she is also displaying social conformity – that is, she is conforming to the norms she believes are present in the class above her present one.

A second middle class homeowner, Jeff, is also young and aspiring to become a member of the upper middle class. His list of desired yard acquisitions is in many respects similar to that of Anne-Marie and includes “a fancy brick barbecue area that is contoured and terraced with Italian block, . . . an in-ground pool, cabana, tennis courts and a stone-paved area . . .” In both these cases, the
upwardly mobile middle class consumers seem to have a relatively consistent set of yard acquisitions they feel are necessary to announce upper middle class status. We would argue that this, also, is a sign of implicit social conformity, even though it may be seen by the consumer as displaying individuality and uniqueness.

Thus, the interviews suggest that social class conformity norms may apply to one’s aspirational social class, as well as present social class. Those who see themselves as “on the way up” have a fairly consistent “shopping list” of the things they want to purchase for their yards when they arrive.

Upper-Middle to Lower-Upper Class

The interviewed homeowners who were in the upper middle to lower upper class exhibited another aspect of conformity not found in the interviews with those in the classes below them. Specifically, they consistently described the use of professional lawn care and landscaping services. These services were usually initially hired when they moved into the neighborhood to “update” the yard with the “plantings” then in style. In no instance did we encounter an upper middle class or lower upper class homeowner who performed all of his/her yard work, especially the routine chores of mowing the grass or fertilizing the lawn. These repetitive and labor intensive tasks consistently were “hired out” to “a service.”

The homeowners at the highest end of the social class continuum were also much more active in restructuring the appearance of their yards. Instead of purchasing sapling trees, which required several years to grow to an appreciable size, medium and full size trees would be placed in the yard. Often the yard, itself, would be regraded to smooth out overly sharp slopes or add curves and rises to a “too flat” yard. Robert, for example, “hired a professional landscaper within the first year of moving into set-up his yard in an aesthetically pleasing manner.”

As evidenced above, within this social stratum a different vocabulary was used to describe the yard and its maintenance. Grass, flowers and shrubs are no longer...
referred to as “trimmed” or “cut,” but rather as “manicured” or “designed.” Homeowners in these social classes also seem to be keenly aware of shifts in the fashionable-ness of various plant species and décor elements such as swimming pool shapes and materials, lawn furniture brands, and the desirability of various types of stones used for walkways and patios. One homeowner had created a “courtyard area [which] mimics one in Greenwich Village in New York.” This and other aesthetic references reflected a cosmopolitan sensibility among these homeowners, much as Holt (1998) proposes. The reference groups used were not only the neighbors, but what the homeowners considered to be “tasteful” or “elegant” in other cultures, for example, Provencal France, the English Cotswolds, or even more exotic locales, such as Thailand.

What Happened to Uniqueness?

As we have documented across all social strata studied, there are examples of social conformity, and concurrently, reports of efforts at being unique, of consumers desiring to differentiate themselves from others through their yards. Several families reported having a “special” tree, flower bed or item of décor that they felt ‘set them apart’ from others in the neighborhood. But as we propose, usually these were implicitly intended as efforts to set oneself “above” others; that is, they were intended as socially competitive gestures, not as personal statements of distinctiveness, per se. Most consistently, the theme conveyed in the interviews was an implicit, or occasionally explicit, acknowledgment that there was a social code governing what yards in “their neighborhood” should look like and a corresponding behavioral effort on the part of the homeowner to adhere to – or surpass – the basic requirements of that code. Indeed, many respondents expressed a fear of negative feedback from neighbors, if they failed to maintain the minimum standards of the code.

DISCUSSION

We now turn to an effort to merge the perspectives on consumption symbolism in psychology and sociology using the findings from the present study. A foundational premise of this effort is that the construction of self identity is inherently and inescapably a social project. We become individuals through a lifelong process of interacting with others and receiving feedback from those with whom we have relationships (Solomon 1983). Thus, individual lives may be singularly lived, but they are socially enacted.

In considering the material from the present study, it becomes clear that consumers’ perceptions of their yards have simultaneously personal and social elements. The consumer may view his/her home and yard as being part of a “cookie cutter community” and him/herself as immersed in a conformity demanding culture. It is hard to differentiate the self in such a place. So, a special, rare tree may be purchased or a rose garden constructed in order to announce an identity separate from one’s neighbors.

Yet the consumer’s judgment of what is appropriate to set oneself “apart” is intimately connected to the surrounding social context; how can I establish the appropriate level of differentiation (Snyder and Fromkin 1980), one not so distinct as to appear to be a radical or misfit, yet not so similar as to go unnoticed by my neighbors? The countervailing motives of social conformity and individual uniqueness are calculated and satisfied by carefully gauging the possible responses of one’s social peers: what will they think of me? How do I appear to them? How will my behaviors be interpreted (Fromkin and Snyder 1985)? The psychology of self-identity is never free from the social context in which it is enacted.

In our view, it would seem very fruitful to consider whether status competition and the need for uniqueness may, in practice, be the same phenomenon. This provides a clue to a key interpretive conundrum of the present study: how are we to conceptually classify the behavioral descriptions of those respondents who used aspects of their yards to differentiate themselves from neighbors in ways that they believed established their yards as “better” or “superior?”

From Holts’ (1998) sociological perspective, such actions would be classified as evidence of possessing high cultural capital. As he states (p. 3), “Cultural capital consists of a set of socially rare and distinctive tastes, skills, knowledge, and practices. . . .” High cultural capital is also consistently associated with membership in the upper classes, because only members of these classes have the necessary prerequisites of a challenging education, childhood exposure to a variety of intellectually stimulating experiences, an occupation requiring novel and analytical thought, and the financial capital enabling the pursuit of specific interests and creative ventures (Holt 1998; Bourdieu 1984).

This same proposal is made earlier by Kohn (1969; Kohn and Schooler 1983). Kohn’s (1969) study, for example, found that, “Men of higher class position, who have the opportunity to be self-directed in their work, want to be self-directed off the job, too, and come to think self direction [is] possible. Men of lower class position, who do not have the opportunity for self direction in their work, come to regard it as a matter of necessity to conform to authority, both on and off the job. (p. 12). In their later study, Kohn and Schooler (1983, p. 167) found that “job conditions [related] not only to values and orientations, but also with cognitive functioning as evidenced in . . . the intellectuality of leisure time activities.” Consistent with this reasoning, Holt (1998, p. 4) states that “cultural
capital is expressed through consuming via aesthetic interactional styles that fit with cultural elite sensibilities and that are socially scarce.”

Within this conceptualization, the individual consumer expresses his/her personal, distinctive taste to the fullest only within the upper social classes where economic capital coincides with social and cultural capital. For example, Holt (1998, p. 8) described his High Cultural Capital homeowner respondents as “[viewing] their homes as canvases upon which they express their aesthetic sensibilities…. Decorating is a highly personalized activity.” The same group is described as “[emphasizing] cosmopolitanism, individuality and self-actualization” (p. 12).

However, Holt (1998, p. 14, 16) then continues his description by stating, “They seek to avoid consumer behaviors that are perceived to be common, homogeneous or widely-accepted. . . . HCC consumers explicitly disavow following a style that is widely adhered to and, instead, talk about how they mix and match to create their own personal look.” By contrast, low cultural capital consumers are said to possess a “subjectivity [that] depends upon community acknowledgment of particular taste and practices (Holt 1998, p. 16).”

Yet the data collected for the present study suggest a different interpretation. What we found was a conscious awareness of social norms operating across the class structure ranging from working class to lower upper class. Though the specific requirements of these norms varied from class to class, they were still consciously invoked by consumers at all levels in deciding how to decorate their yards. Further, a sense of competitiveness was also found at every social class level such that some individual homeowners would seek to ‘outperform’ their neighbors by not only meeting, but surpassing, the prevailing decorative code within their community. In short, we found evidence supporting the simultaneous presence of conformity and differentiation across all social strata studied. These strata ranged from working class to lower upper class, with only the lower class (whose members usually are not homeowners) and upper-upper stratum being omitted from our sample.

Finally, Holt’s (1998, p. 18) high cultural capital informants draw a distinction between the routine maintenance of the yard and the opportunity be creative and differentiate themselves from others: “I like working in the yard. I find it creative, . . . [but] I don’t cut the grass. We have some guys that come and do that” However, in our view, this practice is also an exhibition of conformity, because all of the higher social class consumers we interviewed reported the same pattern; that is, routine maintenance was assigned to hired workers, while decorative choices and activities were performed by the homeowner. However, a comparison of photos of the upper class yard landscapes suggests a striking level of consistency across these yards, just as we see conformity within the other classes [see photos above]. Thus, even though the upper classes may claim a high level of individual creativity in yard décor, the results obtained look remarkably alike. We suggest, therefore, that implicit conformity levels are as high among upper status consumers as they are among the rest of the social strata, although these consumers do seem to make a higher number of explicit claims of uniqueness and differentiation.

Writing in 1899, Veblen observed, “Wherever the institution of private property is found . . . the economic process bears the character of a struggle between men for the possession of goods (p. 24). . . . The motive that lies at the root of ownership is emulation . . . [and] the possession of wealth conveys honor; it is an invidious distinction (pp. 25–26).” As noted at the outset to this study, notions of possession symbolism grounded in social status pervade virtually every category of good yet examined. Cogently, Veblen also detected the intertwining of the pressures of social conformity and social striving, which he identified as the source of the conspicuous consumption codes existing among the social strata of his day.

As he notes (p. 30), even among the working classes social standing requires at least a minimum display of public conformity: “A certain standard of wealth . . . is a necessary condition of reputability. Those members of the community who fall short of this . . . suffer in the esteem of their fellow men, and consequently they suffer also in their own self esteem, since the usual basis for self respect is the respect accorded by one’s neighbors.” This we witnessed among our working class homeowners who were overtly concerned with maintaining at least the minimum standard of conformity to neighborhood norms in the landscaping of their yards.

As one ascends the social strata, Veblen proposes that the requirements of ‘maintaining the code’ become more complex and demanding. “In our time there is [expected to be] knowledge of the dead languages, . . . of syntax and prosody; of the various forms of domestic music and other household art; of the latest proprieties of dress, furniture and equipage; of games, sports and fancy-bred animals, such as dogs and race horses (p. 45).” This is what Bourdieu (1984) and Holt (1998) refer to as High Cultural Capital. But as we argue, consistent with Veblen’s interpretation, it is also a potent form of conformity pressure. Consumers in the upper middle class and the lower upper class must display competence in their mastery of this code in order to gain the approval of their neighbors and also to achieve an internal sense of self esteem. Competitiveness for social acclaim (and self-worth) in this realm requires becoming the most distinctive in ways that are viewed as enviable by one’s peers.
Because of this code and competitiveness, the landscaping we found in these homes is not “randomly” distinctive; rather it is conformitively distinctive. There are shared rules of appearance for the yard in upper middle class and lower upper class neighborhoods which are adhered to with great consistency. As Veblen (p. 84) states: “The members of each stratum accept as their ideal of decency the scheme in vogue. . . . They must conform to the accepted code.” Thus, as Snyder and Fromkin (1980) and others (see, e.g., Lynn and Harris 1997a,b) propose, the desire for uniqueness, for distinctiveness, for differentiation, even among those with high cultural capital, is socially bounded. Indeed, efforts at differentiation would seem to be part and parcel of the conformity code of the upper social classes. One is expected to display individuality – but always within reason.

CONCLUSIONS

The present study is intended to stimulate a greater degree of rapprochement between sociological and psychological theories relevant to consumer behavior and marketing. Perhaps too often research is cast within the confines of a specific personality trait, social psychology construct or sociological perspective. While the findings resulting from such studies can be – and often have been – very useful, they also may not provide the field with the larger context in which phenomena are embedded. One of the benefits of studying marketing and consumer behavior is that the objects of research within these fields are inherently personal and social, taking place in the mind of the consumer and the social structure simultaneously. This provides us with a great opportunity for building theories that reside at multiple levels of abstraction and incorporate varied foci of interest.

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HOW CLOSE BRANDS ARE INCLUDED IN THE SELF: PSYCHOLOGICAL AND NEURAL PROCESSES

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SUMMARY

In three experiments, this research provides new insights into branding by studying the psychological and neurophysiological mechanisms of how consumers relate to their beloved brands. The authors propose that emotional arousal decreases over the brand relationship span, while inclusion of the brand into the self increases over time. Results of Experiment 1 indicate greater self-reported emotional arousal for recently formed brand relationships, as well as decreased emotional arousal and increased inclusion of close brands over time. Additionally, the moderating role of usage frequency of the brand brings out an interesting nuance of the way these effects operate. Experiment 2 measures skin conductance responses and reveals increased emotional arousal for recently formed close relationships but not for established close brand relationships, corroborating the results based on self-reported data. In Experiment 3, a functional magnetic resonance imaging study reveals an association between established close relationships and activation of the insula, a brain area previously found to be a crucial mechanism in diverse but related psychological phenomena such as urging, addiction, loss aversion, and interpersonal love.

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THE REFERRAL BACKFIRE EFFECT: THE IDENTITY THREATENING NATURE OF REFERRAL FAILURE

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SUMMARY

Although the average consumer engages in referring others on a daily basis (Keller 2007), stimulated by companies that even sometimes reward consumers for doing so (Ryu and Feick 2007; Schmitt, Skiera, and Van den Bulte 2011), we are not aware of any prior research that addressed the effect of referral failure on the person who engaged in the referral. However, as the outcome of the referral becomes more and more transparent in the emerging online environment, this is an issue of growing importance. Literature indicates that consumption itself can often be considered a non-verbal form of identity-expression (Belk, Bahn, and Mayer 1982; Reed 2004), and that engaging in referral makes consumption even more publicly visible (Brown, Barry, Dacin, and Gunst 2005; Hennig-Thurau, Gwinner, Walsh, and Gremler 2004). Therefore, we propose that referral failure – the situation in which one’s advice is rejected - may in some circumstances threaten consumers’ identities. Literature provides ample evidence that identity threats motivate consumers to bolster their self-concept (Dunning, Perie, and Story 1991; Wentura and Greve 2005). When consumers’ identity is threatened, they choose products that support their self-concept (Gao, Wheeler, and Shiv 2009) and become more motivated to firmly advocate their threatened self-beliefs (Gal and Rucker 2010). More in general, theoretical literature indicates that self-determined behavior is an important route to preserve and build the self-concept. We believe that our findings extend previous research in two important ways. First, to the best of our knowledge we are the first to acknowledge the fact that the outcome of giving advice to others might be consequential to the sender of advice. Although several authors have identified motivations to engage in giving advice (Dichter 1966; Hennig-Thurau et al. 2004; Sundaram, Mitra, and Webster 1998), no research has investigated what happens when the needs behind those motivations are not met. Second, the potential effects of referral failure on subsequent behavior questions the often heralded efficacy of WOM (Reichheld 2003; Chevalier and Mayzlin 2006). Considering that consumers who make referrals are usually the company’s most satisfied customers (Anderson 1998), our results imply that especially those consumers might no longer accept external information upon noticing referral failure, including that of the company. From a managerial point of view, we also see two important implications. Stimulating referral, for example by referral reward programs (Ryu and Feick 2007; Schmitt, Skiera, and Van den Bulte 2011), is often mentioned as the solution to the declining effectiveness of traditional advertising methods (Kumar 2010; Van den Bulte and Wuyts 2009). Ironically, failing referral might...
very well contribute to that same decline, as consumers in
the face of referral failure might feel a need to make their
own decisions and ward off external information in the
form of marketing messages. Interestingly, our findings
not only point at a risk in the current practice of stimulat-
ing consumer referral, they also offer ways of dealing with
consumers facing referral failure. Study 4 demonstrated
that self-affirmation in an unrelated domain can compen-
sate for the threat caused by referral failure. Future
research might test other relevant implications. For
instance, senders who just incurred a referral failure may
be more interested in offers that promise to bolster the self,
such as “compensatory” conspicuous consumption (cf.,
Rucker and Galinsky 2008). In conclusion, we emphasize
the necessity for more research into the effects of referral
outcome on the sender, as the implications could be
substantial for both consumer theory and at the market-
place. References are available upon request.

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SELF-OTHER DIFFERENCES IN PURCHASE UNCERTAINTY AND CONTINGENT DECISION STRATEGIES

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SUMMARY

Your customer wants to make a purchase but is uncertain how to proceed. How best should your front-line employee proceed? Findings from this exploratory investigation suggest that the employee’s strategy should depend on whether the ultimate recipient of the purchase is the customer or another person.

Conceptualization

Drivers of Uncertainty: Because consumers have greater familiarity with (Prentice 1990) and knowledge of (Jones and Nisbett 1971) their own goals versus those of others, they also possess more knowledge of the goals that are at stake in a given purchase instance. This is expected to lead to greater variety in the drivers of uncertainty for self- vs. other-focused purchases. Activation of multiple (as opposed to single) goals also alters the consumer’s appraisal of the purchase situation (van Osselaer et al. 2005) which is also expected to lead to differences in the consumer’s perception of the drivers of uncertainty.

Coping Tactics

Coping behaviors are selected based on the consumer’s appraisal of the situation (Payne, Bettman, and Johnson 1988; Sujan et al. 1999). Differences in perception of the drivers of uncertainty will lead to commensurate differences in decision strategies employed to cope with that uncertainty. Congruent with other marketing research efforts, this research focuses on the decision strategies (Sujan et al. 1999) that consumers employ when engaging in confrontative coping, or behaviors focused on addressing the problem at hand (see Holahan and Moos 1987; Mick and Fournier 1998; Viswanathan et al. 2005). In this research, the need for coping arises in response to a consumption-related issue as opposed to a life event (e.g., divorce) (Moschis 2007). Additionally, the focus is on pre-purchase coping rather than post-purchase coping (see Duhachek 2005 and Yi and Baumgartner 2004).

Methods

This investigation employed exploratory procedures that were adapted from Greenleaf and Lehmann’s (1995). As with prior research, a phenomenological approach was employed that relies on retrospective recall of purchase instances (see Duhachek 2005; Mick and Fournier 1998; Sujan et al. 1999; Yi and Baumgartner 2004).

In the first phase, participants were asked to write a description of an instance in which he or she made a purchase despite feeling uncertain. Data were used to develop measures to assess the drivers of uncertainty and coping tactics that were employed the second phase of the research.

In the second phase, 245 undergraduate business students (45% male) participated in an online study for extra credit. As per their assigned condition, participants provided information and answered questions regarding a purchase situation in which they experienced uncertainty when making a purchase for themselves or for someone else. One hundred twenty consumers (49%) provided information on self-focused purchases and 125 (51%) provided information on other-focused purchases.

Major Findings

A principal components analysis was conducted in SPSS, by condition of purchase recipient. SPSS automatically standardizes variables when using the correlation matrix. Given that consumers may experience multiple forms of uncertainty simultaneously (Sujan et al. 1999) and the ability of oblique rotation to “provide a more valid representation of the phenomena under study” (Stewart et al. 2001, p. 78), items representing drivers of uncertainty were subjected to oblique rotation.

The analysis revealed notable differences in the drivers of purchase-related uncertainty as a function of purchase recipient. While total explained variance was similar across the two purchase-recipient conditions (75%self-focused, 71%other-focused), more components were extracted in the self-focused purchase condition than in the other-focused condition. In other words, as anticipated, self-focused purchase was characterized by a greater variety of uncertainty drivers than was other-focused purchase. This finding is congruent with the supposition that greater knowledge of one’s own goals may increase the number of elements that induce uncertainty such that self-focused purchases are fraught with more challenges than other-focused purchases. This is also congruent with research asserting that self-focused decisions are more difficult (Kray and Gonzalez 1999) and generate a greater magnitude of anxiety or worry (Loewenstein et al. 2001) than...
other-focused decisions. Additionally, while the largest proportion of variance for self-focused purchase was explained by insufficient search (29%), the biggest issue for other-focused purchase was social concerns / risks (23%). This difference highlights the need for front-line salespeople to ascertain the purchase recipient when trying to understand a consumer’s hesitance or uncertainty in making a purchase. The driver of the uncertainty is likely to be very different.

The analysis also revealed differences in the decision strategies employed to contend with uncertainty as a function of the purchase recipient. Note that five components were extracted in the self-focused condition vs. only four in the other-focused condition. Moreover, one of the components extracted in the other-focused condition actually reveals an unwillingness to rely on external assistance or cues, which reduces the number of decision strategies in that condition down to only three. This suggests that the front-line employee has fewer effective tactics to suggest to aid consumers who are trying to contend with uncertainty in other-focused purchases. Moreover, a marked difference in usage of external assistance or information cues was observed, such that external information was relied upon for self-focused purchases, but was eschewed for other-focused purchases. Similarly, reliance on market-based heuristics (e.g., buying the most expensive or most popular item), which would also, provide justification for choice, was only associated with self-focused purchases. References are available upon request.

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SUMMARY

While corporate social responsibility (CSR) has emerged as an important tenet of contemporary business practices, the impact of CSR efforts on consumer relationships remains ambiguous. In general, stakeholder groups, such as employees, suppliers, customers, and community members perceive value in CSR but despite additional knowledge gained from recent academic literature a key question remains; namely, to what extent does CSR motivate consumer relationships? In order to increase the collective knowledge of the influence and limitations of CSR as a motivation factor, this consumer behavior study develops and tests a conceptual model influenced by Herzberg’s motivator-hygiene theory (Herzberg, Mausner, and Snyderman 1959) and explores the role of CSR as a relationship motivating factor and/or as a hygiene business requirement that if perceived to be subpar would instead only weaken the consumer’s relationship with the company.

Consumer views on CSR’s impact on their support of companies and products differ. Researchers have demonstrated that certain consumers see CSR as a motivating factor for strengthening company/product relationships (Sen, Bhattacharya, and Korschun 2006). To the extent that CSR serves as a relationship motivator, consumers are more loyal to the company or product as a result of their positive evaluations regarding the company’s social responsibility activities (Marin, Ruiz, and Rubio 2009). However, it is plausible that the absence of CSR endeavors might primarily impact consumer dissatisfaction. Already in industries where CSR practices are commonplace, CSR may be more likely to serve more so as a hygiene factor among many of its customers, rather than as a motivating factor to enhance existing company (or brand) allegiances. Thus, from the perspective of ongoing relational exchanges, avoiding consumer dissatisfaction may become the key benefit of CSR (Meijer and Schuyt 2005).

In this study, competing moderating effect hypotheses explore whether the consumer perceives the role of the company to actively demonstrate social responsibility as a motivator or hygiene factor and how this impacts the intensity of the relationship between CSR and the quality of the consumer’s relationship with the company. Following from Agustin and Singh (2005) who make a further distinction between basic lower-order (hygiene) and higher-order (motivator) needs in their study of customer loyalty determinants for ongoing relational exchanges, it is posited that in relational exchanges, CSR can function as a basic, lower-order, hygiene-type business requirement or act as a growth, higher-order need and in either case will have a significant moderating effect on the relationship between CSR and relationship quality.

Multi-group analysis was conducted to assess the hypothesized moderating effects on the structural model using LISREL 8.80. The study’s hypotheses are tested by estimating a structural equation model with two waves of survey data from consumers who had purchased tickets to attend home games of a National Basketball Association (NBA), captured at both the beginning of the 2009–2010 ($n = 1000$) and 2010–2011 ($n = 653$) NBA seasons. Using Likert-type scales, the researchers employed a combination of new and existing scales. Most notably, the Lichtenstein, Drumwright, and Braig (2004) measure of CSR was used to assess perceptions of the company’s efforts regarding corporate giving and support. The relationship quality scale was adapted from Garbarino and Johnson (1999). New measures were developed in order to capture the respective potential roles of “CSR as a Motivator” and “CSR as a Hygiene Factor.”

Analysis of the study’s results reveals a significant moderating effect of CSR in terms of how it is assessed as a hygiene factor. However, the association between CSR and relationship quality is not significantly impacted by CSR as a motivating factor. In other words, companies that engage in CSR are not rewarded for doing so through enhanced relationship quality, but they are punished for not doing so through declining relationship quality.

These key findings underscore the critical relationship between CSR, economic goals and marketing efforts. Research has shown that dissatisfiers are prioritized over satisfiers (Vargo et al. 2007) and that people are more sensitive to negative performances (Audrain-Pontevia 2004). When hygiene factors become core competences of the company, they play as important a role as motivation factors since hygiene factors provide the fundamental environment for motivation factors to be able to operate. Motivating factors are less effective when hygiene needs are lacking. A company wishing to leverage its marketing dollars will be handicapped if CSR efforts are lacking. References are available upon request.
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A NEW TOOL FOR CUSTOMER SEGMENTATION: DEFINING AND MEASURING RELATIONSHIP PRONENESS

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SUMMARY

Relationship proneness has been studied in customer and employee contexts and prior research has defined the construct as a personality trait reflecting a consumer’s stable and conscious propensity to partake in relationships with sellers of a specified product group. In order to enhance this work, a more sophisticated measurement of a generalized relationship proneness tool is needed to more precisely explain the various components of this construct. Our conceptualization of relationship proneness identifies the construct as a compound personality trait relating to how consumers react to other people and organizations regarding relationship development. Following established scale development procedures (Netemeyer, Bearden, and Sharma 2003; Gerbing and Anderson 1988), 122 items were compiled from existing measures and generation, which were then examined by seven expert judges. Using student and adult samples, the scale was narrowed to a final count of 14 items to reflect a second-order relationship proneness construct. The second-order construct represents four types of customer relationships – relationships with firms, relationships with brands, relationships with representatives of firms, and relationships with other consumers. The resulting measurement tool offers researchers more generalized usage of the construct in multiple important organizational contexts (e.g., B2B, B2C, service, product, retail, and employee settings) and more accurately represents the many types of relationships a consumer engages in when developing business relationships. This new measurement tool is valuable to researchers investigating consumer responses to relationship marketing efforts and contributes to theory by explaining a mechanism consumers use in determining business relationships. Practitioners will find value in applying this tool to not only assess consumer relationships, but to identify employees that may be more relationship prone, and therefore, especially successful in frontline sales or service roles. References are available upon request.

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DETERMINANTS OF CUSTOMER LOYALTY: THE ROLE OF RELATIONAL BENEFITS IN THE CONTEXT OF CUSTOMER CLUB

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Song Yang, University of South Australia, Adelaide

ABSTRACT

This research found that most of the relational benefits identified in the literatures emerged in the context of customer clubs. Economic-based special treatment benefits were found to have a greater influence on customer satisfaction, commitment and customer loyalty while sharing benefits was found to have an impact on commitment.

INTRODUCTION

Research on relational benefits has drawn much attention in relationship marketing. Researchers have identified seven types of benefits which serve as the antecedents to loyalty-building projects, namely social, confidence, special treatment, symbiotic, identity-related, comfort, and interactive benefit (e.g., Gwinner, Gremler, and Bitner 1998; Hennig-Thurau, Gwinner, and Gremler 2002; Lacey, Suh, and Morgan 2007; Algesheimer, Dholakia, and Herrmann 2005; Sweeney and Webb 2002; Spake et al. 2003; De Wulf, Odekerken-Schroder, and van Kenhove 2003). However, the contribution of these relational benefits has rarely been examined in the context of customer club. A customer club is an effective platform and a tool in customer relationship management initiatives. Although previous research did find that some relational benefits have stronger influence than others, the underlying rationale is not clear (Gwinner, Gremle, and Bitner 1998). Little is known why some customer clubs outperform others. Managers of customer club still need concrete guidelines for their operations. How to make a customer club more attractive remains an unanswered question in marketing literature. Given the importance of customer clubs, as a marketing vehicle, in enhancing customer loyalty and retention, it is imperative to identify the critical success factors which count for the variance in the attractiveness and success of customer clubs.

The primary objective of this study is to identify the key relational benefits contributing to efficiency of a customer club by answering the following three research questions:

• What are the possible structures underlying the relational benefits identified in the literatures for customer club?
• Does impact of a relational benefit vary between customer-club members and non-customer-club members?
• To make a customer club more attractive which relational benefits need to be enhanced?

LITERATURE REVIEW

The field of relational benefits from customers’ motivations to participate in relationship with companies has been the focus in relationship marketing for a decade (e.g., Bendapudi and Berry 1997; Gwinner, Gremler, and Bitner 1998; Hennig-Thurau, Gwinner, and Gremler 2000; Sweeney and Webb 2002; Weng et al. 2010; Dimitriadis 2010; Conze et al. 2010; Chen et al. 2010). However, relational benefits have rarely been the focal concern in recent research in customer club. Customer clubs are platforms where the social context will be broadened to not only a relation between organizations and customers, but also facilitating networks amongst customers. Thus, customer clubs may lead to increase perceptions of social and any other benefits. Organizations who offered customer club program is to establish switching barrier, retention and customer loyalty. Gwinner et al. (1998) pointed out that customer satisfaction and loyalty strategies can be built around relational benefits.

Gwinner et al. (1998) suggested that for a long-term relationship to exist, both the firm and the customer must benefit. They studied the benefits to the customer for being loyal to a service provider and findings from their studies indicated that consumer relational benefits have categorized into three distinct benefit types: confidence benefits, social benefits, and special treatment benefits; and amongst these benefits, confidence benefits received more attention and rated as more important than the other relational benefits by consumers.

In an attempt to examine the benefits from the perspective of both buyers and suppliers, Sweeney and Webb (2002) studied across 20 buyer-supplier pairs and identified seven benefit categories: symbiotic, psychological, operational, social, economic, strategic, and customization. Symbiotic benefits, according to Sweeney and Webb (2002), are derived from a sense of sharing, mutuality,
reciprocity, commonality, partnering, alliance, co-ism, togetherness and common understanding. This construct is rarely tested in the service context as well as the customer club context.

In an empirical study among members of the Volkswagen Customer Club, Germany’s largest automotive customer club, Strauss et al. (2001) indicate that customer club satisfaction has a remarkable impact on the customer’s relationship satisfaction and customer retention. A customer club is regarded as a suitable platform to increase the interaction frequency between company and customer (customer interaction effect) by creating contact and feedback opportunities. By doing so, a close contact is built around the client throughout the entire customer life cycle. Thus, interaction effects have played an important role in customer club and it is a prerequisite for the customer club organizer to obtain and manage customer information. On the other hand, customers can obtain products and company’s information through such an interaction process too.

More recently, in a study of European car club members, Algesheimer et al. (2005) found that stronger brand community identification (identity-related benefits) leads to greater community engagement and brand loyalty intentions. This is in line with Hennig-Thurau et al.’s (2000) advocate on identity-related benefits.

Consumer comfort also plays a key role in service relationships. Comfort benefits are positive emotions and are defined as feeling at ease or reduced anxiety associated with alleviating mental discomfort (Spake et al. 2003). Consequences of comfort can include increased disclosure, confidence, trust, commitment, self-esteem, reduced perceived risk, satisfaction, and improved relational exchange. Comfort may be one of the criteria used when selecting providers. Comfort is assessed also during interaction with service provider. It may also serve as a barrier to exit (Spake et al. 2003). Hennig-Thurau et al. (2000) found confidence benefits, partly measured in terms of reduced anxiety, to be the most important relational benefits across segments and industry types. According to Spake et al. (2003), although previous scales have been developed to measure comfort, they are largely single-item measures, components of other scales (including confidence benefits) not designed to assess comfort with service provider or viewed as opposite of anxiety.

As a summary, it is logical to posit that relational benefits in the service relationships may also appear in the setting of customer club programs. But their relative importance and relevance may vary. As a result, studies are yet to verify the status and to integrate the research streams on relational benefits which include the identity-related benefits, interactive benefits, comfort benefits and symbiotic benefits in the setting of customer club. The primary objective of this study is to identify the key relational benefits in the setting of customer club from the consumers’ perspective.

**CONCEPTUAL MODEL DEVELOPMENT**

An initial model was developed from previous research which has been discussed in the previous section. This model was based on work by Gwinner et al. (1998), Hennig-Thurau et al. (2002), Sweeney and Webb (2002), Lacey et al. (2003), Algesheimer et al. (2005), Spake et al. (2003), Stauss et al. (2001) and DeWulf et al. (2003) and can be seen in Figure 1.

The model represents a conceptualization of relational benefits from consumers’ perspective (both club members and non-club members). This model combines the relational benefits and the relationship marketing outcomes (commitment, customer satisfaction and customer loyalty). It also specifies how relational benefits may influence the three important relational marketing outcomes.

To refine the model and find out the possible structure underlying the relational benefits, a series of focus group interviews have been conducted. Twenty-seven interviewees were randomly selected from the Friso customer club (Friso, a brand of Infant milk powder from the Netherlands). Analysis of the qualitative interview data followed the guidelines of Lincoln and Guba (1985), and Gwinner et al.’s (1998) research. Through the interview results, three new relational benefits are found, namely Information Benefits, Sharing Benefits and Communication Benefits. Based on the strength of the links (in terms of the frequency of the key words) and directions described by the interviewees, we re-structure the model to reflect the multi-level structure of the relational benefits. The modified conceptual model was displayed in Figure 2.

The following research propositions are put forth and will be tested through the data analysis process below.

P1: There is a hierarchic structure underlying the relational benefits.

P2: The strength of the impact of the relational benefits on loyalty outcomes will differ significantly between customer-club members and non-customer-club members.

**QUESTIONNAIRE SURVEY**

Quantitative data were collected in the second phase of the research. A questionnaire was designed using established scales from previous studies, as well as scales
developed from the focus group interviews. Extending the results from the interviews and drawing on the previously cited literature, the structural equation modeling empirically tests the dimensionality and relative importance of customers’ relational benefits in the context of formula milk powder category and in the context of customer club.

In empirical analysis, customer club member customers and non-club member customers will be surveyed to empirically examine the dimensionality, existence, and relative importance of the relational benefits (confidence benefits, social benefits and special treatments benefits and any other relational benefits that will be identified in Study 1) and its relationship to customer satisfaction, commitments and customer loyalty. From previous conceptual discussions in the literature, it is expected that different benefit types may vary in their importance and the degree to which they are received, depending on the type of service that consumers are in. This study is mainly focusing on one business category (formula milk powder) – customer club of consumer products. As such, in the first part of the questionnaire a reminder will be highlighted and the respondents are asked to reconfirm whether they are members or non-members before giving respond to the remaining questions.

Sample

Three hundred consumers voluntarily participated into the questionnaire survey. The respondents, shoppers of milk powders, were approached as they left the store in which they had bought at least one tin of infant milk powder in supermarkets in Shanghai China. Screening questions listed on a separate contact sheet were used to identify shoppers who satisfied the selection criteria. Shoppers who satisfied the criteria were asked to participate into the research. Names and telephone numbers of respondents were collected, in order for a follow up call by a market research company hired by the researchers. A small cash prize was offered to encourage responses. The original questionnaires have been constructed in English, and then translated to Chinese. The questionnaires had been pre-tested with a group of 20 customers to ensure the English meaning of various concepts; phrases and even words were equivalent in the Chinese language.

Respondents were called by the staff of the market research company. They are asked to respond to the questions based on their experiences with milk powder companies who are operating a customer clubs. Before they answer the questionnaire, it is carefully verified that

![FIGURE 1
Initial Conceptual Model](image-url)
each respondent has previously purchased the milk powder products. As the research involved mainly two groups of consumers: Members and Non-members, data were collected from two different samples of active milk powder shoppers. For members’ group, the respondents have to be the current members of the milk powder club. For the non-members group, the respondents have to be the current milk powder users but never be a member of any formula milk powder customer clubs. The total number of respondents is 300, 150 club members and 150 non-club members. As it is mothers who make decision to buy the milk powder in China. All respondents are female. Majority of them (89.6%) were aged between 26–35 years.

A two-step approach was employed to analyze the data as recommended by Anderson and Gerbing (1988). That is, the measurement model was assessed by performing a confirmatory factor analysis and then the structural model was assessed to obtain the path coefficients.

To test assess the convergence validity, confirmatory factor analysis was conducted. As indicated by factor loadings, dimensionality of constructs, the indices of component reliability (CR) and average variance extracted (AVE), the data fit the measure models (congeneric model) well. All figures in psychometrics properties have exceeded the proposed threshold (Bagozzi and Yi 1998). These results suggest that the measures adopted in the study proved to be adequate convergent validity. The discriminant validity was also tested by following the assessment practices suggested by Thompson (1997). All the results indicate that measures maintain sound discriminant validity.

AMOS software was used to estimate the path coefficients in the conceptual model. The output of the estimation showed that a lot of links were insignificant. To come to the final model, several steps have been taken including re-specification of the conceptual model by deleting the insignificant links and establishing new links. The final model is presented in Figure 3. The path coefficients of initial and final model were shown in Table 1.

RESULTS AND DISCUSSION

As Figure 3 shows, sharing benefits have a direct positive and significant effect on commitment ($\beta = 0.19$, $p < 0.01$). However, there is no statistically significant link between sharing benefits and customer satisfaction; and between sharing benefits and customer loyalty. It means
that sharing benefits have not made a significant contribution to customer satisfaction and customer loyalty to the surveyed participants in China in milk powder category.

Special treatment benefits (economic-based) is the only construct with a direct significant contribution to both commitment and customer satisfaction ($\beta = 0.34$, $p < 0.001$ and $\beta = 0.71$, $p < 0.001$ respectively). However, this construct has not made a significant direct contribution to customer loyalty. Customer satisfaction has a direct positive effect on customer loyalty ($\beta = 0.76$, $p < 0.001$). However, there is no statistically significant link between commitment and customer loyalty.

For the constructs of identity-related benefits, interactive benefits, comfort benefits and symbiotic benefits; there is no statistically significant link between these constructs and commitment, customer satisfaction and customer loyalty. However, sharing benefits serve as the mediating role.

Result of Multi-Group Comparison

The moderating effects of membership and non-membership are significant. It implies that models are significantly different in terms of their structural weights between the club member customers and non-club member customers. Thus, the effect of relational benefits on customer actions varies between club member customers and non-club member customers. A new link from sharing benefits to customer satisfaction is established. The final model for club member is presented in Figure 4 and the final model for non-club member is presented in Figure 5.

The results support the relationships proposed in the model. However, among all different relational benefits, only six out of ten are considered relevant in the context of customer club. In particular, the role of sharing benefits and economic-based special treatment benefits as mediators between other relational benefits (identity-related benefits, Interactive benefits, comfort benefits and symbiotic benefits) and relational marketing outcomes (customer satisfaction, commitment and customer loyalty) is generally supported by the data.

Evidenced from the results, the two research propositions were supported. Specifically, the sharing benefits, the new construct which identified in the focus group research, have a strong positive effect on commitment. Economic-based special treatment benefits have the great-

<table>
<thead>
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<th>TABLE 1</th>
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<td>Standardized Structural Equation Estimation (Initial Model and Final Model)</td>
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<tr>
<th></th>
<th>Initial Model (n=300)</th>
<th>Final Model (n=300)</th>
<th>Membership Respondents (n=150)</th>
<th>Non-membership Respondents (n=150)</th>
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<tr>
<td><strong>Standardized path coefficients</strong></td>
<td></td>
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<tr>
<td>Identity-related benefit to sharing benefit</td>
<td>0.138**</td>
<td>0.376***</td>
<td>0.321***</td>
<td>0.400***</td>
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<tr>
<td>Interactive benefit to sharing benefit</td>
<td>0.468**</td>
<td>0.555***</td>
<td>0.563***</td>
<td>0.504***</td>
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<tr>
<td>Comfort benefit to special treatment benefit (economic-based)</td>
<td>0.361***</td>
<td>0.412***</td>
<td>0.231 (N.S.)</td>
<td>0.623***</td>
</tr>
<tr>
<td>Symbiotic benefit to special treatment benefit (economic-based)</td>
<td>0.412***</td>
<td>0.439***</td>
<td>0.659***</td>
<td>0.210 (N.S.)</td>
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<tr>
<td>Sharing benefit to customer satisfaction</td>
<td>0.211**</td>
<td>0.140 (N.S.)</td>
<td>0.100 (N.S.)</td>
<td>0.142 (N.S.)</td>
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<td>Sharing benefit to commitment</td>
<td>0.156</td>
<td>0.187**</td>
<td>0.302**</td>
<td>0.036 (N.S.)</td>
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<td>Special treatment benefit (economic-based) to customer satisfaction</td>
<td>0.654***</td>
<td>0.618***</td>
<td>0.664***</td>
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<td>0.342***</td>
<td>0.335***</td>
<td>0.053 (N.S.)</td>
<td>0.518***</td>
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<td>Customer satisfaction to commitment</td>
<td>0.378***</td>
<td>0.401***</td>
<td>0.586***</td>
<td>0.302**</td>
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<td>Customer satisfaction to customer loyalty</td>
<td>0.820***</td>
<td>0.755***</td>
<td>0.801***</td>
<td>0.697***</td>
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<tr>
<th>Model goodness of fit statistics</th>
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<tr>
<td>Chi-square</td>
<td>3233.149</td>
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<td>451.955</td>
<td>505.166</td>
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<td>Degree of freedom</td>
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<tr>
<td>P value</td>
<td>0.000</td>
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<td>Goodness of Fit Index (GFI)</td>
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<td>0.825</td>
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<td>Tucker-Lewis Index (TLI)</td>
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<tr>
<td>Comparative fit Index (CFI)</td>
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<td>0.955</td>
<td>0.945</td>
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<tr>
<td>Root Mean Square Error Approximation (RMSEA)</td>
<td>0.064</td>
<td>0.051</td>
<td>0.056</td>
<td>0.066</td>
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Notes: * denotes that the path coefficient is significant at the 0.05 level, ** denotes that the path coefficient is significant at the 0.01 level and *** denotes that the path coefficient is significant at the 0.001 level.
N.S. denotes "not significant"
FIGURE 3
Path Coefficients of Final Model for All Samples

Significance Level
***p<.001, **p<.01, *p<.05

Notes: Only significant relationships shown in this figure.

FIGURE 4
Path Coefficients of the Final Model for Club Member Samples

Significance Level
***p<.001, **p<.01, *p<.05
N.S.=not significant
est effect on customer satisfaction and indirectly to commitment and customer loyalty. Both sharing benefits and economic-based special treatment benefits also play a mediator role. Sharing benefits serve as a mediator for identity-related benefits and interactive benefits indirectly to commitment while economic-based special treatment benefits serve as a mediator for comfort benefits and symbiotic benefits indirectly influence customer satisfaction commitment and customer loyalty.

Between sharing benefits and economic-based special treatment benefits, economic-based special treatment benefits have a greater effect on customer satisfaction and commitment; and economic-based special treatment benefits are also found to have an indirect effect on customer loyalty mediated by customer satisfaction.

When considering the moderating effect of customer club membership, both sharing benefits and economic-based special treatment benefits are important constructs; and economic-based special treatment benefits are the construct that most influenced the relationship marketing outcomes (customer satisfaction, commitment and customer loyalty). However, while sharing benefits exist among club member customers, it does not have a direct or indirect influence on commitment among the non-club member customers. Economic-based special treatment benefits have a direct influence on customer satisfaction and commitment among non-club member customers and affect customer loyalty via the mediator of customer satisfaction; and have indirect influences on commitment via the mediator of customer satisfaction. One the other hand, economic-based special treatment benefits play a direct influence on customer satisfaction and indirect influence on commitment and customer loyalty via the mediator of customer satisfaction among club member customers. This suggests that it is vital for brand owners to develop sharing benefits only for club member customers while it is vital also for brand owners to develop economic-based special treatment benefits for both club member customers and non-club member customers.

For club member customers, as both identity-related benefits and interactive benefits are the antecedents of sharing benefits, it is vital for brand owners to develop favorable identity-related benefits and interactive benefits while also generating sharing benefits perception. Although both comfort benefits and symbiotic benefits are the antecedents of economic-based special treatment benefits, it is important to note that in the context of club member customers, symbiotic benefits impacted through the model’s mediating variable, economic-based special treatment benefits, relating to customer satisfaction while comfort benefits have insignificant impact to economic-based special treatment benefits. However, in the context of non-club member customers, comfort benefits impac-
ted through the model’s mediating variable, economic-based special treatment benefits, relating to customer satisfaction and commitment while symbiotic benefits have insignificant impact to economic-based special treatment benefits. Thus, it is suggested that the customer club managers should differentiate its offers to various customer groups. It is vital for customer club operators to highlight symbiotic benefits for club member customers. To make a customer club more attractive, managers should endeavor to enhance the sharing benefits.

LIMITATION AND FUTURE RESEARCH

Formula Milk Powder was the product category in this study. Formula Milk Powder product required high-involvement by the mothers with the babies. The products are known to be purchased under substantial considerations due to one child policy in China. Thus, the model obtained may be more suitable to formula milk powder or products required high-involvement than to goods of low involvement. Thus, managers should use these results with caution. The customer clubs in this study are the customer clubs of consumer goods (Formula Milk Powder). Other servicing customer club such as airlines companies with loyalty programs, hotel group with loyalty programs and restaurant groups are not included in this study. Thus, the implications of relational benefits on servicing customer club would be different.

This research focused on the products of formula milk powder. For this product category, the dimension of relational benefits, which is defined in context of customer club was explored. There are altogether ten constructs of relational benefits discovered either in the previous studies or in the focus group research in this study. However, results in this study showed that only limited choice are relevant in the context of pre-selected product category or in the context of customer club.

A direction for further research is to apply the model of this research to other products or services sectors. The implications may be quite different in different contexts. Future research could explore:

1. The context of customer club in services sector (e.g., airlines, travel agents especially internet travel agent, hotel groups or chain stores).

2. Another context of interests could be the customer club of low-involvement products.

3. The impact of relational benefits on the context of consumer sponsored brand community (e.g., Car Owners’ Club, Fan Club of celebrity, etc.).

So far only a limited number of studies have shed light on the interrelationships of relational benefits (e.g., Han and Kim 2009; Kim 2009). As there are different relational benefits existed in the relationship marketing context, future research could explore the nature of the potential associations among different relational benefits in different contexts. In addition, it is worth investigating the changes in relational benefits under the influence of cultural values. Future research could explore and test the model in cultures other than Chinese. Finally, different relational model may exist in different stages of relationship building process. Future research could test the relational benefits in different stages of relationships between customers and the company. Also, it is interesting to capture the change in relationship in the same relationship context (e.g., behavior change in the same customer club in different stages of relationship).

REFERENCES


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TURNING A LION INTO A KITTEN: THE ROLE OF APOLOGY TIMING AND RELATIONAL EXPECTATION

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Jae Min Jung, California State Polytechnic University at Pomona
Kisang Ryu, Sejong University, Korea

SUMMARY

An apology is a speech act that seeks forgiveness. Even though much research has consistently shown that an apology plays a crucial role in restoring damaged relationships, there has not been agreement on the explanations for how the timing of making an apology operates. Specifically, literature on service failure or crisis management suggests that a wrongdoer should promptly apologize to victims because the wrongdoer’s speedy recovery helps to enhance consumers’ perception of procedural justice (Kellerman 2006; Smith, Bolton, and Wagner 1999). However, conflict management literature suggests that a wrongdoer’s delayed apology can be more effective than an immediate apology because the former gives victims more opportunity for self-expression, compared to the latter (Coleman 1997; Frantz and Bennigson 2005). Therefore, the goal of this research is to improve our understanding about how a service person’s apology timing influences consumer satisfaction.

According to Frantz and Bennigson (2005), victims are more willing to accept an apology after, rather than before, they have expressed their concerns and an offender has made them feel understood. Drawing on their finding, we predict that consumers who value a relational self will react more positively if they have an opportunity to have their concerns expressed and heard before (i.e., delayed apology), rather than after (i.e., immediate apology), receiving an apology. It is anticipated that consumers’ motivation to voice their concerns is more likely to increase if they expect, rather than do not expect, to interact with the same wrongdoer in the future. Thus, we hypothesize that a service person’s delayed apology will increase consumer satisfaction than a delayed apology if consumers’ relational expectation is low.

Using service failure and recovery scenarios, we tested the conditions that influence the effectiveness of apology timing. We employed a 2 (apology timing) x 2 (relational expectation) between-subjects design. As predicted, we find that the apology timing effect depends on consumers’ relational expectation to interact with the same service person. Across different service failure contexts, we consistently show that a delayed apology leads to greater satisfaction than an immediate apology when consumers’ relational expectation is relatively high. In contrast, as predicted, the apology timing effect is reversed when consumers’ expectation to interact is low. An immediate apology enhances consumer satisfaction more than a delayed apology in this case. Moreover, we observe that the apology timing effect is differentially mediated by consumers’ cognition and affect, depending on their relational expectation. The advantage of making a delayed apology over an immediate apology occurs only through consumers’ beliefs that the service person understands consumers’ views when their relational expectation is high, whereas the advantage of making an immediate apology over a delayed apology occurs only through consumers’ feelings during the failed service experience when their relational expectation is low.

In sum, even though much research has documented the important role of an apology in recovering damaged interpersonal relationships, we know very little about how the timing of an apology operates. The current research extends our knowledge on apology timing in three ways. First, we consistently document the apology timing effect across various service contexts. Second, we predict and confirm that consumers’ relational expectation serves as a boundary condition for the apology timing effect. Finally, we shed light on the underlying processes through which the apology timing influences consumer satisfaction, and demonstrate that a different process is at work depending on consumers’ relational expectation. This research is expected not only to help illuminate the processes behind the apology timing effect but also to assist marketing managers in better communicating their wrongdoings. References are available upon request.
THE IMPACT OF PARENT-CHILD BUYING COMMUNICATION STRATEGIES ON SELF-BRAND CONNECTIONS

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SUMMARY

Several social scientists have highlighted the conspicuous use of brands amongst young people and describe them as ‘bonded to brands’ and ‘branded babies’ (Linn 2005; Schor 2005). They have criticized this commercialization of childhood, which has made young people materialistic and consumption oriented individuals. Further, previous consumer research indicates that young people’s association with brands is socially motivated, and they develop relationships with brands because brands reflect who they are to others (Chaplin and John 2005; Chaplin and Lowrey 2010; Elliott and Leonard 2004; Robinson and Kates 2005). In addition, Chaplin and John (2005) suggest that young consumers, like adults, also develop self-brand connections (SBC). SBC is a form of brand relationship that reflects the extent to which an individual incorporates a brand into his/her self-concept to communicate one’s self to others (Escalas and Bettman 2003). However, Chaplin and John (2005) focus on the differential effects of age and suggest that young consumers begin developing SBC between middle childhood and early adolescence.

Although the social motivation for owning brands is a recurring theme in previous research on young consumers, it has paid little attention to the role of predominant socialization agents, such as parents and peers, who play an important role in shaping consumer attitudes and behavior (John 1999; Moschis and Churchill 1978). The current study factors in the social context of consumption to address this gap. Specifically, it focuses on the underlying social mechanism of the development of SBC. It suggests a possibility that young consumers could separate their sense of self with popular brands, thereby reducing reliance on such brands for social approval. It would be possible, if parents give consumer education and guidance to young people through monitoring their buying decision-making.

A socialization model is proposed and tested to elucidate the underlying mechanism of the development of SBC in young consumers (11–15 years old). In the current research, SBC is considered a consumption motive that enables adolescents to seek group affiliation. It is suggested that certain brands “symbolize group identity and a sense of belonging to distinct social groups” (John 2008, p. 236). Therefore, young consumers link brand consumption to their self-identity and in the process develop SBC for social approval (Chaplin and John 2005).

It is argued that parental communication strategies toward their children’s buying decision-making play an important indirect role in the development of SBC. In this paper, two parental communication strategies are discussed: Empowered Buying Decision-Making (EB) versus Monitored Buying Decision-Making (MB).

EB occurs when parents reduce their role in buying-decision making of young people. There could be several reasons for giving this empowerment of decision making to young consumers, including avoiding ridicule (Wooten 2006); giving more independence in the expectation of boosting children’s confidence (Schor 2005); substituting for quality time spent with children (McNeal 1999). The reduction of parental input makes young consumers more independent (from parents) but not necessarily from peers, and so in the vacuum of parental input, they become more vulnerable to peer influence. When the need to belong to peers increases, young consumers become more susceptible to peer influences, and it would lead to a stronger SBC for social approval.

MB occurs when parents monitor their children’s buying decision-making. This strategy enables parents to reinforce their rules and expectations for young consumers’ purchases, which leads to social construction and thus, they engage in a dialogue with parents (Hunter 1985). This parent-child communication is perceived as a sign of caring by young people (Bugental and Grusec 2006). It also affects the selection of peers and steers them away from those peers who oppose parental views on consumption (Collins et al. 2000). In the process, they become more susceptible to the views of their parents. Further, a strong relationship with parents provides a social support, decreases the level of insecurity, and boosts self-esteem (Dumas et al. 2009). Some parents also stress on a rational use of brands (Moschis 1985). In the presence of a significant role of parents, young people might not use brands as an identification mark (Rodhain 2006), and it would lead to a lower degree of SBC.

Although prior research shows that socialization agents (parents and peers) have a direct influence on brand
loyalty (Moschis et al. 1984), SBC might play a role in the relationship. It is argued that socialization agents influence SBC. In turn, SBC influences brand loyalty in young consumers.

To test the proposed model, a survey in a classroom setting was conducted with 555 pupils (11–15 years old) from seventh to tenth grades of three state-run secondary schools in Cambridge, U.K. The questionnaire was developed with the items used in previous studies. However, the items were pretested and adapted according to the age group involved. The proposed model was run with structural equations modeling. The data showed an acceptable fit to the proposed model.

In summary, the study links socialization research with the development of SBC in young consumers. The previous such research has largely considered the role of peers as a predominant factor in young people’s consumption attitudes and behaviors (Chaplin and John 2005; Elliott and Leonard 2004; Pechmann et al. 2003; Rodhain 2006). On the contrary, this research provides evidence that parent-child buying communication strategy is of high relevance to understand the mechanism of child-brand relationship development in a social environment. This research provides evidence for the differential effects of each of the parenting communication styles on the susceptibility to interpersonal influences of parents and peers. It is suggested that the consumption culture that promotes the empowerment of young consumers, thereby leading to higher peer influence. Potentially, this understanding of the roles of parents and peers has implications for educating young people about their choices of brands, when use predominantly for social approval. References are available upon request.

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MAKING BRAND ASSOCIATIONS AND BRAND ELEMENTS MEMORABLE IN ELDERLY CONSUMERS

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SUMMARY

Prior research in cognitive psychology has found important differences between associative memory and item memory (Clark 1992; Clark and Burchett 1994; Gronlund and Ratcliff 1989; Hockley 1991). While item memory is memory for individual items present in a stimulus episode, associative memory is memory for a combination of two or more items together. Especially germane to the present research is the prior finding that aging affects item and associative memory differently. Larger age-related impairments are seen in associative memory than item memory (for a review refer to Old and Naveh-Benjamin 2008; Spencer and Raz 1995).

Item memory and associative memory for brand information are both important for brand building. Memory for item information such as individual brand names or brand logos helps increase brand awareness and keeps the brand salient in the minds of consumers. Associations between the brand and favorable and distinct attributes and benefits work toward the creation of a positive brand image (Aaker 1996, p. 25; Broniarczyk and Alba 1994; Keller 1993). Overall, brand equity and marketplace success of brands depend upon the creation of high levels of brand awareness as well as positive and distinctive brand images (Warlop et al. 2005).

Despite the importance of item and associative memory for effective brand building, there has been very little consumer research on how these constructs are different from one another. Further, to the best of our knowledge, there is not even a single published study in consumer research on the effects of aging on item vs. associative memory for brand information. This dearth of research is perplexing, given the importance of the elderly consumer to marketers (Yoon et al. 2005). Indeed, current demographic trends suggest that the age segment of 65 and above will increase dramatically over the next two decades, growing to nearly 20 percent of the total U.S. population by 2030. The growth of the elderly consumer segment makes a compelling argument for studying memory issues in this age group.

Therefore, the overarching objective of this research is to examine the effects of aging on associative and item memory for brand information. Further, we investigate the very important issue of how marketer-controlled variables can influence item and associative memory performance in the elderly consumer in a branding context. Building on prior theorizing and empirical research in the memory area (e.g., Naveh-Benjamin 2000; Naveh-Benjamin et al. 2007; Naveh-Benjamin et al. 2003), two studies were conducted. In study 1, the main question of interest is whether using more versus less meaningful brand elements (i.e., brand logos) will improve item and associative memory for brand information in elderly (vs. younger) consumers. Meaningfulness of a brand element is the extent to which an individual has pre-existing semantic knowledge of the element in memory. In Study 2, the same type of question is explored in regard to the degree of relatedness between brand elements (i.e., brand logos and brand names). See Figure 1 for a few real-world examples of the constructs of meaningfulness and relatedness in a branding context.

Study 1 (N = 50) used a 2 (elderly vs. younger consumer, between-subjects) x 2 (associative memory for brand information vs. brand logo item memory, within-subject) x 2 (more vs. less meaningful brand logos, within-subject) mixed factorial design. The dependent variable was recognition accuracy as measured by the proportion of hits minus false alarms (Law et al. 1998; Morrin and Ratneshwar 2003). The stimuli were pairs of brand logos and brand names. While brand logos were manipulated to be more vs. less meaningful, the brand names were meaningful ones that were counterbalanced across the more and less meaningful brand logo conditions.

Participants were tested individually in enclosed laboratory rooms. There were four study-test blocks/trials in the experiment. The study material in each trial comprised of 14 less and 14 more meaningful brand logo-brand name pairs that were presented in a mixed random order. All appropriate counterbalancing were done. At study, participants were instructed to memorize the brand logos and brand names both individually and as a pair. Each pair was presented for 4500 milliseconds in a computer-controlled task. The study phase was followed by a 3-minute filler task. Participants were then tested for both item and associative memory (counterbalanced for order of presentation). Specifically, they were given 6000 milliseconds to press “V” if they had seen the item (for item memory...
test) or pair (for pair memory test) during stimulus exposure and press “N” if they had not seen the item or pair. Please refer to Figures 2 and 3 for examples of stimuli and memory tests.

Study 1 results showed that meaningfulness of brand logos helped elderly consumers in remembering brand logos better. Further, there was a two-way interaction between meaningfulness of logos and age in the case of brand logo (i.e., item) memory. Thus, the deficit in brand logo memory between elderly (vs. younger) consumers in the less meaningful brand logos condition was actually eliminated in the more meaningful brand logos condition (see Figure 4). In addition, meaningfulness of brand logos enhanced associative memory for brand logos and brand names in elderly consumers. Some interesting results were also obtained in subsequent follow-up analyses where we examined hit rates and false alarm rates separately.

Study 2 (N = 48) used a similar design and procedure as study 1. Results showed that relatedness between brand logos and brand names helped elderly consumers remember the individual brand elements better (i.e., improved item memory). Interestingly, there was also a significant two-way interaction between age and relatedness for item memory. Specifically, elderly (vs. younger) consumers benefited more from relatedness between brand logos and brand names in boosting their item memory performance (see Figure 5). Further, relatedness between brand logos and brand names also helped elderly consumers improve associative memory for brand information. Finally, in accord with past research, both studies 1 and 2 demonstrated that in the case of novel brand information, elderly (vs. younger) consumers display a larger deficit in associative memory than item memory, i.e., there was a significant two-way interaction between age and type of memory. References are available upon request.

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ON THE INTERPERSONAL TRANSMISSION OF LUCK

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SUMMARY

Peculiar beliefs are beliefs “presumed (by scientists, at least) to not be veridical” and “do not have a rational, empirical, or scientifically established link to an outcome they are intended to influence.” Despite it may be denied on the conscious level, the influences of peculiar beliefs in consumer’s daily life are prevalent and play an important role in individuals’ lives through its influence on the non-conscious level. While prior research on peculiar beliefs provide considerable evidence as to its role in social psychology, it is surprising that relatively few efforts have been made to understand its influences on consumer behavior and its role in marketing. An important but neglected research area in the field of peculiar beliefs is the synergistic effects of various forms of peculiar beliefs. Scholars have identified two specific types of peculiar beliefs that have recently received attention in the consumer psychology and marketing literature: superstition and magical thinking. Although obviously related, research on these two as of yet disparate peculiar beliefs is scant. To fill this gap, this research introduces an important but rarely examined concept--the secondary-contamination effect (hereafter SCE)– and demonstrates its influences on consumer responses.

Based on the literature in social psychology and consumer psychology, we define the SCE as the changes in consumer perceived luck and other downstream responses which are affected by physically contacting with an object previously touched by another person (i.e., a contaminated object or vehicle). The concept of the SCE has its origins in medical and social psychology literature. However, it has never been examined in consumer behavior context. We contribute to the research on peculiar beliefs in consumer behavior by introducing the concept of the SCE and examining its influence on consumer responses. This research also seeks to address the psychological mechanism underlies the SCE. Based on the literature on active-self concept, the authors argue that consumer’s self-concept will be temporarily changed by contacting with a contaminated object.

This paper investigates the SCE with four studies. Study 1 provides initial support to the existence of SCE. By contacting with the source (our confederate), the neutral vehicle’s inner quality was changed. We made participants physically touched this contaminated vehicle and captured their perceived luck and Likelihood Judgment. The results indicated that touching a contaminated vehicle temporarily changed participant’s self-concept and lead to higher perceived luck. Perceived luck then in turn had positive effects on likelihood judgment of winning a lottery game. Study 2 shows that SCE is not homogeneous across participants. Touching a contaminated vehicle had stronger effects on perceived luck and Likelihood Judgment for those with high trait superstition. Another important finding of Study 2 is the replication of mediating effect of perceived luck, which again demonstrates that we can temporarily change participant’s self-concept, lead to different perceived luck level, and then is reflected on their assessment toward likelihood of winning the lottery. In Study 3, the authors explored another important moderating factor: Participant’s awareness of influences of peculiar belief. Based on the Flexible Correction Model, the authors hypothesize that consumers who are aware of the influences of peculiar beliefs in their daily lives will make adjustments with these possible sources of influence. A lab-based experiment provides supports to our hypothesis. Our last study (Study 4) inquires an interesting question: Whether the occurrence of first contamination should be visually observed by consumers to activate the SCE? Research in consumer contamination suggests that direct observation is not a necessary condition for contamination effect. Empirical evidences suggest that the SCE could be activated by consumer imagination. In other words, what is really important is consumer’s belief that the neutral vehicle has been contaminated.

Based on the empirical evidences, the authors also provide theoretical and managerial implications. Limitations and future research directions are also mentioned. References are available upon request.
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PERSONAL AND HISTORICAL NOSTALGIA: INVESTIGATING CONSUMPTION CONSEQUENCES OF TWO DIFFERENT TYPES OF NOSTALGIA

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SUMMARY

Within the last twenty years we observe a trend that can be characterized as “nostalgia-boom” or “retro-revolution” (Brown, Kozinets, and Sherry 2003) leading to a variety of past-related market offers. In the media, nostalgic advertising appeals are widely used to trigger consumers’ recollection and emotions (Muehling and Sprott 2004). Documentation, celebration or analysis of the past becomes ubiquitous in TV reports and magazines and requests increase for older products to be sold in antique shops, flea markets, and auctions or exhibited in museums and galleries (Goulding 2001). Additionally, numerous almost forgotten brands have successfully been relaunched (Brown, Kozinets, and Sherry 2003; Diamond et al. 2009).

Nostalgia is seen as a central concept for explaining consumers’ demand for these past-related products (Belk 1990; Davis 1979; Holbrook 1993; Kleine, Kleine, and Allen 1995; Loveland, Smeesters, and Mandel 2010; Wallendorf and Arnould 1988). Surprisingly, despite the obvious variety of nostalgic market appeals, most research has an undifferentiated view on nostalgia (Holbrook 1993; Holbrook and Schindler 1994; Rindfleisch, Freeman, and Burroughs 2000; Routledge et al. 2008; Wildschut et al. 2006). The myriad of past-related consumption, however, suggest that different kinds of nostalgic sentiments may be responsible for the diversity. It seems plausible that the liking of things with family traditions may not be explained by the same nostalgic force as the fondness for garments of the 1950s or the keen interest in historic documentations. While research is beginning to recognize that different types of nostalgia may explain diverse portions of nostalgic behavior (Goulding 2002; Stern 1992; Marchegiani and Phau 2010), no empirical study exists that investigates separate types and links them with important consumer outcomes.

Advancing existing research, we offer a conceptualization of nostalgia that better reflects its multifaceted nature and varying outcomes. We present personal nostalgia and historical nostalgia as two important types of nostalgia. While the former has been subject to most existing research, investigation of historical nostalgia effects is a valuable addition to consumer research. The practical relevance stems from the notion that historical nostalgia appeals are easier to evoke by advertising claims and brand meaning. Personal connections can be addressed mainly at a generic nature (e.g., “Remember your childhood!”). We illustrate the benefit of this differentiated conceptualization of nostalgia by linking these two important types with attitude toward past-related products as well as purchase intention. Findings support our proposition that personal and historical nostalgia explain different parts of nostalgic consumption. Thus, practitioners should target nostalgic market offers carefully.

In addition, the paper contributes to extant research in a methodological sense. We develop a new measurement instrument to tap personal and historical nostalgia – the Personal and Historical Nostalgia Inventory (PHNI) – and compare the new instrument with the commonly used Nostalgia Proneness Scale (Holbrook 1993). Results show that our conceptualization and measurement inventory gains advantage in predicting preferences for past-related products and services. References are available upon request.

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WHEN I CAN’T TOUCH: AN EXAMINATION OF THE ROLE OF PURCHASE INVOLVEMENT AND REGULATORY ORIENTATION IN ONLINE SHOPPING DECISIONS

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SUMMARY

Individuals make online purchases with varying levels of involvement in the shopping situation. Involvement with a purchase task leads one to search for more information and spend more time searching for the right selection (Clarke and Belk 1979). The importance of involvement in consumer behavior is especially triggered by its effect on motivation and information processing. If individuals lack the motivation or the ability to engage in effortful processing of a message, they will engage in less thoughtful processes, such as simple inferences based on peripheral cues, whereas individuals who are highly involved are more likely to process the information systematically (Petty, Cacioppo, and Schumann 1983).

In addition to involvement, individuals’ regulatory orientation also impacts their information processing. Higgins (Higgins et al. 1996; Higgins, Shah, and Friedman 1997) proposed regulatory focus (RF) theory and distinguished two forms of regulatory orientation, namely promotion and prevention focus. A promotion focus is concerned with advancement, growth, aspiration, and accomplishment. In contrast, a prevention focus is concerned with security, responsibilities, and safety (Higgins 1997). These two distinct goals prompt people to selectively pay attention to and rely on information that helps them attain their goals (Aaker and Lee 2001). Depending on their regulatory focus, individuals are motivated to use different strategies (approach or avoidance) to achieve their desired states or distance themselves from their undesired states. In other words, regulatory focus influences how individuals pursue a goal or situate themselves in relation to a desirable or undesirable state. Thus, when purchasing a product with a promotion approach, the goal is to make an ideal choice that makes the person happy and helps him/her achieve desired results. However, a prevention approach in making a purchase is more concerned with assuring that the choice is not wrong.

Indeed, prior research demonstrates that both involvement and regulatory orientation have the potential to influence product preferences when purchase decisions are weighed (e.g., Boesen-Mariani, Gomez, and Marie-Laure 2010; Wang, Eric T.G., and Cheng-Kiang 2009). However, much remains to be learned about the role of involvement and regulatory orientation in purchase decisions, particularly in an online scenario where information about key product features obtained through the sense of touch is not available. Peck and Childers (2003a) defined the need to touch products as a preference for extracting and utilizing information through the haptic system (Peck and Childers 2003a). High-NFT individuals have a high degree of preference for extracting and utilizing information through the haptic system (Peck and Childers 2003a). For these consumers, haptic information is chronically more salient and thus, they are more likely to use haptic information for product evaluations. In fact, if a haptic element is presented, these individuals may be more persuaded compared with the situations in which no haptic element is accessible (Peck and Wiggins 2006).

Overall, the present investigation examines the interaction between the need for touch (NFT), situational involvement, and momentary regulatory orientation on purchase intentions in the context of a potential Internet purchase. A 2 (NFT: high vs. low) x 2 (Involvement: high vs. low) x 2 (Regulatory Orientation: Promotion vs. Prevention) between subjects factorial design was implemented in which purchase involvement and regulatory orientation were manipulated and NFT was measured while controlling for participants’ prior online shopping experience. The results of the ANCOVA revealed that the 3-way interaction suggested by the study design was significant. To further investigate the relationships, two-way interactions between purchase involvement and regulatory orientation were assessed for high- and low-NFT individuals. For high-NFT individuals, there was a significant two-way interaction between involvement and regulatory focus. Specifically, under a prevention focus, high-NFT individuals with higher levels of purchase involvement had more purchase intentions than did those with low purchase involvement. On the other hand, high-NFT individuals with a promotion focus had higher purchase intentions in a low purchase involvement than in a high purchase involvement situation. In contrast to high-NFT individuals, there was no significant two-way interaction between involvement and regulatory focus for low-NFT participants. Interestingly, according to the results, for high-NFT individuals, a prevention focus under high purchase involvement situations can lead to higher purchase intentions, while a promotion focus works best under low purchase involvement for these individuals. Moreover, when the effect of involvement and regulatory
focus are examined together for low-NFT individuals, consistent with previous research (Wang and Lee 2006), regulatory focus does not have a significant influence on purchase intentions under different levels of purchase involvement. However, regulatory focus has a significant impact on these relationships when individuals are high in NFT.

As Martin et al. (2011) argued, academic research has placed excessive emphasis on the study of general consumer responses and attitudes toward online shopping, without taking into account individual and situational factors that affect consumers’ online shopping behavior. The present research contributes to this call for research by examining NFT (an individual factor) along with situational involvement, and momentary goal orientation (both situational factors) and assessing their influence on individuals’ online shopping decisions. The results have implications for electronic retailers. They should focus on the format and types of product information they provide on their websites and match them with the way high versus low involvement individuals seek information. This customization could be achieved by categorizing products into high and low purchase involvement products. Even depending on the shopping occasions, products could be grouped as high or low involvement. Customers may be asked questions such as “for what occasion are you shopping today?” The pre-determined options could be “for myself, for a gift to a significant other, for donation, etc.” Moreover, electronic retailers can situationally influence customers’ regulatory orientation by presenting relevant phrases and promotional messages. References are available upon request.

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DIFFERENCES IN THE INFLUENCE OF CHOICE CONFIDENCE AND OUTCOME QUALITY ON SATISFACTION AS A FUNCTION OF INFORMATION DIAGNOSTICITY

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SUMMARY

People want to feel good about their choices. They want to feel confident. When they do, choice confidence, or the extent to which a choice is believed to be correct (Heitmann, Lehmann, and Herrmann 2007; Tsai and McGill 2011), can yield desirable consequences such as reductions in purchase delays (Greenleaf and Lehmann 1995), increased consistency between attitude and behavior (Bearden, Hardesty, and Rose 2001), and potentially, higher satisfaction (Heitmann et al. 2007).

The present research was motivated by the possibility that choice confidence may offer a conduit via which marketing communications can facilitate desirable consumer reactions such as consumption satisfaction. Because it is readily influenced by the nature and content of presented information (Farley, Katz, and Lehmann 1978), choice confidence may offer a conduit via which marketing communications can be converted into desirable consumer reactions such that enhancing the former will increase the latter. However, a deeper and more comprehensive understanding of the effectiveness of external tactics to increase choice confidence is needed before such actions can be fully recommended.

Choice confidence can be increased by information that is more diagnostic or useful in making (Lynch, Marmorstein, and Weigold 1988) or justifying (Feldman and Lynch 1988) a choice. Presentation of highly diagnostic information, such as cues indicating the superior alternative in a choice set, increases choice confidence (Tsai and McGill 2011; Yoon and Simonson 2008). However, findings from two experimental studies demonstrated that this type of confidence manipulation also weakens the correlation between choice confidence and satisfaction that was observed in prior research (see Heitmann et al., 2007).

In this research, information diagnosticity was manipulated by providing attribute-level ratings of three available products that either did (highly diagnostic) or did not (non-diagnostic) indicate which of the three was the dominant option. Participants made a selection and stated their confidence in the correctness of their choice. Following receipt of either a better or worse quality outcome, participants indicated their satisfaction with the outcome.

Study findings demonstrated that high choice confidence weakens the influence of outcome quality on the consumer’s experience of satisfaction. Contrary to intuition, however, this effect did not manifest when choice confidence is enhanced by strong external cues, but rather when the information on which the confidence was based offered little indication as to the correct, or justifiable, choice. Moreover, when information diagnosticity was low, consumers with high confidence are able to derive equivalent satisfaction better or worse quality outcomes. While a weaker influence of external information (such as feedback on outcome quality) may be inferred from prior literature (see Sieck and Arkes 2005), the present research makes a unique contribution to literature by providing evidence that this effect varies as a function of the diagnosticity of the information basis of confidence. Thus, it enhances knowledge about the post-choice influence of choice confidence and gives a view to possible consequences of attempts to raise choice confidence via alterations in diagnosticity of marketing communications.

Interestingly, when consumers derived high confidence from information that was low in diagnosticity, they appear to underweight or disregard cues indicating low outcome quality (i.e., three bad pictures out of six). Such resistance may be indicative of biased information processing toward information favoring prior beliefs (Lord et al. 1979) or a form of confirmatory hypothesis testing (Klayman and Ha 1987). Because realized outcomes are often multi-valent in nature, i.e., containing both positive and negative elements, evaluation of outcomes is open to subjectivity.

The findings of this research suggest that confidence that feels more intuitive may promote biased information processing so that the consumer experiences high levels of satisfaction even from imperfect outcomes. However, heavy-handed tactics to externally enhance confidence may completely undermine this “protective” effect and even increase the consumers’ scrutiny of the outcome. In short, the findings presented demonstrate that, while it is possible to externally enhance consumer choice confidence, at least one overt tactic is ineffective at bringing about in increase in satisfaction. References are available upon request.
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SELF-EFFICACY AND SELF-PROPHECY EFFECTS ON PREVENTIVE HEALTH BEHAVIOR

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SUMMARY

One key objective of marketing research in the field of health care is to develop mechanisms to promote behaviors and lifestyles of people that maximize their long term health. In this regard, the main task is to increase people’s adherence to different prevention- and treatment-related regimens (Kazarian and Evans 2001). Different approaches have been developed to help to influence health behaviors such as the theory of planned behavior (Fishbein and Ajzen 1975; Ajzen 1991), the health belief model (Janz and Becker 1974; Becker 1974), and the protection motivation theory (Maddux and Rogers 1983; Rogers 1983), to name only a few. However, when health care professionals try to implement these frameworks in practice, they face the challenge that these frameworks are rather complex and not easily applicable. In addition, these frameworks often fail to provide practitioners with specific procedures on how to alter health behaviors (Sprott et al. 2006).

Self-prophecy, however, can be regarded as a simple way to influence health-related behaviors and can easily be transferred to practice (Sprott et al. 2006). The self-prophecy effect suggests that asking people to predict whether they will perform a socially normative behavior leads to the increased likelihood of them performing that behavior.

While self-prophecy research demonstrated its theoretical explanation to be based on the theory of cognitive dissonance (Spangenberg et al. 2003) and found some moderators of the self-prediction effect, it still requires identification of further conditions under which self-prediction is most effective (Sprott et al. 2006).

Since self-efficacy has generally been shown to influence health behaviors (e.g., Jayanti and Burns 1998; Keller 2006), self-efficacy is such a potential factor. Except for one study (Longstreet et al. 2011) which tested the self-prediction effect on computer-related task performance, the question of interaction between self-prophecy and self-efficacy has not yet been empirically studied in prior research.

The current research investigates self-prophecy in the health behavior context to accomplish two objectives: (1) to provide evidence that self-prophecy has a significant effect on performance of a preventive health behavior and (2) to test whether self-efficacy moderates the self-prophecy effect on the focal behavior.

The results of an experiment indicate that self-prophecy has an effect on preventive health behavior, thus providing further evidence that making a self-prediction changes people’s behavior. Moreover, we are able to show that this effect is moderated by a person’s level of self-efficacy. In particular, people low in self-efficacy are more likely to respond to the effect of self-prediction than are people high in self-efficacy. This outcome suggests that the self-prophecy question can be particularly helpful for people with lower self-efficacy beliefs in bringing their level of exercising, for example, to the same level as people with higher self-efficacy beliefs who actually do not need a self-prediction question. References are available upon request.

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THE ROLE OF GOAL SPECIFICITY IN INITIAL AND SUBSEQUENT DECISIONS REGARDING CONSUMPTION OF HEALTHY OR UNHEALTHY FOODS

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SUMMARY

The present research examines whether goal specificity can assist in explaining why consumers, especially dieters, so often fail to meet their goals. Goal specificity, defined as the "ambiguity or diffuseness in the exact level of performance desired" (Wright and Kacmar 1994, p. 243), can differ among individual goals. For example, goals can be framed as "specific" goals which are restrictive and have a concrete end point (e.g., lose 20 pounds in six weeks), or as "do-your-best" goals which are vague, less restrictive, and lack a set completion point (e.g., lose weight) (Locke and Latham 2002). A specific goal is "the object or aim of an action, for example, to attain a specific standard of proficiency, usually within a specified time limit" (Locke and Latham 2002, p. 705). Do-your-best goals, on the other hand, still call for action, but, are more vaguely defined without a specific level of performance, and, often without a specified time limit.

Extant research on goal specificity offers mixed findings, suggesting that, in fostering performance, specific goals can be both more or less effective than do-your-best goals (Carter, Patterson, and Quasebarth 1979; Hollenbeck and Kleine 1987; Kirschenbaum, Humphrey, and Malett 1981; Ulkumen and Cheema 2011). To extend this literature, we investigate how goal specificity impacts dieters' goal activation (hedonic vs. health) and their initial food decisions after being faced with a food temptation. In addition, since consumption decisions often follow one another, it is important to understand how purchasing a healthy or unhealthy product impacts subsequent decisions (Dewitte, Bruyneel, and Geyskens 2009; Laran and Janiszewski 2009; Soman and Cheema 2004), so we also examine the role of goal specificity in dieters’ sequential decisions for healthy versus unhealthy products. To our knowledge, the present research is the first to examine the role of goal specificity in sequential decisions and the role of goal specificity in the relationship between a temptation and goal activation.

Our study suggests that, when setting personal goals, consumers should consider the level of specificity of the goals they set. Specifically, we find that, facing a food temptation is likely to activate hedonic goals, as demonstrated in the extant literature (e.g., Fedoroff et al. 2003; Harvey et al. 2005; Stroebe 2008; Stroebe et al. 2008), but this effect is stronger for dieters with specific goals. Interestingly, however, we find that, although when faced with a temptation, dieters with specific goals are much more likely to have an activation of hedonic goals, dieters with specific goals are indeed also more likely to resist those hedonic thoughts and, ultimately, make a decision that is congruent with their dieting goal. Thus, our findings assist in extending two goal-related theories, the Theory of Temptation-Elicited Goal Activation (Fishbach et al. 2003) and Goal Conflict Theory (Stroebe 2008) by showing that dieters with do-your-best goals are more likely than dieters with specific goals to give into the hedonic thoughts stemming from a food temptation and order an unhealthy food item.

We extended our analyses beyond initial decisions to investigate how goal specificity may interact with one’s initial decision, be it goal congruent or incongruent, to determine the likelihood of one’s subsequent decision being goal congruent. In tests for subsequent decision making, our findings indicate, once again, that specific goals are more effective than do-your-best goals. Among consumers with do-your-best goals, we find support for the “what the hell effect” (Herman and Polivy 1984), which refers to times when consumers fail in their self-control, consume an item not consistent with their goal, and, instead of immediately attempting to get back on track to reaching the goal, they feel as if the goal is a lost cause and thus continue with the lack of self-control (Herman and Polivy 1980). While the extant literature has found support for this “what the hell” effect and suggests that consumers prefer to engage in highlighting rather than balancing when it comes to food consumption goals (Soman and Cheema 2004), other research shows that, when faced with two goals (i.e., to eat a tasty food and to not to eat an unhealthy food), consumers prefer to balance the two goals rather than highlight one goal in a consumption episode (Dhar and Simonson 1999). Our findings assist in explaining these contradictory conclusions by showing that, the “what the hell” effect is likely to exist among consumers with a do-your-best goal, as these consumers prefer to highlight rather than balance goals.

Our findings show that, in a consumption episode, dieters with a do-your-best goal either prefer to either go all out and eat unhealthy (highlighting hedonic goal), or, eat a completely healthy meal (highlighting health goal).
Dieters with a specific goal, on the other hand, do not necessarily have a preference for balancing or highlighting of goals. Instead, we find that dieters with specific goals are equally as likely to select the subsequent unhealthy item, irrespective of their initial decision. That is, dieters with specific goals either prefer to highlight their dieting goal and eat healthily throughout a consumption episode, or, make it a point to get back on track to finish a consumption episode on a positive note, with a goal congruent decision.

In summary, we find that specific dieting goals result in more goal congruent decisions than do-your-best goals. Although consumers with specific goals are more likely than consumers with do-your-best goals to have a hedonic goal activation when faced with a temptation, consumers with specific goals are better able to resist such hedonic thoughts, and, ultimately make a goal congruent decision. In terms of subsequent decisions, following a goal incongruent decision, dieters with specific goals are more likely to get back on track and purchase a healthy item, than are dieters with do-your-best goals. The only instance in which do-your-best goals outperform specific goals is in making a subsequent decision, following a goal congruent decision. In this particular situation, dieters with specific goals are more likely than dieters with do-your-best goals to select a subsequent unhealthy item. However, our findings suggest that, dieters with specific goals would likely get back on track to meeting their dieting goal.

Future research could examine other variables that impact the success and performance of specific versus do-your-best goals. For example, specific goals may be more effective when construed at a higher level, and nonspecific goals may be more effective when construed at a lower level (Ulkumen and Cheema 2011). The interaction between construal level and goal specificity may indeed also impact the relationship between a temptation and goal activation. In addition, goals vary in their levels of specificity, so future research could examine conditions in which goals with different levels of specificity are more or less effective. References are available upon request.

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CHECKOUT FRUSTRATION: INVESTIGATING CONSUMER REACTIONS USING FRUSTRATION THEORY

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SUMMARY

Over the years, a scholarly stream of research has investigated the interplay between goal pursuit, affective processes, and problem-solving processes in terms of frustration (e.g., Amsel 1958, 1962; Freud 1958; Meyer 1956; Meyer and Ellen 1959; Shorkey and Crocker 1981). Despite the insights gained, questions remain about the nature of goal pursuit and the frustration processes when goals are blocked. It is this area of research that presents opportunities for marketers seeking theoretical and practical means with which to address frustration experienced in a retail checkout environment.

Research

Previous studies identified two response patterns in a frustrating circumstance: (1) an adaptive response that works through a facilitating process to attain the desired goal; and (2) a maladaptive response that works through a debilitative process that impedes successful goal attainment (Alpert and Haber 1960; Butterfield 1964). The frustrating situation, in conjunction with individual psychological characteristics, determines resulting behavior (Freud 1958).

Shorkey and Crocker (1981) defined three frustration-elicited adaptive response strategies: (1) overcome the obstacle; (2) circumvent the obstacle; and (3) avoid the obstacle. Individuals choosing adaptive response strategies exhibit a facilitating process aimed at problem-solving to address the frustration object. A maladaptive response pattern works through a more affect-laden approach aimed at addressing the stress, leading to any of four response strategies: (1) aggression toward the obstacle; (2) regression back to a less mature behavior; (3) fixation or repetitive behavior; and (4) resignation leading to inertia or apathy (Shorkey and Crocker 1981).

Results

Cognitive responses examined by a panel of judges showed that 71.8 percent (n = 79) of the study’s participants chose an adaptive response to the frustrating situation, with the remaining (n = 31) choosing a maladaptive response. Coders followed the definitions provided by Shorkey and Croker (1981) and were able to identify all three adaptive response strategies adopted by respondents. In each case, respondents returned to goal-seeking behavior, thus supporting previous research (Amsel 1958, 1962; Butterfield 1964; Shorkey and Crocker 1981).

Results of coding for the maladaptive process revealed that a resignation strategy was used 100 percent of the time, supporting the claim that resignation is the most common maladaptive response (Shorkey and Croker 1981). Results also revealed the presence of three newly created blocks toward achieving the checkout goal: (1) helplessness; (2) anger (including impatience), and (3)
self-preoccupation (includes self-presentation, self-preservation, self-recrimination, and self-advancement).

A chi-square test of association between adaptive response strategies and source of blame was significant ($\chi^2 = 22.11$, $df = 2$, $p = .00$) providing support for H1. (Maladaptive responses were not tested because only one was found.) A chi-square test to examine external vs. internal blame against each type of newly identified secondary blocks (helplessness, anger, and self-preoccupation) was significant ($\chi^2 = 6.68$, $df = 2$, $p = .04$), supporting H2. Finally, a regression analysis to determine if individual differences in frustration tolerance predict felt frustration in a retail checkout context was significant ($F = 11.90$, $t = 3.45$, $p < .001$), supporting H3.

Discussion

This study confirmed that consumers choose either an adaptive or maladaptive response to frustration, followed by an initial resolution strategy in an effort to return to goal-seeking behavior. The results also suggest that frustration responses are associated with source of blame, with anger most often associated when the self is to blame, and self-preoccupation most when the store is to blame. Initial evidence suggested that individual differences in frustration tolerance are related to felt frustration in a frustrating checkout scenario. Findings also confirmed the presence of all three adaptive resolution strategies. References are available upon request.

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ANTECEDENTS AND CONSEQUENCES OF SITUATED LEARNING IN STRESSFUL SERVICE EXPERIENCES: A CROSS-CULTURAL PERSPECTIVE

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SUMMARY

As consumers, we are constantly learning from our environment. However, not all learning experiences may be positive and fruitful; some may be stressful because of product or service failures, unsatisfactory or unexpected experiences or because of the nature of the service experience. Theories on problem solving and decision-making rely on mechanisms of learning and adaptation and as such, stressful service encounters may call for problem solving and learning. Learning in the context of the service experience helps consumers’ better handle the situation. Thus, the goal of this research is to explore the concept of situated learning or in situ learning in stressful consumption experiences.

An essential aspect of situated learning relates to its dynamic nature; it is not only based on our existing schema but also derived from the situations that we are surrounded by, which can be conceived as “a continuing reconstruction of experience” (Dewey 1897, p. 79). Nidumolu et al. (2001) argue that situated, as opposed to static learning, is an emergent form and is an ongoing improvisation enacted by consumers trying to make sense of and acting judiciously in dealing with stressful consumption experiences. A static view of learning assumes a decontextualized and simplified environment that is rigid and incomplete. By taking into considerations environmental transformations, one appreciates the more dynamic “how” or the process view of learning compared to the more limited “outcomes only” view of learning. Based on the theories of situated cognition, social learning and mental models (Goel et al. 2010), one can suggest that the interplay with the environment and other individuals, and the role of individual cognition play an important role in situated learning. Such interplay is pivotal in mediating the ability of individuals to cope with stressful service episodes.

In all, the goal of this research is to highlight the importance of situated learning in stressful service encounters and understand the antecedents and consequence of such learning. Past research has discussed situated learning from the viewpoints of organizations, web-based situated learning and learning in service encounters. To the best of our knowledge, there is little research that has considered the situated aspect of consumer learning in the context of stressful service encounters and studied its antecedents and consequences. A second goal is to understand situated learning in stressful service encounters in two different cultural contexts: that of U.S.A. and China.

Study 1

To understand the situated experiences of consumers dealing with stressful services, two studies were conducted. Since little research exists regarding situated learning and its factors with respect to stressful service encounters, we embarked on the first study via a qualitative method of enquiry. Emergent themes from semi-structured, in-depth interviews conducted in the U.S. and China formed the basis for survey-based data collection conducted in Study 2. In Study 1, interviews were conducted by using snowballing technique. Individuals facing stressful service experiences were interviewed; interviews were recorded, transcribed and analyzed by constant comparison method.

Participants revealed the importance of “short-term” and “long-term” situated learning that were used to deal with current and future stressful service encounters. Just as they discussed the process of in situ learning, so too they deliberated on the emotional aspects of their learning; learning to stay calm was a common method used to combat stressful situations. Past research has also alluded to such emotional learning in the face of stressful cancer diagnosis (Pavia and Mason 2004). Thus, such emotional learning in combination with cognitive learning is important to better cope with stressful services. Several antecedents that enhanced situated learning emerged: need for closure (desire for a definite answer to a question), psychological closeness (staying close to the problem in question) and positive mindset. Additionally, the U.S. participants suggested that the impetus to provide upfront feedback and trust on the service provider enhanced their situated learning. In contrast, the Chinese participants discussed about uncertainty avoidance as a motivator of situated learning. As a consequence of situated learning, all participants alluded to enhanced coping as a way to deal with stress.
Study 2

The goal of this study was to determine whether situated learning mediates the relationship between its antecedents and its consequence. Another goal was to explore whether significant differences exist in situated learning and its antecedents in the two cultural contexts. To this end, an online survey of nonstudent customers from U.S. and China was used. ANOVA and regression were used to analyze the results. Results from an ANOVA analysis showed that U.S. and Chinese consumers differed in the process of situated learning with Chinese consumers more inclined to emphasize on the process than their U.S. counterparts.

Results from hierarchical regression revealed that positive mindset was significant for both cultures, need for closure was significant for China but not for U.S. and psychological closeness was significant for U.S. but not for China. For U.S. consumers, greater trust on the service provider and upfront evaluation positively influenced situated learning while uncertainty avoidance helped Chinese consumers enhance situated learning. The data also revealed that situated learning positively influenced coping. Finally, Baron and Kenny’s (1986) mediation analysis demonstrated that situated learning mediates the effects of positive mindset, psychological closeness and trust on coping for U.S. consumers while it mediates the effect of positive mindset only in case of Chinese consumers. References are available upon request.

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THE PURSUIT OF EXTRAORDINARY EXPERIENCES:
AN EXPLORATION OF TRIGGERS

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SUMMARY

Extraordinary consumption experiences have the ability to transform and define our identities. Along this premise, consumers, knowingly or unknowingly, pursue extraordinary consumption experiences that motivate transcendence to a desired possible self. In doing so, consumers seek or create certain triggers of extraordinary experiences. Evidence from related research streams is presented to support this assertion and is used to develop five dimensions of triggers. These dimensions are further developed through a one and a half year qualitative research study in the context of recreational road races. Research has explored the effects of extraordinary experiences on consumer behavior, however, a systematic exploration of the pursuit of these experiences and their antecedents is lacking in the consumer behavior literature. Thus, the purpose of this research is to examine how consumers, intentionally or unintentionally, pursue extraordinary consumption experiences through the construction or use of triggers. The following is a summary of our research design and findings.

Extraordinary experiences are “powerful, positively valenced emotional experiences that create personal meaning and offer the possibility of transformation of the self” (Arnould and Price 1993). Due to the complexity of extraordinary experiences as well as the desire to identify triggers independent of the consumption activity, this research began with an analysis of the existing studies of extraordinary experiences published in peer-reviewed journals. This method allowed for the examination of a wide variety of consumption activities (e.g., Jeep Jambores, white water rafting, sky diving) and promoted the identification of triggers that spanned varied consumption contexts. From this initial analysis, a tentative framework of triggers of extraordinary experiences was established, which guided the resulting qualitative study. A multiple case qualitative field study was conducted in the context of recreational road races. The experience served as the unit of analysis. In total, 19 informants provided accounts of their experiences within five different contexts (i.e., different road races). Informants as well as contexts were purposively selected to maximize the number of contextual factors as well as the number of individual factors that could influence each participant’s experience and to allow some degree of comparison between experiences. The definition of extraordinary experiences discussed above is comprised of two main elements, (1) extreme positive emotions, and (2) self-transformation. This criteria was used to distinguish extraordinary experiences from mundane experiences and was operationalized through semi-guided interview questions as well as informants’ self-categorization of the experience. This categorization promoted comparison between mundane and extraordinary experiences and further illuminated the dimensions of triggers.

Ultimately, five dimensions of triggers were identified in the data: agon, aleatory, ilinx, mimetics, and gaia. Agonistic triggers are based on competition and motivate individuals to seek self-actualization by encouraging them to challenge their ability (Caillois 1961). A critically important assumption of agonistic triggers is the equality of competitors. Aleatory triggers, unlike agonistic triggers, make no effort to establish equality of adversaries and are defined by chance. Ilinx triggers are a feeling of vertigo and are defined by disorder and destruction of reality. Mimetic triggers allow individuals to create a sense of oneness with the group or object through imitation or fantasy, but at the same time provide an escape from the everyday (Caillois and Halperin 1955). Gaia is the belief in an interconnectedness of all beings and all objects on Earth (Lovelock 1982). Gaia triggers differ from mimetic triggers, where individuals feel connected to the group, in that Gaia triggers provide a means for transcendence through the sudden acknowledgment of a higher power, an awareness of the universe, and the individual’s connection to it (Maslow 1964).

This research has important implications for both theory and practice. From a theoretical standpoint, this research increases our understanding of how consumers pursue extraordinary experiences and how this pursuit influences consumer behavior. This research also presented a comparative analysis between characteristics of mundane experiences and extraordinary experiences and provided preliminary evidence of the relationship between triggers and extraordinary experiences and triggers and the individual.

This research has important implications for marketing practice in at least two areas, (1) imagery in advertising, and (2) service delivery. First, current consumer research examining the effects of imagery in advertising suggest that certain imagery can create false experiences,
or “the mistaken belief that an event that did not occur did occur (Rajagopal and Montgomery 2011).” These false experiences influence consumer behavior in the same way as true experiences. Building off of this, future research could test the effective use of triggers in advertising in stimulating “false extraordinary experience.” Second, understanding what influences extraordinary experiences can dramatically improve how service providers create these experiences. This research hopes to stimulate further inquiry into the role of extraordinary experiences in consumer behavior. References are available upon request.

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CONSUMER GOAL DYNAMICS: AN EMPIRICAL ILLUSTRATION

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SUMMARY

A body of extensive literature has compellingly emphasized that goals play an important role in influencing and directing consumer behaviour. However, Baumgartner and Pieters (2008) posit that systematic research on goal directed behaviour is still lacking. Thus, the purpose of this paper is to expand on previous studies and take the discussion a step further by providing empirical evidence that (1) illustrate how goals at different levels impact on each other as consumers’ progress through the various stages of consumption; and (2) examines the interaction and integration of resources in goal formation. A quasi-longitudinal qualitative study involving semi-structured interviews was employed in this study.

The results suggest a shifting pattern in the goals as consumers’ progress in their relationship with the service provider. The analysis revealed that in the pre-consumption stage, consumer behaviour was guided by what Bagozzi and Dholakia (1999, p. 23) refer to as focal goals: “What do I want to achieve?” The results from the consumption stage suggest that consumer behaviour was guided by subordinate goals. Such goals answer the question “How can I achieve what I want to achieve?” (Bagozzi and Dholakia 1999). Overall, most of the respondents in the post-consumption stage spoke in terms of super-ordinate goal attainment that are at the top of the goal hierarchy and answer the question: “Why do I want to achieve what I want to achieve?”

With reference to resource integration in goal formations, results indicate that, in the pre-consumption stage, focal goals were mostly co-created through the integration of consumer resources and external resources. In the consumption stage, subordinate goals were mainly formed or rationalised through focal goals. In addition, subordinate goals are also influenced by consumer physical resources (intellectual capacity, personal interests and ambition), consumer social resources (co-consumers) and external resources (economic conditions, prospective employers and competition). Findings from the post-consumption stage provide empirical support to the claim that attainment of super-ordinate goals is made possible through the attainment of subordinate goals (Bagozzi and Dholakia 1999).

The paper concludes with a discussion on the implications of these results for theory, practice and future research. References are available upon request.

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CSR-RELATED COMMUNICATION IN DIFFERENT INDUSTRIES: A QUALITATIVE AND QUANTITATIVE STUDY BASED ON CORPORATE ANNUAL REPORTS

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SUMMARY

Introduction and Background

Along with the public’s increased demand for businesses to operate responsibly, an increasing number of companies proactively publish their CSR-related principles and activities. Legitimacy theory argues that companies engaged in industries that are more likely to affect the environment are particularly more inclined to communicate their CSR status. Our research aims are twofold: First, based on a content analysis of annual reports of all German DAX-30 companies from 1998 to 2009, main categories of CSR-related communication are defined. Second, these categories are used in a quantitative analysis to compare the CSR-related communication in different industries. This study uses a mixed qualitative-quantitative approach. Based on the annual reports from the German DAX-30 companies from 1998 to 2009, we conducted a content analysis to code CSR communication. In the second step, based on the coding scheme, we analyzed the data to compare CSR communication in different industries.

Data Analysis and Key Findings

In our qualitative study, we derived a category system that not only accounts for CSR-related activities but also for CSR philosophies and motives as the normative basis of CSR communication. Thus, this study deviates from similar research because we account not only for CSR activities but also CSR-related philosophy and motives. Both variables form the normative basis that encourages socially responsible behavior and its reporting (Chen and Bouvain 2009). In companies that act based on the principle of “doing good,” this behavior should spread throughout the organization and thus provide a basis for CSR practices among both managers and employees (Jones 1995). Therefore, we believe that CSR communication in annual reports should be analyzed within the normative framework of the underlying corporate philosophical principles and their related motives.

Based on a sample comprising the annual reports of all German DAX-30 companies from 1998 to 2009, in our quantitative analysis, we specifically concentrated on the question of whether companies in industries that are more likely to affect the environment communicate more intensively than companies in industries that operate without immediate environmental risk. The quantitative analysis by different industries gives evidence for the assumption that an industry sector which is regarded to be more controversial, such as chemicals and pharmaceuticals, reports more CSR-related activities than other industries. In this respect, the main research question posed in the introduction can be answered affirmatively: Companies in different industries report CSR-related activities differently. This finding supports the idea from legitimacy theory that companies in industries that have higher environmental and/or social impacts than others communicate more environmental and/or social information to proactively comply with the higher expectations of stakeholders.

Recently, voluntary social and environmental reporting has been subject to criticism from scholars who have characterized such efforts as “often partial, incomplete, and self-serving public relations exercises that seek organizational legitimacy through appearance rather than changed behavior” (Kuruppu and Milne 2010), or, more simply put, “greenwashing” (Greer and Bruno 1996). Our results cannot entirely dispel these ideas but do support legitimacy theory, which argues that companies in industries such as energy, chemicals, and pharmaceuticals, perform more CSR communication, in line with the public’s increased demand for these businesses to operate responsibly. This argument certainly does not prevent companies in these industries from wrong behavior in the future but puts them under more pressure to keep their promises. However, CSR communication can also be seen as a management strategy to prevent the introduction of rigid regulation and to distract from factually poor social or environmental performance (Moerman and Van der Laar 2005).

Limitations and Research Implications

This research is based on qualitative data, and it can be argued that content analysis generally lacks reliability and validity as an interpretative means of analysis. However, as Deegan and Gordon (1996) have noted, these difficulties are more significant when a rather small sample of documents is examined. In our study, we examined a reasonably large sample and therefore conclude that the overall measurement error is negligible. In summary, with
a combination of qualitative and quantitative analyses, this study builds upon and extends past research efforts in the field of CSR and CSR reporting, as it provides deeper insights into qualitative and quantifiable effects encompassing a rich category scheme that also accounts for the stated CSR-related philosophy and motives to engage in CSR related to different fields of CSR activities. Although our results are only initial empirical hints, they should be explored in further research in different ways. Because, apart from the industry sector, the national culture of the reporting company is considered a determinant of CSR reporting (e.g., Aerts et al. 2008; van der Laan Smith et al. 2005), a study comparing different industries in different countries may lead to interesting results. Additionally, in our analyses, we did not separate the home-market activities from the international activities of companies in different industries; given their multinational activities, there may be differences in the CSR commitments of companies with international markets or production sites. References are available upon request.

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SUMMARY

Corporate social responsibility (CSR) receives a growing attention from both academic researchers and business managers. Prior research has confirmed that CSR, by its ability of building strong corporate image and reputation, effectively improves firm’s performance. However, in the resource-based framework (RBT) and dynamic capability theories (DCT), few researches have explored the interplay between CSR and firm attributes. Further, although the ongoing financial crisis spurs scholars to rethink extant theories and search new avenues to locate new drivers that help firm regain financial well-being, an important financial indicator of firm, default risk, has been largely neglected. The current research, by emphasizing the critical role of CSR, bridges these gaps in RBT, DCT, and default risk studies. It hypothesizes a relationship in which CSR, by its ability of reputation-building, helps firms reduce the risk of default. In addition, this paper formulates the moderating effects between CSR and firm capability, CSR and environmental dynamism/complexity and depicts a more complete pattern of CSR’s functions in different internal and external conditions.

Data, Measures, and Analytical Model

The data are collected from multiple sources. We collected CSR variable from Fortune Magazine (America’s Most Admired Companies), Default risk variable from Standard & Poor’s Corporate Credit Rating, and other variables from Compustat. We used a Stochastic Frontier Estimation to measure firm capability, and followed Keats and Hitt (1988) to get environmental dynamism and complexity. To account for the heteroscedasticity and autocorrelation resulted from the panel structured data, we adopted two robust regressions to test the model. One is an estimation based on Newey-West standard error. Another is based on the White standard error (deals with heteroscedasticity) and clustering firms (deals with autocorrelation).

Results and Discussion

The results strongly confirm that CSR significantly reduces firm default risk. “In the long run . . . social and economic goals are not inherently conflicting but integrally connected . . .” (Porter and Kramer 2002, p. 5). While economic activities push social changes, firm’s engaging social responsibility often yields economic gains. Our paper further confirms such a proposition by illustrating “Doing well by doing good” in the firm’s default risk aspect. Recent marketing researchers find CSR creates an insurance-like firm asset and protects the firm from drastic turbulence during financial downturns. Our research extends this stream and suggests that this insurance-like asset not only assures investors, as the previous research confirms, but also generates confidence for debt-holders. A firm engaging in higher socially beneficial activities, although bears cost, generates an overall gain reflected by lower cost of debt and higher credit rating.

The Dynamic Capability Theories (DCT) suggests that firm capabilities drive firm performance. Our results confirm this theory. A firm focusing on nurturing its resource-deploying ability brings economic value reflected by its boosted internal efficiency and external relationships and hence prevents itself from debt risk.

Supporting the above reasoning, the interaction between CSR and firm capability shows that when a superior capability is missing, the CSR performs stronger in protecting firm from default risk. This pattern demonstrates a substitute effect of CSR and firm capability, which further reinforces the theoretical development of this paper in that both CSR and firm capability are special firm assets. When one is missing, another will help. This mechanism has a strong practical implication. As the DCT states that capabilities are firm specific, path dependent, and cannot be established in a short-terms or in a readily manner. This is why many firms have trouble in their competition because of those missing or lagged capability. In this sense, one feasible strategic option for them, as our results suggest, would be engaging in more CSR activities and building better corporate images. The pay-off would be improved debt holder’s confidence and higher credit rating, which in turn will change the firm’s future micro-financial environment in a desirable way.

There is little surprise that firms in a turbulent industry are more likely to have default risk as the fast-changing environmental makes it harder to plan firms’ activities.
This unpredictability poses a major threat for a lot of firms such as the smart phone market. To better deal with this industry volatility, our results show that CSR’s effect on the risk reduction will be stronger in high dynamic industry. This finding further extends CSR’s benefits for a firm to the business environmental literature. From another angle, it demonstrates an insurance-like effect that better copes with fast-changing surroundings. In this sense, the debt holders in turbulent market pay more attention to the fact if a firm is “doing good” and assign their confidence on the firm’s future financial rigor accordingly.

In closing, the results confirm that CSR has a strong effect on default risk reduction. It also exerts more power when firms don’t have superior capabilities and when the environment becomes more volatile. These findings contribute to CSR studies, resource-based research and firm risk literature. References are available upon request.

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COMMUNICATING CORPORATE SOCIAL RESPONSIBILITY USING SOCIAL MEDIA: IMPLICATIONS FOR MARKETING STRATEGISTS

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ABSTRACT

We investigate how Corporate Social Responsibility (CSR) strategy related messages are communicated to consumers via Facebook, and what consumer perceptions and behavioral responses to them are. Guided interviews focusing on the Facebook pages of 12 firms were conducted. The findings highlight five broad themes illustrating how participants respond to CSR messages through Facebook. Implications for marketing strategists offer insights into how best CSR activities might be communicated using Facebook.

Keywords. Corporate Social Responsibility; Facebook; Marketing Strategy; Communication. Track 5: Ethical, legal, social, and public policy issues.

INTRODUCTION

Marketers are faced with both challenges and opportunities presented by the increased connectivity and dispersion of social media across the globalizing world. Facebook is one such internet-based social media technology that has only recently emerged as a potential marketing tool. Similarly, firms are increasingly recognizing the importance of integrating social responsibility into their marketing strategy. While considerable research has been conducted on corporate social responsibility (CSR) and its influence on consumers, little research has considered the use of social media as an effective marketing tool. Research on social media as a means for communicating CSR messages to consumers is scant. Insights into CSR social media strategies have the potential to contribute to theory and would be useful to marketing practitioners. Our study addresses this research gap and develops an understanding of consumer responses to CSR activities communicated through Facebook. It investigates how CSR strategy related messages are communicated to consumers via Facebook, and what consumer perceptions and behavioral responses to them are. We begin with a literature review on CSR and communication using social media. The qualitative research methodology is detailed and findings are presented using selected text units to highlight key points. We discuss our study with respect to CSR and focus on implications for marketing strategy.

LITERATURE REVIEW

Corporate Social Responsibility

CSR is a broad concept which has long been considered difficult to define. CSR activities include ethical manufacturing of products, community involvement, contributing to not-for-profit organizations, environmental sustainability such as recycling and reducing emissions (Berger et al. 2007; McWilliams et al. 2006). CSR has commonly been defined as accepting greater responsibility toward society, which encompasses the pursuit of non-economic as well as economic goals (Carroll 1979). More recent studies have seen firms adopting a “triple bottom-line” approach which ensures that a firm’s success is dependent not only on financial bottom-line results, but also on social, environmental and ethical performance (Berger et al. 2007; Norman and MacDonald 2004). Mainstreaming CSR throughout the entire organization and embedding CSR values into corporate culture is an increasingly common practice, central to successful marketing strategy (Berger et al. 2007).

The benefits that socially responsible business practice can bring to a firm such as customer loyalty, long-term sustainability and competitive advantage have been well established (Bhattacharya and Sen 2004). These include more positive consumer attitudes and purchase intentions toward the firm (Bhattacharya and Sen 2004; Du et al. 2010; Lichtenstein et al. 2004; Mohr et al. 2001), enhanced profitability (Cochran and Wood 1984; Lev et al. 2010), willingness to pay premium prices (Creyer and Ross, Jr. 1997), boycotting irresponsible firms, higher resilience to negative information about that firm and positive word-of-mouth (Bhattacharya and Sen 2003; Klein and Dawar 2004; Mohr et al. 2001).

While firms are recognizing their duty to act responsibly and contribute positively to society, consumers are also increasingly concerned about their health, the well-being of society and the sustainability of the environment. Consumer preferences for more ethical and sustainable products have encouraged firms to respond to these demands (Jahdi and Acikdilli 2009; Webb et al. 2008). Furthermore, growing concern for global issues such as
climate change, human rights and labor standards have encouraged firms to self-regulate as firms are faced with increased pressure to engage in socially responsible business practice (Muller 2006; Pomering and Dolnicar 2009). It has been suggested that more positive evaluations of firms are apparent after consumers review CSR information about the firm (Bhattacharya and Sen 2004). Failure to deliver on a CSR promise can damage a firm’s reputation.

There is evidence that CSR impacts on purchase decisions, brand-switching, and customer loyalty (Bhattacharya and Sen 2004; Webb and Mohr 1998). Consumer perceptions of CSR depend on how they view the firm’s motives, i.e., whether they regard a firm’s CSR motives as extrinsic increasing organizational profits or intrinsic having genuine concern for social issues (Du et al. 2010). Few consumers view CSR as purely self-interested behavior, believing that there are mixed motives for CSR activity (Mohr et al. 2001). Consumers judge the durability of a firm’s commitment to CSR causes and perceive that long-term, frequent support indicates genuine concern for society (Du et al. 2010; Webb and Mohr 1998).

**Corporate Social Responsibility and Communication**

Communication to consumers is essential to raise awareness of the contribution a firm makes to society. While there are many possible communication channels, the most commonly utilized traditional communication vehicles for CSR are point-of-purchase and informal channels, such as word-of-mouth (Dawkins 2004). However, according to the literature, consumers do not proactively seek information on firm’s CSR behavior (Dawkins 2004). In general, consumer awareness of CSR is low because information about such issues is scant and poorly recalled (Mohr et al. 2001). While it is clear that firms need to increase awareness of CSR initiatives using appropriate communication channels there has been little research to indicate which are most effective.

While there are conflicting views about communicating CSR efforts some researchers suggest that it does not make a positive impact on a firm’s reputation (Sen and Bhattacharya 2001). Conversely, Swaen and Vanhamme (2004) find that firms communicating a socially responsible image are viewed more positively and credibly than those who do not. This makes CSR communication strategy challenging (Morsing et al. 2008).

**Social Media**

Social media presents new ways for firms to communicate with their customers and deliver marketing messages. Interactivity, entertainment value and the ability to maintain social ties with friends are key features which attract consumers to social media. With these characteristics in mind, firms have transformed the way that they connect and establish relationships with their customers. Increasingly, firms are using social media platforms such as Facebook to respond to consumer needs more efficiently (Fieseler et al. 2010). Social media provide an effective resource for gathering useful information about customers, targeting and connecting with specific consumer groups and providing up-to-date information about products and services. Facebook users are able to customize their pages so that they only receive information of interest to them. This enables marketers to target specific audiences as Facebook allows advertisements to be delivered to users who have expressed an interest in a particular product or service.

Firms can connect with consumers by creating their own Facebook page and inviting other Facebook users to “like” or become “fans” of their page. Each Facebook page has a “wall” where the firm and other users can post messages which can be “liked,” “commented on” by the firm and other users, or shared to another user’s page. Each firm’s page also contains an information page, photos, events and discussion links on a left-hand side menu bar, which can also be altered to include other links unique to the firm. When a firm posts onto their “wall” it appears in newsfeeds of users who have “liked” the Facebook page. This provides marketers with an opportunity to offer information, develop relationships with their customers and engender a sense of community belongingness (Foster et al. 2010). Consumers are also able to provide feedback by sending messages or “wall posts” on the firm’s page.

An increasing number of corporate websites have links to Facebook, such as “join our Facebook page.” This means that consumers browsing the net can immediately “like” or comment on the material and link it to their Facebook page. This gives consumers a sense of empowerment, because they are in control of the pages they “like.” Individuals can use this to portray a certain personal image that is visible to other users. By identifying themselves with brands, videos, and other information, users can create their own unique identities. It is possible that users may be using social media as a means of signifying their ethical values or social responsibility to others – e.g., Facebook users may “like,” share or join campaigns such as “Shave for a Cure.”

Researchers offer various recommendations for how marketing managers can use social media to best communicate their messages – e.g., Lee (2010) asserts that the most effective Facebook posts are interesting and encourage users to share information, stimulating communication. Lee (2010) also emphasizes the importance of
Facebook posts being short, concise and relevant to users. Kaplan and Haenlein (2010) also address the importance for firms to be active, sociable and interesting when communicating messages through social media. Sharing and interaction are central to social media, therefore engaging and interacting with users and ensuring that new content is communicated regularly is important for social media communicators (Kaplan and Haenlein 2010).

In summary, new social media are changing the ways in which consumers can connect with firms and become aware of their CSR activities, and it appears that the emergent corporate practice of using social media to communicate CSR to consumers is under researched. Therefore, the purpose of this study is to examine how consumers respond to firms’ CSR efforts through Facebook.

**METHODOLOGY**

A qualitative depth interview methodology was chosen for this study conducted in a major New Zealand city. Audio-recorded interviews lasting approx 90 minutes were carried out in a private computer enabled room at a major university campus. Participants signed on to their Facebook account and took part in an interview that included visiting selected corporate Facebook pages with CSR messages. A purposive sampling technique was employed because a predefined group was sought based on the premise that interviewing those people would maximize chances of uncovering insights on CSR and social media communications. Eight participants were selected using a snowball recruitment technique designed to recruit male and female adult consumers who were users of Facebook that were easily able to verbally articulate and express their feelings. In order to gain depth and richness, the study also aimed to select contrasting points of view. Thus, one third of our participants were chosen because they professed to be highly socially responsible and the others were either moderately or not at all concerned about social responsibility. Twelve well-known corporate Facebook pages were identified for use in this study. A range of local and multi-national firms from a variety of industries was selected to appeal to consumers of different ages and both genders. The firms included Air New Zealand, ASB Bank, Coca-Cola, Dove, Johnson & Johnson, Kellogg’s, Revlon, Starbucks, The Body Shop, Toyota, Westpac Bank, and EcoStore (a local leading manufacturer and retailer of sustainable household and body care products).

Each participant was asked to choose four firms from the list of 12. They were then invited to log onto their Facebook account and navigate through each of the four firms’ Facebook pages. The researcher invited commentary from the participants as they progressed through the pages, generating a stream of consciousness type of narrative. Prompts were used to probe what they were thinking about certain features of the page and the content of certain posts. Participants were directly asked about their feelings and responses as they browsed through the pages. They were also asked to comment on how they would advise a firm that was considering using Facebook as a communication tool for CSR activities. Finally, the participants were questioned about their understanding of CSR and its importance to them personally, with an emphasis on Facebook usage patterns and social or ethical issues. Written transcripts of the interviews were thematically analyzed.

**FINDINGS**

**Participant and Facebook Profiles**

Participants included three males and five women, aged from 19–53 years. Of these, three people were classified as active according to their professed level of social responsibility; two were moderate and two were not active. The focal firms had local and international CSR activities. Facebook strategies included making specific wall posts about their CSR strategies and inviting comment; designing stand alone information pages; posting photos; providing links to and information about the campaigns that firms were involved with; and encouraging Facebook friends to make page likes. As an example we note that The Body Shop had wall posts about fair trade products and ingredients, preventing sex trafficking and animal testing, and support for a local earthquake appeal. They had an information page with a focus on protecting the planet and selling ethically produced products. Their interactive quiz was entitled “Are You an Earth Lover?” and they displayed photos celebrating community fair trade and in support of their stop sex trafficking campaign. They also included page likes and support for Save Americas Wolves, SPCA, and Fairtrade.

**Consumer Responses to CSR Facebook Strategies**

The five broad themes drawn from the data and presented below illustrate how participants respond to CSR messages through Facebook.

**Insatiability.** This theme deals with participants searching for more information, clarity and evidence. When faced with a CSR message, participants often expressed frustration and confusion. This was because some of the messages were not very clear—they did not specify exactly what the initiative was about or how they were accomplishing it. Participants preferred information to be obvious and easy to access—simple messages about simple CSR activities had a greater impact on participants compared to those that were complicated and used jargon.
Participants also preferred it when the CSR message was short and contained a link for further information. It was evident that “actively socially responsible” participants in particular, wanted to know more about firms’ CSR activities. They were disappointed when the information provided did not meet expectations: “This is crap. There’s no information here! Rubbish! . . . It doesn’t tell me how Air NZ and Star Alliance are doing this” (Gerald). Furthermore, when firms did not provide enough visible information about their CSR initiatives, participants were convinced that they were not socially responsible firms, contributing to skeptical perceptions: “It’s just a post ‘cos they want to look like they’re being socially responsible” (Gerald).

When insufficient information was provided, participants would question the firm’s initiatives. This left them searching for some kind of evidence or visible outcomes to back up their claims and show that the firms were actually doing what they said they were doing. Some firms posted photos of their CSR activities, such as volunteering in the community, or messages about their relationships with community and not-for-profits. Participants responded to this verification more positively. They also requested more proof of support for other Facebook pages that the firm “liked” – participants felt that if the firm was actively involved in support of such other causes then simply “liking” a page wasn’t enough.

Some participants were impressed by CSR messages that mentioned large dollar sums relating to donations or funds raised for charities: “I suppose a dollar figure really does put a price on how much they have prepared to put in and it shows that obviously it’s a successful company and that they are contributing towards a pretty memorable or big cause” (Jane). However, participants also considered that firms who mentioned a large dollar figure were bragging which made them question whether the firm’s motives were genuine. Positive testimonials, feedback and comments from others such as community members, employees or those directly affected by the CSR activity (e.g., a tornado victim) provided further evidence of a firm’s support for a cause. Participants were even more impressed when an outside party mentioned something that was not communicated on the Facebook page. “Hearing and seeing what someone does is more important than what someone says . . . if you hear . . . that they are getting the support that they need, or from employees or other companies, then you know they’re doing a good job” (Matt).

Participants felt that firms see CSR as a transaction, where they are essentially “buying goodwill”, allocating resources and hoping to achieve certain benefits in return. They viewed CSR as something “fashionable” that firms would only adopt in order to put a positive spin on their business. Participants believed that firms recognize the appeal that CSR has to consumers and argue that they only engage in CSR because it encourages consumers to buy their products or services. “They make a big song and dance about giving stuff away to kids at a charity auction or teaming up with other organizations, but that positive media will feed back into their revenue stream anyway . . . they’re only doing it to make themselves look better so they get more business” (Gerald). “It’s about getting your image up, so people perceive you as a cool company so they’re gonna start using your products” (David).

These perceptions of CSR were aggravated by negative views about big corporations. However, even though participants were skeptical and believed that CSR is essentially money driven, they understood that making money is a business’ ultimate purpose. CSR provides benefits for parties other than the firm, therefore, participants accepted that it is a positive thing and is “better than doing nothing” – the end justifies the means: “If they’re using it as a marketing ploy which gives a crap, ‘cos in the end, they are giving money to all these causes . . . the fact that they are doing something is good enough for me” (Matt).

Participants were more convinced of the authenticity of firms’ CSR motives when they took part and got others involved as well, such as facilitating consumer recycling. Helping smaller firms or not-for-profits, and having long-term community partnerships also made participants perceive firms as more genuine. Anything that demonstrated allocating additional time, effort and resources towards a CSR activity was seen as more believable; for example volunteering and community work was seen as more
practical and genuine because it takes a lot more effort than a simple donation. “It’s the idea that the company is actually participating in the community rather than, “Oh Starbucks made a donation.” Starbucks’s employees are actually out there making a difference in the community and interacting with the community rather than just writing checks” (Gerald).

Size Matters. The theme “size matters” involves the notion that bigger firms are better able to afford CSR activities. It was apparent that size was a significant factor in determining the extent to which participants believed a firm should engage in CSR. All participants emphasized the size of the focal firms and the amount of money they make. They seemed to imply that bigger organizations have more responsibility than smaller ones to engage in CSR because they make a lot more money and can afford it: “They have so much money and still charge a lot so it wouldn’t cost them that much to help” (Kelly). They maintained that only firms with the financial capacity to engage in CSR should do so – ultimately realizing a firm needs to make money in order to survive. Therefore, they argued that it doesn’t really matter what small firms do, as long as they try: “Big companies can do big things; they have the means to do it and more money available, whereas small companies can only do small things” (Rachel).

This perception resulted in more critical evaluations of bigger firms’ CSR messages— their retention of profits was considered selfish and reaffirmed participant preconceptions that large impersonal firms only care about making a profit. They argued that in the end, money has priority over social responsibility for these firms. They also felt that the “people at the top,” the “big guys”, don’t care and are the ones who get all the money: “I don’t think they genuinely care to be honest, I think it’s all just a front, most companies don’t really, do you honestly think the people at the very top give a shit about that sort of stuff, they’re just doing it to get more money” (David). Therefore, participants were pleased to see “big companies” engaging in CSR and seemed to feel more satisfied to see their profits going towards something other than the CEO’s pay check: “Cos everyone thinks banks make such profit and to see them doing something for the community… it just makes you think that they’re not quite as selfish as them seem” (Rachel). Participants also saw bigger firms as role models, setting an example for others, and obliging consumers also to be socially responsible.

Reminiscing. This theme deals with how certain CSR messages evoked memories that influenced the way participants (particularly older ones with some life experience) judged the messages. They would often tell a short story, drawing on certain memories or experiences linked to the firm, or related to the CSR activity that the firm was engaging in. Participants also occasionally referred to experiences with the firm’s competitors. These stories induced powerful emotions which ultimately had a significant effect on the way participants responded to and perceived both the CSR message and the firm. They reacted favorably to funny, happy, and exciting messages and had more positive impressions of the firm or CSR initiative. “That’s cool! Oh yeah I did see that, saw them do that on TV (laughs) He [TV presenter] shaved his head for money, that’s good” (Kelly). “[Johnson & Johnson] still have the pink baby lotion that I used to use on my kids” (Jane).

Recalling a negative memory or experience on the other hand (e.g., annoying, frustrating, scary, sad, or disgusting), had the opposite effect: “You know that Air NZ uses non-wax paper cups that are not recyclable! It’s disgusting), had the opposite effect: “You know that Air NZ uses non-wax paper cups that are not recyclable! It’s disgusting)" (Gerald). Emotional stories would make the participant more appreciative of the firm’s CSR efforts. They also contradicted themselves, changing their previous skeptical perceptions of the firm. “The Westpac helicopter appeal… that’s good… our son had an accident and the Westpac rescue helicopter flew him to Wellington, we were personally touched by that so that made us more inclined to deal with them and sort of see a human side in a huge corporation” (Rachel).

Relevance Has Meaning. This theme considers the CSR message relevance to participants, linked to a sense of familiarity and personal meaning. Overall, CSR messages relating to something the participant was familiar with or had heard of before were regarded more favorably than messages they were not familiar with. Participants also responded more positively to CSR messages when the firm they were analyzing was one they were familiar with, that they liked, or purchased from. CSR messages that related to participants’ interests (e.g., cars, animals, and children) and that had personal importance to them appealed to them significantly more than messages that talked about things they were not interested in. “It’s talking about Third World countries if you like, countries that haven’t got such great healthcare, and being a mother, that appeals to me” (Claire). “That catches my attention because I was involved with that, the SPCA” (Kelly). This also applied when there was a celebrity or famous person that the participant admired or liked: “I don’t really care about this to be honest. I like John Key [Prime Minister] though! He’s the man, I would read that and I’d like it!” (David). Participants were not interested in messages that were not aligned with their interests and often considered them to be a “waste of money” that could be used for something “more worthwhile.”

Participants also preferred the CSR messages to be relevant to the industry or to the product or service that the firm sold. For example, they considered it important, that
if a firm’s products targeted women, that they support women’s issues; or, if they sold drinks in plastic bottles, that their CSR activities promoted recycling. Participants responded strongly to this because they felt that firms who operate in a way that negatively impacts on, for example, the environment, have a duty and responsibility to do something to counteract that damage.

 Occasionally firms would make donations using the products/services that they specialized in (e.g., Kellogg’s gave away free breakfasts to hungry children). Participants preferred this method over simply donating money because they felt it was more practical and efficient: “It’s a better idea giving something they can actually use, because money, people can just blow it and you have no control” (David). Local CSR initiatives took priority for participants, as they were more locally familiar and relevant. Participants preferred seeing CSR initiatives that were regionally specific. “When they do have local stuff you’re more familiar with it, it would have a closer to your heart type feeling” (Rachel). Participants were not as interested in CSR messages that talked about international charities or causes that they were not familiar with and were disappointed when they could not get involved because they lived abroad. “The only thing that worries me about international pages . . . you can’t take part unless you’re in the States, and that’s disappointing” (Rachel). “I would do that to get a free cup of coffee on Earth Day! Oh, but it says US Canada only so not keen . . . I wouldn’t click on it anymore” (David). Unfortunately many of the firms analysed did not have a country specific Facebook page for their firm, but rather an international page which presented CSR messages related to the country the firm is most associated with (often the U.S.).

**DISCUSSION**

The results from this study established that third parties play an important role in the way that consumers respond to firms’ CSR messages through social media. Liking, commenting and sharing activity from other Facebook users intrigued participants and attracted their attention to the CSR message. Participant intrigue was further enhanced when the Facebook user was someone known to the participant, such as a famous person or a Facebook friend. This response can be attributed to the significance of familiarity – participants were attracted by the fact that someone familiar “liked”, commented on, or shared the post. These results signify that creating interesting CSR messages that stimulate third party user activity, is an effective means of getting consumers to notice the message as suggested by the literature.

The findings also suggest that testimonials and comments from community members, partners or employees appealed to participants. External stakeholders provided evidence attesting to the firm’s support for a particular CSR cause, which made the CSR messages more believable. The findings confirm the literature on how third party endorsement enhances message credibility (Jahidi and Acikdilli 2009; Pomering and Dolnicar 2009). Encouraging external stakeholders to provide feedback about the firm and CSR activities on their Facebook page should elicit more positive responses from consumers.

Participants often had a cynical disposition toward large firms, perceiving them as selfish, impersonal and untrustworthy. Although the act of engaging in CSR was regarded positively, the reasons for which participants believed firms’ engaged in CSR were regarded negatively. While the literature emphasized positive perceptions of firms engaged in CSR, our study differed, with many negative views about self-interested behavior. Participants believed that the main motivation behind a firm’s engagement in CSR was to improve the reputation of the firm in order to increase profits, expecting that large firms should engage in CSR because of their financial strength. Our findings confirm the literature on this point.

Overall, the negative responses that participants had toward the motives of large firms may be attributed to increasing awareness of firms’ marketing strategies. Skeptical perceptions were reduced when CSR information was easy to access and clearly. Therefore, it is necessary for firms to assume that consumers are well aware of the benefits of CSR to firms and that they are wary of “marketing tricks.” Our findings highlight the need for firms to be honest in all their dealings with consumers and to communicate their CSR initiatives in an open and transparent way, supporting the findings of researchers such as Du et al. (2010). The ultimate image and perception that consumers have will largely depend on whether the firm follows through with CSR claims (Jahidi and Acikdilli 2009; Webb and Mohr 1998).

The results highlighted ways in which firms can reduce consumers’ negative perceptions and can demonstrate authenticity and humanity – e.g., participants responded positively to CSR messages when there was credible evidence of genuinely putting time and resources toward a cause. Photos elicited positive responses from participants, particularly when accompanied by messages from staff who personalized the impersonal firm. The firm appeared more friendly and humane. Facebook has an advantage over traditional media in communicating CSR messages in this respect, as firms are able to provide visual evidence of their CSR activities.

Participants attached personal meaning to certain CSR messages, which impacted how participants responded to these messages. CSR messages evoked both positive and negative memories or experiences and when they were positive participants responded more positively, whereas negative memories or experiences would elicit
negative responses. By relating the messages to their own personal experiences, participants felt closer to the firm and were able to relate more easily to what the firm was doing. Consumers derive value from the particular CSR causes to which they are emotionally attached (Green and Peloza 2011). This means that CSR messages will be most influential when the messages themselves elicit positive consumer memories.

The “relevance has meaning” theme signified that local CSR initiatives were regarded more favorably by participants. This can be attributed to the importance participants place on supporting their local environment and the significance of familiarity and personal meaning. Local causes also offer consumers the opportunity to get involved, which delivers value to consumers by contributing to their sense of well-being (Bhattacharya and Sen 2004; Green and Peloza 2011). The “relevance has meaning” theme also highlighted personal meaning as a significant contributor toward positive responses to CSR messages from participants. As mentioned previously, participants favored messages that were relevant to their interests. Participants took notice and responded positively to these messages because they were interesting, familiar, and thus, easier to understand and relate to.

**IMPLICATIONS AND CONCLUSIONS FOR MARKETERS**

The findings of our study have significant implications for marketing strategists. In this section we highlight four points that could have an impact on firms as they look for insights into how CSR activities can be best communicated using Facebook. Firstly, we suggest that firms keep CSR messages simple but informative. Visitors to corporate Facebook pages have short attention spans, thus, messages need to be concise and easy to understand. More in-depth information can be provided via a link if necessary. Secondly, we note that being honest and communicating openly is vital. Consumers are well-informed and conscious of the benefits that CSR brings to firms. Therefore, honesty and transparency is critical in order to minimize consumers’ skeptical perceptions of firms’ CSR motives, and to change consumers’ negative perceptions of large firms. This can be achieved by using an active CSR approach such as posting photos of staff members volunteering in the community to provide evidence of the firms’ CSR activities.

Thirdly, we highlight the importance of stimulating activity from third parties. Liking, commenting and sharing activity from other Facebook users attracts attention to messages and encourages consumers to attend to messages for longer and in more detail. This can be accomplished by posting likeable, interesting, and easy to read messages that create buzz and elicit discussion from users. Furthermore, feedback from external stakeholders should also be encouraged to enhance the credibility of the CSR message, and engender more positive responses from consumers.

Finally, we emphasize the significance of customizing CSR messages to different consumers or groups. It was clear that each participant is unique with different interests, definitions of CSR, levels of “social responsibility” and memories and experiences with the firm. We also underline the value of creating CSR messages with personal meaning as this significantly contributed toward positive responses toward the firm. Therefore, consumers or groups of consumers need to be approached and targeted in different ways in order to develop closer relationships with their customers. By creating CSR messages that elicit positive stories or experiences from consumers and by communicating more relevant and appealing CSR messages, more meaningful communication of a firm’s CSR strategy may be facilitated.

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CUSTOMER OUTCOMES OF CORPORATE SOCIAL RESPONSIBILITY IN SUPPLIER-CUSTOMER RELATIONSHIPS

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SUMMARY

The notion of corporate social responsibility (CSR) has gained momentum and is now of strategic importance in today’s business practice. Marketing research has echoed this development. A number of studies—all in a business-to-consumer (B2C) context—have established a positive link between a firm’s CSR activities and several important consumer outcomes. In practice, however, CSR, defined as a firm’s activities and status related to its perceived societal or stakeholder obligations, is an issue not only in B2C industries, as business-to-business (B2B) companies are often at the forefront of engaging in CSR. However, studies dealing with customer outcomes of CSR activities in a B2B context are virtually nonexistent. Owing to the distinctive decision-making behavior of organizational customers, findings regarding the impact of CSR actions in a B2C context do not readily transfer to a B2B context. In particular, compared to B2C buying, organizational buying follows a more rational decision-making process that uses information on a particular supplier in a different manner. In this kind of environment, CSR may act more as a signal for positive firm attributes. This heightens the importance of investigating how CSR actions foster favorable organizational supplier-customer relationships.

Addressing this issue, we developed a framework that describes a causal chain leading from a firm’s actual CSR engagement via its CSR reputation to customers’ trust and customer-company identification and ultimately to customer loyalty. Within our framework, we argue that a dual mechanism exists through which a positive CSR reputation leads to customer loyalty. First, relying on information economics, we postulate a functional mechanism in which CSR operates as a signal for trustworthiness. Second, even in industrial buying, individuals ultimately act and decide, and on the basis of social identity theory we propose a second and more emotionally focused mechanism by which CSR fosters increased customer-company identification.

In two empirical studies, we test this framework. We start by demonstrating that CSR works distinctly in B2B markets through an initial experimental study with young professionals. The results show that in contrast to its functioning in a B2C environment, in a B2B setting CSR works primarily under conditions of high uncertainty, a finding that underlines the importance of CSR as an informational cue in organizational buying. In our main study, we test our model by applying dyadic data drawn from 200 existing supplier-customer relationships from a variety of B2B industries (e.g., machine building, electronics, logistics, chemicals). Dyadic data came from a survey of purchasing managers (customer firm) and their respective marketing/sales contact person (supplier firm).

Employing structural equation modeling, our results reveal positive effects of two distinct facets of a supplier’s CSR engagement on customer loyalty through a dual mechanism as hypothesized. Business process CSR, hence CSR activities within a firm’s core business operations targeting primary stakeholders, fosters customers’ trust whereas non-business process CSR, hence activities outside a company’s core business operations involving secondary stakeholders, strengthens customer-company identification. In turn, trust and customer-company identification drive customer loyalty. In addition, we consider several contingency factors that moderate the effectiveness of CSR. In high-uncertainty markets and for highly important products, the effect of business process CSR on customers’ trust is stronger. However, for highly relational business relationships this effect is weaker. In markets with intense competition and where customers are strongly CSR-oriented, the positive effect of non-business process CSR on customer-company identification is amplified.

The findings of this study advance academic knowledge in five ways. First, we empirically show that CSR activities can, in a distinct manner, increase customer loyalty in a B2B environment. Second, we holistically examine the entire causal chain from a supplier’s actual engagement in CSR, through measuring its CSR reputation, to considering customer outcomes simultaneously. Third, we explicitly allow for CSR’s complexity by considering two CSR facets and show their distinct effects on trust and customer-company identification. Fourth, by deriving a dual mechanism through which CSR actions lead to favorable customer outcomes we consolidate arguments for a signaling value of CSR actions with those highlighting an emotional path. Lastly, we identify conditions under which the different facets of CSR gain or lose their effectiveness.
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MEASURING CONSUMER CONFUSION EVOKED BY DESIGN COPYCATS: THE INFLUENCE OF EVALUATION MODE

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SUMMARY

By imitating the product design of a leading brand, copycats gain advantages such as acceptance from consumers. These advantages are based on the similarity between the product designs of original brands and copycats entailing consumers to confuse one brand with the other. Managers and judiciary need to measure the extent of confusion in order to inhibit competitors to take unfair advantages. First, this research investigates to what degree different confusion measures are biased by the evaluation mode they evoke. Two experimental studies, across three different product categories and in three countries (USA, Spain, Germany), reveal that participants confuse a design copycat more with the original design when the identification task brings them in a non-comparative compared to a comparative evaluation mode. This result is robust across all studies even when product category involvement is entered as a covariate. Second, this research introduces a new procedure examining how accurately and how quickly individuals can recognize a brand by its product design while determining how much and which information (design cues) is needed for correct brand recognition. References are available upon request.

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CONSUMERS VIEW NUTRITION FACTS THROUGH CULTURAL LENSES

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SUMMARY

Obesity has become a serious health issue worldwide. While at one time unique to industrialized nations, obesity rates are increasing in developing countries, including China (Chen 2000). In response to this health threat, the Chinese Health Ministry issued *Nutrition Labeling Regulations for Pre-Packaged Food* which mandates that all pre-packaged food sold in the country to properly display nutrition information (such as calorie, protein, fat, carbohydrates and sodium contents) on the packages. With this context as a backdrop, the present study compares how Chinese and U.S. consumers process nutrition information on food packages.

While the U.S. Food and Drug Administration (FDA) has been working to promote healthy food choices among consumers via proper labeling of nutrition information on pre-packed food since the late 1960’s (Heimbach and Stokes 1982), providing nutrition labels on food packages is a relatively new practice in China. The Chinese Health Ministry issued the *Nutrition Labeling Regulations for Pre-Packaged Food* in November 2011, requiring all pre-packaged food sold in the country to provide nutrition information in the correct format by January 1, 2013. Manufacturers who violate these rules will be suspended from producing and distributing their products (Nutrition Labeling Regulations for Pre-Packaged Food). Though Chinese consumers have become increasingly concerning about the nutrition and safety of food products, the previously unregulated nutrition labeling practices may have confused and complicated consumers’ food purchase decisions.

Furthermore, to Chinese consumers, nutrition information may not play as important of a determinant of purchase as other food-relevant factors. For example, evidence suggests that safety cues are important in determining food choices, accentuated, perhaps, by the melamine-contaminated milk incident in 2008 which resulted in a serious nation-wide food scare among Chinese consumers (note, of course, that food safety concerns do not only present in developing countries. Food-borne diseases cause approximately 76 million illnesses, 325,000 hospitalizations, and 5,000 deaths in the United States each year; Mead et al. 1999). Chinese consumers also often make quality judgment from other cues such as expiration date, brand name, government safety seals and country of origin (COO). Indeed, consumers frequently use COO information as a cue to guide their product evaluations and purchase preferences (cf., Bilkey and Nes 1982; Hong and Wyer 1989, 1990; Li and Wyer 1994; Maheswaran 1994).

In this study, 80 Chinese citizens living in America and 96 US citizens residing in America provided useable data via an on-line questionnaire using Amazon Mechanical Turk. Two products were chosen for this study; respondents were randomly assigned to a milk (Chinese or U.S. COO) and cookie (Chinese or U.S. COO) product.

A chi-square test examined the Chinese and U.S. identification of the most important piece of information when making a decision for food for themselves. Chinese adults are significantly more influenced by brand name and less affected by the nutrition information than U.S. adults when choosing a product for themselves ($\chi^2 = 20.19$, df = 4, $p < 0.01$, phi = 0.42). For both the cookie product and the milk, safety seal importance ratings for Chinese citizens are higher than those for U.S. citizens (3.25 vs. 2.92 for the cookie product and 3.28 vs. 2.98 for the milk, both $p < 0.02$, eta-squares of approximately 0.04).

MANOVA models revealed that Chinese consumers perceive cookies to be more nutritious, to be of higher quality, and to be less likely to cause harm than U.S. consumers. Consumers have less favorable attitudes about cookies from China and lower quality perceptions about Chinese cookies. Main effects for the milk product show U.S. consumers feel that milk is more nutritious and less likely to cause harm than Chinese consumers. In addition, main effects show that consumers have more positive attitudes toward a U.S. milk product, feel that the U.S. milk is healthier, of higher quality and is less likely to be harmful.

However, the real story lies in the interaction effects. These interactions indicate that for Chinese expats living in the U.S., COO is relatively unimportant; yet, U.S. consumer attitudes are much more a function of COO. U.S. consumers tend to have more favorable attitudes about the U.S. products and less favorable attitudes regarding the Chinese products than the Chinese consumers.
There is a similar pattern for quality perceptions: Chinese expats are indifferent to COO, but U.S. consumers’ quality ratings are significantly influenced by COO with U.S. products evaluated as being of higher quality and Chinese products evaluated as lower in quality.

Several interesting implications fall out of these findings. First, our results suggest that nutritional labeling in developing nations may not be a particular effectively method for combating the worldwide increase in obesity rates, since nutritional information is less important among the Chinese expats than among the U.S. citizens. Second, we find a more complex COO effect than was anticipated.

Why were U.S. consumers so greatly influenced by COO, but COO was basically irrelevant among the Chinese expats? Could it be that, as Mark Twain so eloquently stated, “Travel is fatal to prejudice?” Or could it be that expats are, by their nature, less likely to be ethnocentric? ANOVA analysis indicates a significantly higher ethnocentrism score from the U.S. citizens (2.68) than among the Chinese consumers (2.33; p = 0.01).

Alternatively, is this effect specific to China, for we have seen a recent strain in U.S./China relationships and, indeed at least some anecdotal evidence of “Chinaphobia.” Consider, for example a reaction to recent concern over fungicide in orange juice. The fungicide is used in Brazil. One expert commentator, Marion Nestle at New York University, in reacting to Coke’s (makers of Minute Maid and Simply Orange brands) proactive response stated that Coke should be applauded, “But as a matter of national public health policy, this country badly needs an independent regulatory agency – as the FDA is supposed to be – to keep companies honest,” she said. The FDA “is completely overwhelmed by imported foods. Is FDA routinely testing foods from China? Don’t we wish,” (USAToday, January 13, 2012). References are available upon request.

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WILLING TO PAY FOR A BETTER BRAND: CONSUMER RESPONSES TO CSR PERFORMANCE SCORES

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SUMMARY

As competitive pressures in a company’s external environment escalate, brand differentiation becomes increasingly important. In response, strategies incorporating a variety of combinations of the marketing mix may be employed. However, using corporate social responsibility (CSR) initiatives as a measure of strengthening the brand is a recent and under explored development in marketing strategy (Kitchin 2003). For example, recent research suggests that the positive brand implications resulting from CSR investments are a valid but rarely used source of competitive advantage (Melo and Galan 2011). In response, the present research examines the impact of CSR initiatives from a consumer behavior perspective. In the context of the apparel industry, we build upon prior examinations of CSR (Klein and Dawar 2004; Becker-Olsen, Cudmore, and Hill 2006) and provide insight into how a business’s socially responsible activities may (or may not) be effectively communicated to enhance a brand for which consumers are willing to pay more.

Grounded in the Elaboration Likelihood Model (ELM; Petty and Cacioppo 1979, 1986a, 1986b), this study takes an experimental approach to examine the role of multidimensionality in CSR rating and its impact on brand attitude, brand equity, and two measures of purchasing behavior. Specifically, this research explores the effects on purchase decisions when only one dimension of CSR (e.g., “overall” or “human rights”) is favorably rated, and thus attempts to answer a call for specific focus on the “de facto enslavement of workers” (Byrne 2011, p. 507). We find that the human rights sub-dimension of CSR has influence on behavior that is unique from an overall CSR performance score. Given the connotations elicited when considering the apparel industry coupled with the human rights sub-dimension of social responsibility, we expect effects on brand perceptions and purchase decisions to be significantly lower for a low human rights rating than for a low overall CSR rating. Additionally, we demonstrate that the path of CSR performance to consumer behavior is mediated by CSR’s impact on brand equity. Altogether, the CSR è Brand equity è Consumer behavior path suggests that companies should consider the industry in which they operate, and selectively invest firm resources toward appropriate sub-dimensions of CSR in order to maximize its effectiveness and impact on consumer purchasing outcomes.

Results indicate that even while holding the firm’s overall CSR rating constant, consumers respond negatively to implied human rights violations within the apparel context. While this finding is entirely congruent with Sen and Bhattacharya (2001), we specifically identify three ways that the human rights sub-dimensions may adversely affect a firm: perceived brand equity, purchase intention, and price willing to pay. In addition, we find that those who are more conscious of human rights issues indicate a higher level of motivation to engage in product evaluation. For example, when participants are shown the experimental stimuli for the first time, response latencies suggest that consumers with high levels of HR sensitivity (MN = 118.4 seconds) spend more time viewing the stimuli than those consumers with low levels of HR sensitivity (MN = 98.0 seconds). In response to human rights abuses, these consumers also tend to react more negatively in their purchase decisions. The cause for their lowered purchase intention and price willing-to-pay is due to the harm inflicted upon the firm’s brand equity by negative human rights ratings. That brand equity fully mediates purchase intention indicates that human rights performance in the apparel context is especially important. Across both levels of HR sensitivity, the effect of a high HR score was viewed more favorably by consumers than the effect of a high overall CSR score. This result and the overall pattern of findings offer substantial support for our hypotheses.

Our results suggest interesting and useful implications for firms, consumers, and public policy. Although the link between CSR and profitability has been questioned, this article provides evidence that consumers have higher purchase intentions and are willing to pay more for apparel products that are more ethically manufactured. The resultant “human rights” premium may prove to be a source of company profit if firms are able to uphold a high standard of ethical labor practice – a consideration that is especially important for the apparel industry. The primary implication for companies is to invest in CSR activities that are part of the dimension (human rights, diversity, community, employee relations, and the environment) most salient and important to their consumers. This finding also serves to temper conclusions reached in prior research that suggest a uniform reaction to changes in CSR performance. References are available upon request.
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ENVIRONMENTALLY FRIENDLY CONSUMER BEHAVIOR: A SCALE REVIEW, MODIFICATION, AND VALIDATION

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SUMMARY

Despite significant additions to knowledge pertaining to contemporary issues in ethical and environmental marketing, four notable gaps remain: (1) a paucity of cross-cultural studies; (2) an absence of research into seniors, despite their importance; (3) an attitude-behavior gap, between what people say about ethical consumer behavior and what they actually do in store; (4) a severe shortage of reliable and validated scales that measure actual – as opposed to intended – ethical and environmentally friendly purchasing behavior. A major piece of international research was designed on the basis of these gaps. The current paper concentrates primarily on the fourth omission. The study used the Ecologically Conscious Consumer Behavior (ECCB) Scale (Roberts 1996) because it measures actual as opposed to intended behavior. However, extensive research and testing across four nations (Japan, Germany, U.K., Hungary) resulted in a scale so different to the original that a new title is suggested: The Environmentally Friendly Consumer Behavior Scale (EFCB).

The ethical consumer movement was already worth $230 billion by 2000 (Cortese 2003). Ecologically-friendly products and packaging, Fair-trade, Rainforest Alliance, and other ethical goods are now found in mainstream markets (Doherty and Tranchell 2007). Yet, there remains a well-documented ‘attitude-behavior gap’ that is possibly due to a lack of perceived consumer effectiveness (Laskova 2007), or the delegation of responsibility to the corporation (Sudbury and Böltner 2010), or an unwillingness to pay a price premium (McEachern et al. 2010). Whatever the reason, positive attitudes toward environmentalism do not equate to the purchasing of ethical and environmentally-friendly products. Thus, many of the scales available to measure attitudes toward such products are not good indicators of actual consumer behavior. At the same time, research has found socio-demographic characteristics to also be poor predictors of ethical purchasing (Schlegelmilch et al. 1994), with the exception of age, where several studies have found older adults to be more positive than their younger counterparts (De Pelsmacker et al. 2006; Trendbüro 2009). Given that population ageing has emerged as a powerful megatrend affecting a large number of countries around the world, (UN 2007) and the fact that seniors are becoming an increasingly important segment (Sudbury-Riley et al. 2012), the decision to focus on older consumers (aged 50+) was made.

Method

The ECCB scale (Roberts 1996) was chosen because it clearly measures a “variety of consumer behaviors whose intent was to protect the environment” (p. 223). The scale has subsequently been used in many countries. It was therefore with some confidence that the scale was incorporated into the questionnaire for the current study. Additionally, the questionnaire comprised a selection of other well-know scales pertaining to attitudes toward ethical and environmental practices, the Marlowe-Crowne Social Desirability scale, an assortment of scales pertaining to older consumers, and a battery of questions relating to their environmental and ethical behavior.

The questionnaire was translated and back translated by teams in each country, and then piloted to a minimum of 10 members of the population in each nation using de-briefings (Webb 2002). Across all nations, feedback revealed there to be too much similarity and overlap between many items, which resulted in several items being merged. Respondents were confused over some questions regarding choice and price, thus these were adapted. Respondents also wondered why there were 2 items which related to detergent and aerosols specifically, when there is such a wide choice of environmentally-friendly products available, and these were already covered in the more general questions. These items were also dropped, on the basis that environmentally-friendly products are now widespread, and are more freely-available than in the 1990s when the ECCB scale was first developed. Finally, respondents felt there was an omission regarding other socially irresponsible behavior such as child labor and poor working conditions, thus an item was added. Some terminology was also amended, e.g., ‘pollution’ was replaced with “environmental damage” and respondents preferred the term “environmental” to “ecological.” These are interesting changes, which appear to go beyond mere semantics or language preferences. Rather, respondents tended to view the term ‘environmental’ to be wider and felt the term ‘ecological’ was too specific and narrow. Thus many pilot respondents did not make a distinction between ecologically conscious consumer...
behavior, and ethical or socially responsible consumer behavior. Both Roberts (1995) and later Webb et al (2008) note that socially responsible consumption needs continual refinements of its measurement due to its dynamic nature.

This process resulted in an extensively adapted scale comprising 11 items. Questionnaires were then administered to representative samples in each country. The final sample comprised 412 Japanese adults (mean age 64 years), 450 U.K. adults (M 66), 213 Germans (M 63), and 200 Hungarians (M 59).

Results and Discussion

The 11 items of the adapted scale were subjected to principal components analysis (PCA) with Oblimin rotation in all 4 countries individually. One item was removed on the basis of low loadings. The Kaiser-Meyer-Olkin measure verified the adequacy of the sample for the analysis, exceeding the recommended value of .6 (Kaiser 1970) in all countries (U.K.: KMO = .898, Germany: .877, Japan: .836, Hungary: .895). Bartlett’s test of Sphericity (U.K.: X² (45) = 7759.92, p < .001, Germany: 1179.32, p < .001, Japan: 1704.17, p < .001, Hungary: 1387.49, p < .001). The PCA on the 10 remaining items resulted in a single factor solution explaining 60.65 percent of the variance in the U.K., 54.21 percent in Germany, 44.66 percent in Japan, and 60.69 percent in Hungary. The reliability of the modified scale was checked using Cronbach’s Alpha and item-total correlations and found to be “exemplary” (Robinson et al. 1991, p. 13). Alphas were .925 in the U.K., .904 in Germany, .859 in Japan, and .927 in Hungary, revealing high internal consistency in all 4 countries. Corrected item-total correlations were all above .4 and in most cases even above .6. Convergent validity was tested by measuring the relationship between the scale and behaviors relating to environmentalism. Theoretically, we predicted that those people who have taken action about any ethical or environmental issue would demonstrate higher scores on the scale than do those who had never taken any action. This predicted outcome emerged in all countries. Finally, a simple regression analysis showed social desirability effects to be very small across all countries (1.2% of the variance in the U.K. sample, 4.3% for Germany, 6.3% for Japan, and 8.2% for Hungary).

In terms of construct definition, and because the required modifications to the original ECCB scale were so severe, we suggest a new scale has emerged: the environmentally friendly consumer behavior scale. It has several advantages over its predecessor, in that it is shorter and easier to administer, it uses the terminology preferred by people today, it has been shown to be reliable and valid in four nations, and a potential source of bias in the form of social desirability is so small it can be considered to be eliminated. References are available upon request.

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AFRO-DESCENDENTS IN CHILDREN’S TELEVISION ADVERTISEMENTS: A CONTENT ANALYSIS STUDY IN THE BRAZILIAN CONTEXT

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SUMMARY

Investigations related to representations of Afro-descendants in the media in Brazil are welcome because, in spite of this group constituting 50.7 percent (being that the Mulattos are 43.1% and Negros 7.6%) of the population of the country (Varella 2011), most studies have shown that compared to the composition of the population, it is still, percentage wise, little portrayed in the media (Araújo 2000; Barbosa 2004; Guimarães 2004).

In general, the investigations show that the roles associated with the Afro-descendants are impregnated with social stigmas (Barbosa 2004; Carvalho 2003; Rodrigues 2001). The analyses of speech in the media reveal depreciation of that ethnic group. In fact, research on the subject has identified that the new stigmatization of Afro-descendants in the media in Brazil are welcome because, in spite of this group constituting 50.7 percent (being that the Mulattos are 43.1% and Negros 7.6%). In fact, research on the subject has identified that the new stigmatization of Afro-descendants in the media are more subtle and complex. Such forms of discrimination have been called both as neo racism as well as, Brazilian racism (Silva and Rosemberg 2008). Studies on the subject pointed out that the messages in the media reflect the racism that is ingrained in Brazilian society (Araújo 2000; Carone and Bento 2003; Carvalho 2003; Rodrigues 2001). It is on this context of concern that the present investigation is founded. The goal of the research is to examine what, and how, the representations of Afro-descendants in advertisements are directed at children.

The vast majority of research indicates that Afro-descendants are still under-represented in comparison to their proportion in the population. Such investigations have also shown that these speeches are impregnated with racist ideologies (Barbosa 2004; Bowen and Schmid 1997; Domingues 2002; Rodrigues 2001; Rosemberg et al. 2003; Roso et al. 2002). In relation to the importance of the roles played by different ethnic groups, most studies have revealed that, in general, Afro-descendants are playing, either secondary roles or as extras (Bowen and Schmid 1997; Bristor et al. 1995; Domingues 2002; Hae and Reece 2003; Licata and Biswas 1993; Mastro and Stern 2003; Pinto 1987; Seiter 1990). The investigations also show that generally, the interactions between Afro-descendants and whites involve work or business situations. Interactions are rarely found concerning family environments. It was also noted that it is more common that the interactions occur between children of the two ethnicities, or between children or Afro-descendant adolescents and white adults. The research also revealed that there are few scenes in which Afro-descendants and Caucasians interact (Bowen and Schmid 1997; Hae and Reece 2003; Taylor et al. 2005; Taylor and Stern 1997). From the literature review this study presents the following assumptions: (H1): In comparison to Caucasians, Afro-descendants are under-represented in relation to their composition in the population; (H2): In comparison to Caucasians, Afro-descendants tend to be less represented in leading roles; (H3): In comparison to Caucasians, Afro-descendants tend to be represented in non-family inter-relationships; (H4): In comparison to Caucasians, the Afro-descendants tend to be represented more as children and teenagers than as adults or elderly.

The data were analyzed using the technique of content analysis as proposed by Berelson (1952) and Kassarjian (1977). The analysis period in this study was from 2002 to 2010. The unit of measure is commercial television (advertising). The research universe has been established as television advertisements that advertise products for children between six and twelve years of age and have human beings as characters. To compose the sample, the following products were defined as clippings: toys, footwear, clothing, and food. From these criteria 503 advertisements which used human characters were identified. The commercials for this research were selected from the database of the company “Propaganda Arquives,” a company which has systematically filed archives of Brazilian advertisements since 1972. Data were analyzed using qui square statistical technique. Of the 503 advertisements analyzed, only 86 (17%) had Afro-descendants. For this reason, only 86 advertisements that contain Afro-descendants were studied. It was identified that among the 86 advertisements there were a total of 913 characters. Of these, 700 (76.7%) were Caucasian and 173 (18.9%) were Afro-descendants.

The composition of Caucasians and Afro-Brazilian population is respectively of 47.7 percent and 50.7 percent (being that the Mulattos are 43.1% and Blacks 7.6%). Thus, comparing the data, one can see that the proportion of Caucasians in the population (47.7%) is less than in advertisements studied (76.7%) and the percentage of Afro-descendants is larger in the population (50.7%) and
lower in the advertisements (18.9%). In other words, the advertisements do not reflect the reality of the composition of ethnic groups in Brazilian society. This way, the first hypothesis was confirmed. In relation to the importance of the roles, the results of the survey showed that Caucasians have been featured in leading roles more frequently than other ethnic groups. Of all 913 characters presented in analyzed advertisements, 20.7 percent are Caucasian in leading roles, while only 3.7 percent of Afro-descendants occupy these roles.

In relation to the interaction between the characters, the relationships mostly represented are social interactions. The ethnicity that appears more in family interactions is Caucasian. 6.6 percent of the family interactions are represented by Caucasians, while for the Afro-descendant that number is 1.1 percent. Caucasians accounted for 8.6 percent of family interactions. However, in this type of inter-relation the Afro-descendants make up just 5.8 percent. However, in working relationships Afro-descendants are 9.8 percent and 1.4 percent are Caucasian. It is interesting to note that the percentage of Afro-descendants that appear alone is greater than the percentage of Caucasians.

In relation to the age of the characters (see Table 4) one can see that regardless of the ethnicity, most of the characters are children (52.1%, 11.7% Caucasian and Afro-descendant). This can be explained by the fact that the advertisements are targeted at children. Little more than twenty percent (20.6%) of the adults in advertisements are Caucasian and only 6.9 percent of them are Afro-descendants. However, it appears that there is no elderly Afro-descendant, and that there are only three teenagers of that ethnicity. Among the Caucasian, these groups make up 1.1 percent and 2.8 percent respectively. Hypothesis 4 was also confirmed. References are available upon request.

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HOW COMPANIES SHOULD REACT ON SOCIAL MISCONDUCTS: THE ROLE OF IN- AND EXTRA-DOMAIN COMPENSATION

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SUMMARY

Most firms encounter social misconducts, given the fact that it seems impossible to monitor every course of action and business process. Particularly, when firm’s operations are spread around the world, social misconducts are often uncontrollable and thus, unprecedented. Importantly, along with nongovernmental organizations’ eagerness to reveal firms’ misbehavior, shareholders are increasingly sensitive to reported negative firm behavior (Wagner, Lutz, and Weitz 2009). As a consequence, shareholders respond with resentment, leading to rigorous harm for firm value. In order to compensate society for misconducts and to win the goodwill back, firms can engage in favorable corporate social responsibility (CSR) activities (e.g., pollution prevention, charitable giving) in different domains (e.g., environment, community).

However, firm’s reactions to social misconducts differ strongly. Consider the examples of Nike and Coca-Cola. Nike has been associated with relocating production to factories which employed labor under poor working conditions and minimum wage. Nike’s reaction to offset the potential damage of firm value was a direct one: predominately Nike improved labor conditions. In addition to resolve the problem directly, Nike reformed transparency in disclosures and implemented monitoring with respect to labor’s working condition. Finally, all these initiatives were communicated to shareholders. In contrast, Coca-Cola drew negative attention with beverages that were contaminated with pesticides – a social misconduct which represented a serious threat to Coca-Cola’s firm value. Coca-Cola also eliminated the source of negative attention. However, as opposed to Nike, in its communications Coca-Cola did not broach the social misconduct itself to avoid spurring further reactions to it. Rather Coca-Cola chose an indirect approach to reestablish goodwill via charitable giving programs.

As the examples shall demonstrate, firms face different strategies to compensate for social misconducts. While Nike built on favorable CSR activities in the domain of the social misconduct (i.e., in-domain compensation), Coca-Cola rather reacted on product related concerns with engagement in the community domain (i.e., extra-domain compensation). However, it is unclear which approach is more promising in order to safeguard firm value.

While the literature emphasizes that “engaging in the right CSR-initiatives enhances firm performance” (Luo and Bhattacharya 2009, p. 198), the urging question remains what constitutes the “right” initiative. Yet, current literature on CSR has not provided an answer on this question. By and large, this gap is ascribed to research scholars’ disregard of multiple compensation strategies. While providing seminal insights, prior studies either commingle different options of compensation (e.g., Luo and Bhattacharya 2009) or concentrate on consumer-related impacts of a single CSR activity (e.g., Sen and Bhattacharya 2001). In doing so, research has shown that CSR can generally help to reap more financial benefits (Luo and Bhattacharya 2009). However, managers need to know the effects of different compensation strategies on firm value in order to allocate resources most efficiently. Against this background, we are interested in answering whether and when certain compensation strategies are appreciated more by shareholders than others.

In an attempt to answer these questions, we contribute to literature in several ways. First, we contribute to CSR research by contrasting different compensation efforts. Specifically, we introduce the concepts of in-domain compensation and extra-domain compensation to capture the two possibilities that companies might use to react to social misconducts. While in-domain compensation refers to firms’ favorable CSR activities in the domain of social misconduct, extra-domain compensation captures favorable CSR activities in other domains. Further, we extend current research by investigating the impact of in-domain compensation and extra-domain compensation on firm value. To our knowledge, we are the first to move toward such a “finer-grained quest” (Luo and Bhattacharya 2009, p. 199). Third, we examine how levers can be used to leverage the impact of compensation strategies on firm value. In doing so, we show that it depends on firms’ compensation strategy whether the specific lever (i.e., advertising or R&D) has an advantageous leveraging effect or not.

We test our framework with longitudinal data that combines metrics on CSR performance and financial performance for the majority of S&P 500 firms. The results of linear mixed models show that extra-domain compensation is capable to stimulate firm value meaningfully, whereas in-domain compensation backfires and hurts firm value. Furthermore, our findings suggest that
the effects of extra-domain compensation are even more pronounced in presence of high advertising and R&D spending, while in-domain compensation mitigates firm value for firms with high advertising and high R&D spending. In sum, our findings indicate that the moderating role of levers strongly depends on the compensation strategy implemented.

In sum, our findings argue for extra-domain compensation as an unobtrusive and promising strategy for rebuilding shareholders’ goodwill after social misconducts, whereas in-domain compensation should be taken with care. For managers, our results highly suggest that CSR initiatives must be chosen with prudence in order to successfully compensate for social misconducts. For studies commingling compensation efforts in one construct, our findings indicate that results might be biased depending on whether in-domain compensation or extra-domain compensation is dominant in the overall construct. References are available upon request.
HOW BIG A CONCERN? PRIVACY, TARGETED ADVERTISING AND SOCIAL MEDIA: THE CANADIAN CORPORATE AND CONSUMER VIEW

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Mary Foster, Ryerson University, Toronto

SUMMARY

Using the experiences of advertisers who want to reach consumers, and consumers who may or may not be receptive to receiving advertising messages, this paper investigates the intersection of the opportunities presented by targeted online advertising and the privacy and security concerns related to the use of personal information.

We used both qualitative (in-depth interviews, focus groups, and town hall) and quantitative (survey research) methods to gain insight into behavioral advertising from both the consumer and the corporate perspective. Using a semi-structured format, we conducted six-depth interviews with senior executives representing advertisers who promote their goods and services in an online environment and with publishers who provide space or act as brokers for space for online advertisements and ad networks. We conducted two focus groups with consumers in the 18 to 30-year-old age range to gain insight into use of the Internet related to shopping behavior and attitudes and opinions about targeted online advertising. An audience of 60 “town hall” observers for each focus group added comments and observations to enhance our understanding of how young consumers operate in the digital space. Finally, we conducted an online survey about online attitudes and behaviors, resulting in a final sample of 1317 of undergraduates in a large, culturally, urban Canadian university.

Privacy is not a major concern among corporate respondents as they believe they are already compliant with the existing regulatory environment. Further, they view compliance as a competitive advantage as discussing privacy considerations may uncover other issues that need to be addressed before launch. Consumers do not present coherent attitudes and behaviors with respect to online advertising and privacy. While purporting to ignore or dislike all forms of advertising, they report clicking on ads, and are not willing to pay to avoid them. While respondents display some privacy concerns, these are not developed enough to make them change their online behavior.

These results underline the policy dilemma faced by agencies such as the Office of the Privacy Commissioner. While consumers talk the privacy talk, they do not walk the privacy walk. The advertising industry does not see the need for additional regulations on targeted online advertising and while consumers value privacy, they do not take steps to protect their information. Instead they seem to see privacy as a right and expect government to protect it, rather than taking the appropriate protective steps themselves. References are available upon request.

ENDNOTE

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DEVELOPING A CORPORATE SOCIAL RESPONSIBILITY PROCESS SCALE OF INDIVIDUAL STAKEHOLDER’S PERCEPTION

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ABSTRACT

Most measurement of corporate social responsibility (CSR) focus on measuring only the final outcome of CSR activities. Present research argues that because existing scales do not incorporate motivation or execution process into measuring CSP, it is difficult to clearly measure the impact of CSR on corporate performance. To mitigate this critical limitation in existing CSP scales, present research proposes a new 45-item scale that incorporates motivation, process and performance evaluation of CSR activities to measure the performance of CSR activities. CSR motivation is categorized into economic and profit-seeking dimensions, CSR process into legal and ethical execution and CSR into maximizing profit, employee welfare and social wealth to yield an integrated process of model evaluating CSR.

INTRODUCTION

Corporate social responsibility (CSR) has enjoyed recent surge of scholarly attention in various management fields. For many years, by juxtaposing measurements of CSR activities with corporate performance, scholars have been trying to identify if a causal relationship exists between them. However past twenty years of research indicates that the relationship is ambiguous at best. The reason for this is because a firm’s CSR-related investments can generate two distinct types of CSR performances. First type of CSR performance is the social impact caused by the firm’s CSR investments. For instance, if a firm invested in reducing childhood hunger, its performance should be measured by how many children were actually relieved of hunger as well as how much the issue itself has been resolved at a societal level. Based on this measurement of social impact from CSR, corporate performance from CSR such as reputation, brand asset and loyalty, are induced. However, because most CSR research does not take into account the social impact side of CSR performance and attempt to link CSR investments with corporate performance directly, the relationship between the two has been shown to be different by each study. Therefore, it is necessary to measure and take into account the social impact of CSR to accurately measure the impact of CSR on corporate performance. Unfortunately, social impact from CSR investments is tough to measure objectively. There is no definitive set of metrics to measure how much CSR contributed resolving a given social issue. Moreover, what really influences the CSR performance is not the actual social impact but the stakeholders’ perception of the social impact. Even if the CSR investment did in fact lead to significant social impact, if the stakeholders are not cognizant of this, then the CSR investment has failed to contribute to corporate performance in any way. Therefore, measurement based on the stakeholders’ perception of social impact from CSR rather than just the social impact itself, needs to be developed in order effectively to test the relationship between CSR and corporate performance.

While measurement tools on CSR and its social impact do exist, they are not without flaws. First of all, many of these scales are developed with focus on specific issues. These scales are focused issues that include, but are not limited to, poverty, gender, workplace diversity, racial equality, and the environment. These scales that are developed to measure corporate performance in specific areas are not adequate in measuring the wide range of CSR activities of today and also pose a significant threat to generalizability. Some studies evaluate CSR by analyzing the public relations or publicly released information from the corporations. However, these documents released by the corporations are limited in that they typically include the firm’s CSR investments but often do not include the actual social impact derived from those investments. Therefore, while these documents may be ore objective, they are limited in the measurement of aforementioned social impact from CSR. Lastly, existing scales of CSR measurement are focused on CSR performance evaluation. According to Attribution Theory, when faced with unexpected or unpredicted information, instead of simply accepting this new information at face value, consumers will try to deduce the reason and the motivation behind it. Attribution theory refers to when the motivations for individuals’ actions are attributed to an external circumstance or fundamental characteristics. That is, it is a process in which words and actions are observed to deduce their motivations. Attribution is also exhibited under unusual or abnormal circumstances continue for an extended period of time, such as when consumers are faced with CSR-related information that run counter to corporations’ profit-seeking behavior.
CSR is typically understood by as external stakeholders as a non-profit seeking activity that is far from the general profit-seeking nature of a corporation. That is why when stakeholders are exposed to CSR-related information or messages, they question its underlying motivation and seek other related information and aggregate them to subjectively evaluate the CSR activity, rather than solely relying on the provided information to objectively evaluate it. This is to say that regardless of how much social impact a given CSR investment yielded, if it is perceived by the stakeholders as having ulterior motives or utilized illegal or unethical methods in its execution, the stakeholders evaluation of CSR will suffer. For instance, let’s assume that a corporation invested in a CSR activity and had positive outcome for the society at large. However if the resources used in this CSR activity was acquired through illegal or unethical channels or if the corporation was seen to have financial motivation for the CSR activity, the stakeholders’ evaluation of the CSR activity will deteriorate. Therefore, it is necessary to include evaluation of both motivation and results in measuring CSR performance. Our research derives an integrated CSR process model that takes into account CSR motivation and activity with CSR performance and develops a measurement scale that evaluates the integrated process. We first briefly review the existing literature on CSR, critically review the existing CSR measurement scales and develop a new scale based on Churchill’s (1973) scale development model.

LITERATURE REVIEW

Existing Literature on CSR Evaluation Scale

Maignan’s (2001) CSR scale for consumers is one of the most comprehensive CSR scales for external stakeholders that are faithful to the definition of CSR. Based on Carroll’s (1979, 1991) definition of CSR and four categories of social responsibility, Maignan developed 16 scale items. Using four scale items each in Carroll’s classification of economic, legal, ethical, and philanthropic responsibilities, Maignan tested the scale in French, German and American context. However Maignan’s scale lacks items that measure the motivation behind why corporations invest in CSR. While the scale has items that measure legal and ethical responsibilities, it is limited in that it is measured in the same dimension as economic and philanthropic responsibilities. This is because economic and philanthropic responsibilities items measure the results of CSR activities whereas legal and ethical responsibilities measure the motivation and the process of the CSR activities. Therefore legal and ethical responsibilities should be conceptualized as preceding factors that influence measurement of economic and philanthropic responsibilities.

In 2005, David, Kline, and Dai developed a new scale according to their classification of CSR activities into following dimensions: relational, moral and philanthropic. This scale also only focuses on the execution of CSR and does not address the motivation behind CSR activities. The scale also does not address evaluation of the legal and ethical component of the CSR execution, which makes it difficult to evaluate the overall process of CSR. Moreover, other scales developed by Abbott and Monsen (1979), Brown and Dacin (1997), Davenport (2000), Mitnick (2000), Mattingly and Berman (2006) share several common limitations. First, many of these scales focus on measuring ethical or philanthropic activities, which does not fully reflect the definition of CSR. Secondly, because these scales measure specific categories of CSR activities, they do not cover comprehensive range of CSR activities nor evaluate process-related factors such as legal and ethical components of CSR execution. Therefore to mitigate these limitations, present study aims to develop new scale of CSR process evaluation that follows the proposed definition of CSR.

Existing Research on CSR Process Model

Wartick and Cochran (1985) and Wood (1991) proposed frameworks for firms to manage CSR. Both of these studies share common ground in that they categorize a corporation’s social responsibilities into a three-step model including principles, processes and programs and policies but they differ in their content. Wartick and Cochran’s (1985) framework is based on the aforementioned principles, processes and policies steps. Principles are categorized by Carroll’s (1979) economic, legal, ethical and philanthropic elements. Process is categorized into reactive, defensive, accommodative and proactive elements depending on how CSR is executed and policies that address the issues derived from these elements are institutionalized. On the other hand, Wood (1991) argues that Wartick and Cochran’s principles of CSR are not principles but actions and that their proposed policies are too restrictive to incorporate all of the results from CSR activities. Furthermore, Wood criticized that Wartick and Cochran’ model is closer to a preparation for CSR activities rather than am actual CSR management for a corporation.

Building on these criticisms, Wood (1991) proposed a different three-step model of CSP composed of principles, processes and outcomes of corporate behavior. The model proposes different principles for institutional, organizational and individual levels. Individual principle speaks to managerial discretion, organizational level to public responsibility and institutional level to legitimacy. Based on these principles, environment assessment, stakeholder management, and issues management takes place.
to reach outcomes of corporate behavior. Corporate behavior is also then divided into social impacts, programs and policies.

However, Wood’s (1991) model is not without flaws; first of all, the three types of CSR processes proposed in the model cannot be seen as distinct processes, but rather different terminology stemming from various CSR perspectives. In fact, the term issues management is often used interchangeably with CSR. Also, social programs and policies, which are classified as outcomes of corporate behavior, are difficult to conceptualize as results because they are closer to fundamental elements of CSR activities. Therefore both Wood (1991) and Wartick and Cochran’s (1985) models are limited in effectively managing CSP. Finally, these models have not been tested empirically, which limits their corporate application.

Not only does conceptualizing CSR as a process model provide insight into how to effectively manage CSR from a corporate perspective, it also provides a standard in how external stakeholders evaluate CSP. Stakeholders evaluate key issues in each CSR process, which contribute to the evaluation of the final CSR result. Therefore in order to construct an accurate CSP measure for external stakeholders, it is important to clearly conceptualize the CSR process and develop an appropriate scale based on the process model.

New CSR Process Scale Development

We strictly followed Churchill’s (1979) 8-step paradigm for developing a new scale. To clarify the definition of CSR, we conducted an extensive literature review to generate a new definition of CSR. Based on the new definition, we defined and categorized each of the subsequent elements of CSR. Based on these elements, we conducted another literature review to derive a pool of survey items. Because most of the existing items were optimized for western cultures, we conducted a set of interviews with Korean stakeholders to verify and adjust previously items derived from literature review. After supplementing the items to reflect Korean stakeholders’ understanding, these survey items were purified through a refining process and the final scale was tested for reliability and validity with a new sample.

Conceptual Definition of CSR

Bowen (1953) defines CSR as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.” This definition of CSR is accepted as the first academic definition of CSR and many definitions ensued following Bowen’s footsteps. Table 1 summarizes and compares the key scholarly definitions of CSR. Despite more than fifty years of research, scholars have yet to agree on a single definition of CSR. This divergence is due to the different perspectives in approaching CSR. Friedman, a classic economist, famously argued that the only corporate responsibility toward society is to maximize shareholders’ profits as bound by law and ethics and promoted shareholder primacy (1962). In contrast, Davis, a neoclassical economist, defined CSR as “an obligation to evaluate in its decision-making process the effects of its

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<td><strong>Goal</strong></td>
<td>Profit generation</td>
<td>Social benefits and economic profits</td>
<td>Fulfilling social expectations</td>
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<td><strong>Range</strong></td>
<td>Shareholders</td>
<td>Social System</td>
<td>(Stakeholders) (including future generation)</td>
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<td><strong>CSR domains</strong></td>
<td>N/A</td>
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<td>Economic, Legal, Ethical, Philanthropic</td>
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<td><strong>Limitations</strong></td>
<td>Narrow range of corporate responsibility</td>
<td>Only focused on the effect of corporations’ decision-making</td>
<td>Overlap among CSR domains</td>
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decision on the external social system in a manner that will accomplish social benefits along with the traditional economic gains which the firm seeks” (1973). Davis’ definition extends the responsibility of the corporation than that of Friedman (1962) to the social system, but these definitions share the assumption that the corporation’s profits are the priority.

While various perspectives yield differing definitions of CSR, Carroll’s CSR definition and pyramid (1979, 1991) is a widely accepted definition that conceptualizes CSR based on social economic perspective and stakeholder management. Unlike other definitions of CSR, Carroll identifies four areas of CSR in his definition. He defines CSR as “the social responsibility of business encompasses the economic, legal, ethical, and philanthropic expectations that society has of organizations at a given point in time” (Carroll, 1979) and articulates that economic, legal, ethical and philanthropic areas exist for CSR. According to Carroll, economic responsibility refers to making profit by producing goods and services that the society wants. Legal responsibility refers to “fulfill[ing] its economic mission within the framework of legal requirements” (Carroll, 1979) and ethical responsibility refers to conducting business in ethical fashion. Finally, philanthropic responsibility refers to fulfilling the society’s expectations for “businesses to assume social roles” to improve society at large (Carroll, 1991). However, Carroll’s definition of CSR carries some limitations, with first being that it is difficult to clearly differentiate between ethical and philanthropic responsibilities. Schwartz and Carroll (2003) criticized that the two responsibilities overlap significantly and that they should be unified as one. The second limitation is that Carroll’s definition views CSR from a passive and defensive point of view. In his definition, Carroll (1979) conceptualizes CSR as fulfilling the society’s expectations, which implies that corporations are not responsible for actions that they society does not expect of them. However, a corporation truly committed to its social responsibilities should be able to take on issues even when it is not expected of them. That is, while it is important for corporations to resolve existing social issues, it is also important to prevent social issues from arising. The third limitation is that Carroll’s four areas of responsibilities are insufficient in measuring CSR. Scholars including Maignan and Ferrell (2002, 2003) developed CSR scales based on these four areas, however, these scales do not measure motivation. Moreover, while economic and philanthropic responsibilities are related to specific areas of CSR but legal and ethical responsibilities are related to the execution method of CSR. Also, the four areas of CSR are not mutually exclusive or all inclusive which further adds to its limitations.

Present research aims to overcome the limitations of existing CSP scales by first deriving a new, integrated definition of CSR. To do this, we first categorized the common factors between the existing definitions according to the 5W’s and 1H. First of all, CSR is without doubt conducted by the corporation (who). Second, CSR is often executed in communities and regions in which corporations conduct their business activities (where). Third, CSR is conducted in the present (when). Different social issues arise in different temporal perspectives, requiring different types of social responsibility and execution methods. Therefore, it is most important for corporations to find the most relevant social issue at the given moment and address it. Fourth, objective of CSR is to maximize welfare and profit for the society, including the corporation (why). While some argue that corporations’ seeking profit cannot be classified as part of CSR, since corporations themselves are also members of the society, we argue that increasing the wealth of the corporations can be considered as part of CSR. Fifth, the areas of CSR (what) should be identified as fulfilling the economic and non-economic needs and expectations. As aforementioned, Carroll (1979) defines the areas of CSR as fulfilling the society’s expectations, however it is more appropriate to include both needs and expectations because corporations should seek social responsibility proactively and address issues that the society has yet to expect of corporations. Also, in summation of the variety of definitions on CSR areas, the fundamental areas for corporate activities are classified into economic and non-economic areas, and the societal expectation of the corporations also include both economic and non-economic areas. Therefore CSR areas should include both the society’s economic and non-economic needs and expectations. Finally, executing CSR (how) should be within the limits dictated by the legal and social norms. This is because no matter how great a CSR activity is, if it breaks the law or the social norms, it is bound to be criticized by the society. Summing these components into one statement we derive the following definition of corporate social responsibility:

“Corporate social responsibility is a present obligation of a corporation that meets economic and non-economic needs and expectations of stakeholders such as investors, employees, consumers, suppliers, government, and society in order to improve welfare of society including a corporation itself within the limit of laws and social norms.”

Then how can corporations manage CSR effectively? The answer to this lies in the most fundamental management process. In order to effectively manage CSR, there must exist an accurate evaluation of the entire CSR-related process. Therefore, developing a clear framework for CSR evaluation yields a framework for effective CSR management. Based on the most fundamental management process of planning, executing and evaluation, present research aims to identify the key factors for evaluation in each CSR process to develop a scale that can accurately measure them (see Figure 1).
Based on the aforementioned definition, key CSR evaluation factors in each process can be categorized into three dimensions. The first dimension is the CSR motivation. According to Becker-Olsen et al. (2006), when consumers are faced with a corporation’s CSR-related information, they attempt to predict if the motivation for CSR was profit motivated or socially motivated. Profit motivation refers to when corporations engage in CSR as a tool to generate more profit while social motivation refers to when corporations engage in CSR as part of enhancing the wealth and welfare of the entire society. It should be noted that neither motivation is “better” than the other. Similarly, van de Ven and Graafland (2006) also differentiate between strategic and moral motivation for CSR. Strategic motivation for CSR is similar to the profit motivated CSR of Becker-Olsen et al. (2006) in that a corporation is motivated by utilizing CSR to increase long-term financial performance, and moral motivation is similar to social motivation in that a corporation have a moral duty to toward society. Together, a corporation’s motivation for CSR can be differentiated as having either an economic motivation that utilizes CSR as a strategic tool in seeking profit or a social motivation that aims to enhance the wealth and welfare of the society.

The second dimension for evaluation addresses specific CSR activities. In this dimension, individual stakeholders evaluate CSR based on whether it was executed within the confines of law and social norms. Following Carroll’s (1991) definition of legal responsibility, a corporation’s legality can be defined as complying with the regulatory system as elected by institutions. On the other hand, scholars disagree on ethical corporate activity. Consequentialists, following the tradition of Bentham and Mill, argue that achieving good results is the morally right and ethical behavior while deontologists, following the tradition of likes of Kant, define ethical behavior has having ethical motivations and process. Therefore we summarize these perspectives to define ethical behavior as ethical motivations and process that lead to good results.

Finally, the last dimension of evaluation for individual stakeholders is the outcome of CSR. The CSR outcome can be differentiated into economic and noneconomic outcomes. Schwartz and Carroll (2003) define economic component of CSR as actions motivated by directly or indirectly maximizing profit. Therefore economic outcome CSR can be understood as the outcome of economic behavior and individual stakeholders will likely evaluate on to what extent corporations maximized their profits. On the other hand, noneconomic outcome is typically understood as philanthropy. Carroll (1991) defines philanthropic responsibility as utilizing resources for the community and enhancing the welfare. Thus, noneconomic outcome of a corporation refers to the outcome of CSR activities except for its economic outcomes.
Scale Item Development

Based on the literature review conducted for developing a new CSR measurement scale of individual stakeholders, Maignan’s (2001) scale of consumers emerged as the most comprehensive existing scale. Also, because it was developed under diverse cultural settings, we drew many items developed in this scale. However, because Maignan’s scale only consists of items that measure CSR performance and CSR activity, we collected additional items through interviews to also include CSR motivation measurement in the proposed scale. During these interviews, we first presented our definition of CSR to the interviewees and subsequently asked open-ended questions on the corporate motivation for CSR and what would be an effective CSR effort. On CSR motivation, we recorded a total of 225 items and 21 unique items. These unique items were classified as either profit motivated and socially motivated. On CSR activity and performance, we recorded a total of 327 items, which were reduced to 21 unique items and 16 items identified from literature review. These 37 items were then classified as legal, ethical, economic outcome and noneconomic outcome.

Measurement Item Refinement

To refine the 58 measurement items derived from literature review and interviews, we conducted a survey on a sample of 238 Business-major undergraduate and graduate students in Seoul, Korea. Among the sample, 148 students did not have occupations other than being a student, 88 had occupations in corporations or government agencies and two reported “other.” Eighty-one students answered that they have invested in corporation in some capacity and 157 students answered that they have no corporate investments.

First, we conducted reliability analysis to test for the reliability of our measurement items. The analysis revealed that five items in the profit-motivation decreased the reliability and were consequently removed (0.794 to 0.828), and one item was also removed from social-motivation because it decreased the reliability (0.885 to 0.895). Two items were each removed from legal dimension (0.812 to 0.846) and economic outcome (0.882 to 0.889) for the same reason. For the remaining 48 items after the reliability analysis, principle component analysis (PCA) and exploratory factor analysis with Equimax rotation was conducted. During this process, three items that were grouped to irrelevant factor (1 in economic outcome, 2 in social motivation) were removed.

From the refining process, we were able to identify a total of seven factors and 45 items. Results of factor analysis indicates that the items on CSR motivation and activities were divided between profit motivation (dimen-
| CSR | Motivation | Economic | To enhance corporate image  
To promote the corporation  
To advertise the corporation  
To provide service for prospective consumers  
Part of public service marketing  
To achieve long-term success  
To create good impression  
Part of public service marketing  
To provide service for prospective consumers  
To create good impression  
Part of public service marketing  
To provide service for prospective consumers  
To create good impression  
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To provide service for prospective consumers  
To create good impression  
Part of public service marketing  
To provide service for prospective consumers  
To create good impression  
Part of public service marketing  |
|---|---|---|---|
| Social | Motivation | To contribute to the society’s development  
To donate to various social causes  
To fulfill the corporations’ responsibility to the society  
To maintain its conscience  
To repay consumers’ loyalty  
Part of noblesse oblige  
Part of natural duty as an entrepreneur  
To fulfill the duty of corporations  |
| Legal | | Always accepts regulations set forth by laws and institutions  
Do not break laws for the sake of increased profit  
Try its best to uphold all contracts  
Always abide laws  
Protect employees’ rights according to law  
Manages ethically  
Promotes ethical management even at the expense of losing profit  |
| Profit | Maximizing | Generates profit  
Develops new products  
Advancing into international market through globalization  
Plans for long term success  
Maximizes profit  
Produces better products and services  
Contributes to increasing national competitiveness  
Increasing in investment  
Continuously improving economic performance  
Improves employee welfare  |
| Employee | Welfare | Guarantees employment for its employees  
Guarantees fair competition  
Improves employee welfare  
Supports cultural and/or sports industries  
Has a scholarship program  
Donates sufficiently  |
| Social | Welfare | Committed to increasing the welfare of the society as a whole  
Allocates resources to philanthropic activities  
Actively participates in public policy  
Play a role in our society that goes beyond the mere generation of profits |
tion 6) and social motivation (dimension 1), and legal (dimension 7) and ethical (dimension 4) as expected, however items on CSR performance were split into three factors. We found performance related items were grouped to profit-seeking item (dimension 6), employee welfare item (dimension 5) and social welfare item (dimension 2). Analysis on the items characteristics of each factor showed that while profit-seeking items were consisted of items that are mainly of interest to individual stakeholders who were investors, employee welfare items were consisted of items that are mainly of interest to individual stakeholders who were employees. Similarly, social welfare items consisted of items mainly of interest to individual stakeholders who are consumers.

Reliability and Validity Test

To test for the reliability and the validity of the newly developed scale, we conducted an additional survey. The sample included a total of 320 participants and after removing 14 incomplete surveys, total of 306 answers were included in the analysis. Reliability analysis by factors yielded Cronbach’s alpha or composite reliability of greater than 0.8 for all factors, thus ensuring internal consistency. To test for convergent validity and discriminant validity, confirmatory factor analysis was conducted on the 45 refined items in 7 dimensions. Since present research conceptualizes CSR as consisting of CSR motivations, CSR activity process and CSR performance items, we conducted a bi-level confirmatory factor analysis. The fitness of the model was revealed to be acceptable ($\chi^2 = 1691.642$, d.f., = 912, $p = 0.000$, ROSEA = 0.0492, GFI = 0.824, CFI = 0.970, RMR = 0.104).

All t-values were significant in convergent validity test, thus yielding convergent validity. To evaluate discriminant validity, Fornell and Larcker (1981) suggest a comparison between the average variance extracted (AVE) for each factor and the square of the correlation between the two factors. Discriminant validity is demonstrated when the lowest AVE is greater than the squared correlation. In our analysis, the smallest AVE value was 0.503, greater than the largest squared correlation of 0.483, which indicates our results have discriminant validity. Next, we tested for the relationship between CSR subconstructs and the results show that profit motivation and social motivation grouped with CSR motivation, legal and ethical with CSR activity, profit maximizing, employee welfare and social welfare with CSR performance respectively, indicating that our scale has predictive validity.

Predictive Validity Test

To test for the predictive validity of the developed scale, regression analysis was conducted to compare with existing scales. To evaluate whether existing scales or present study’s scale has more explanatory power, corporate image was used, a construct often used in existing research to test of the effect of CSR on individual stakeholders (Becker-Olsen et al. 2005; Brown and Dacin 1997; Freeman 1991; Folkes and Kamins 1999; Klein and Dawar 2004; Sen and Bhattacharya 2001). Corporate image refers the overall impression made on the minds of the public about an organization (Barich and Kotler 1991; Dichter 1985; Finn 1961; Kotler 1982). To measure corporate image three items developed by Nguyen and Leblanc (2001) were used. To compare with the newly developed scale, we used Maignan’s (2001) CSR measurement scale for the consumers. Based on the four areas of CSR as presented by Carroll (1991), Maignan’s (2001) scale includes four items in each of economic, legal, ethical and philanthropic area with a total of 16 items. Regression analysis results indicate that present study’s new CSR measurement scale is significantly higher in its $R^2$ of 0.689 than in comparison with 0.402 of Maignan’s scale. Thus we can see that the predictive validity of the presented study’s scale is superior to that of Maignan’s scale.

CONCLUSION

Discussion

Present study aimed to overcome the limitation of existing CSR scales that only focus on CSR performance evaluation by developing a new scale that measure the three components of CSR, CSR motivation, CSR activity and CSR performance. Our results show that individual stakeholders evaluate CSR activities with not only just the CSR result but as a combination of the motivation behind CSR, legal and ethical component of execution and CSR outcome. CSR motivation was categorized into profit seeking motivation in which corporations engage in CSR to seek economic profit and social motivation in which corporations engage in CSR to increase social wealth. CSR activity was categorized by legal and ethical nature of the execution methods. CSR performance was categorized by profit maximization where corporations were evaluated by how well they served their fundamental purpose of seeking profit, and social welfare in how much social wealth they created and contributed to increasing social welfare. These results indicate that unlike extant researches that conceptualize CSR as a single level construct, CSR is a multilevel construct. Moreover, results indicate that individual stakeholders do not simply evaluate the outcome in CSR performance evaluation and evaluate corporation’s inferred CSR motivation and whether corporations execute their CSR activities through legal and ethical manner. Comparison with Maignan’s (2001) scale indicates that present scale yields superior explanatory power, thus suggesting that it is more optimized in measuring CSR performance.
Some notable characteristics emerged in developing this scale for individual stakeholders. First, it should be noted that in evaluating CSR outcomes, social issues and problems are strongly emphasized. For instance, the strong representation of employee welfare dimension in the scale finds its roots in current global economic turmoil and rising unemployment in Korea. Secondly, our research found that when individuals evaluate CSR, they evaluate using their comprehensive identity as a multi-identity stakeholder rather than focusing on a single stakeholder identity. The final scale developed in this study shows that profit maximization dimension consists of items that reflect investors’ interests, employee welfare dimension items reflect employees’ interests, and social welfare dimension items reflect consumers’ interests. Ultimately the developed scale includes all stakeholder relationships between an individual and corporation. Third, we found that in their evaluation of CSR, stakeholders not only evaluate on noneconomic areas such as volunteering, supporting culture and education but also on the fundamental corporate purpose of profit maximization. This indicates that when individuals expect socially responsible behavior from corporations, they expect corporations to stay faithful to its fundamental purpose of creating profit while simultaneously contributing to enhancing social wealth.

Contributions and Limitations

Present research shows that CSR is a multilevel construct with many sub-constructs. That is, individual stakeholders not only evaluate the CSR outcome but also evaluate each of the subconstructs and aggregate them to form a comprehensive evaluation that leads to change in attitudes and behaviors. While extant research conceptualize the subcontracts of CSR as areas of CSR outcomes, present research illustrates that the subcontracts of CSR consist of CSR motivation, activities and outcome and that each of these subcontracts in turn consist of profit seeking motivation and social motivation, legal and ethical conduct, and profit-maximization, employee welfare, and social welfare, respectively. This result also shows that unlike conceptualized by existing research, individuals evaluate CSR-related information by inferring the underlying motivation for CSR activities. Therefore, future studies that examine the relationship between various performance variables with the CSR subconstructs identified in this study will prove to be more fruitful than those that try to directly relate the overall CSR evaluation and corporate performance. Examining the relationship between the CSR subconstructs themselves may also yield valuable insight in how individuals relate between them to form overall evaluation. Furthermore, in utilizing CSR as a strategic tool in corporate settings, strategic communication of CSR motivation must be emphasized for effective CSR performance and close monitoring of stakeholders’ perception of CSR motivation must follow.

Present study also shows that when individual stakeholders evaluate CSR, they base their evaluation on the variety of relationship they hold with the corporation, not focusing on a single type of relationship. The subconstructs of CSR outcomes derived from this study shows that profit maximization is investor-centric, employee welfare is employee-centric, and social welfare is consumer-centric factors. Therefore in order to increase generalizability of CSR research on individual stakeholders, multi-faceted measurement tool that accounts for these varieties of dimension, instead of focusing on a single dimension.

However, present research is not without caveats. The first is that the sample was selected by convenience sampling and over represents students and workers in their 20s and 30s. Second limitation is that the social need and expectation for CSR may vary by culture and nationality. These pose threats to generalizability and it can be mitigated in the future by rigorously testing the scale with stakeholders in various cultures. Cross-cultural testing of the scale can also confirm whether the developed scale’s effectiveness is only limited to Korea or holds the same in other countries as well. Lastly, present scale was developed with only individual stakeholders’ perceptions. For future research in efficient and effective management of CSR, developing a CSR measurement scale from the perspective of corporations could yield valuable insight in comparing the different in evaluation of CSR motivation and outcomes between corporations and individuals.

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THE ROLES OF MARKETING AND SALES IN NEW PRODUCT DEVELOPMENT

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SUMMARY

Numerous studies have identified market factors as critical to the success of new products. The obvious candidate for capturing the voice of the customer and translating it into successful new products is the firm’s marketing department. But market input does not always require a marketing department. Traditional marketing activities are increasingly allocated to different functional groups inside the firm and this dispersion of marketing activities increases firm performance. One of the departments frequently involved in market-related activities and decisions is sales. Several researchers investigated the adoption of new products by the sales force, as well as the effect of sales force adoption on new product performance. Others looked at related issues such as sales strategy, the role of control mechanisms and differences between sales persons and sales managers. Still other researchers looked at the other end of the NPD process and investigated the role of salespeople in identifying new business opportunities and generating new product ideas.

A growing body of literature on the sales-marketing interface suggests that sales and marketing contribute to firm performance through complex interactions and coordination. Both salespeople and marketing employees identify customer needs and the respective roles of marketing and sales in NPD depend on the sales-marketing dynamic, as well as the broader dynamic within the NPD team. For instance, salespeople may communicate new customer needs upwards in the sales organization, to marketing or to other departments that are more directly involved in NPD. This suggests that any investigation of the roles of marketing and sales in NPD should account for the mechanisms and effectiveness of the marketing-sales dynamic. Thus, the following key observations can be made:

1. Market-related input is key to successful NPD and may be provided by both marketers and salespeople.
2. Existing studies focus only on parts of the contributions of marketing and sales to NPD and fail to systematically investigate their role throughout the complete NPD process.
3. The contribution of both marketing and sales to NPD is shaped within the context of the sales-marketing interface.

This study takes a closer systematic look at the roles of marketing and sales during the complete NPD process, within the context of the marketing-sales interface. The primary data came from depth-interviews with 36 sales and marketing informants from the US healthcare industry, both pharmaceutical and device manufacturing firms. Discovery-oriented depth-interviews were conducted and informants were encouraged to share examples and anecdotes to illustrate their points. The involvement of marketing and sales in the NPD process of US healthcare firms can be summarized as follows.

1. Stage 1: Discovery. Marketing is an important member of the cross-functional team and responsible for ensuring that the team remains market-oriented. Although marketing is ultimately responsible for value creation, communication and delivery to physicians and patients, marketing is not in the driver’s seat during discovery. Barring the exception of sales leadership in some firms, the involvement of salespeople during discovery is indirect and mediated through marketing. There are several reasons for this: e.g., salespeople lack of overview of the whole market and the fact that physicians do not see them as valuable discussion partners.

2. Development. Once again, marketing does not have direct control, but acts as process enabler to insure optimal coordination across the various activities. Just as during the discovery stage, sales is not directly involved in the development stage, but only indirectly through marketing. Salespeople may be instrumental in providing marketers with access to influential, well-known customers who can provide critical input into the drug design process.

3. Commercialization. In sharp contrast to marketing’s supporting role during discovery and development, marketing plays the leading role during commercialization. Marketing makes sure that an appropriate launch strategy for the new product/indication is in place, provides the necessary inputs to other departments (sales forecasts, pricing and logistics details, cost/revenue projections) and coordinates communication strategy, product availability and sales training. There is also a dramatic shift in the nature and extent of salespeople’s involvement compared to the previous stages: during commercialization sales-
people are extensively involved in new product/indication training.

In addition, the findings show that the nature and extent of marketing and sales involvement in NPD is very much shaped by idiosyncratic characteristics of the healthcare industry and the marketing-sales interface dynamics. In addition, it clearly changes over the course of the NPD process. At the start of the process, marketing tries to capture as much market information as possible, but salespeople are often protective about their customers; thus, requiring a cordial, effective marketing-sales relationship. When launch approaches, marketing’s interaction with sales undergoes a complete metamorphosis. Marketing no longer holds back and makes every effort to provide salespeople with details about the new product. Marketers must manage this transformation from carefully controlling information to freely everything very skillfully.

This study offers insight into the nature of the roles of marketing and sales during the entire NPD process, describes the role of industry characteristics and offers several managerial implications. In addition, it suggests several avenues for further research; e.g., the roles of marketing and sales in other industries and the roles in NPD of different levels and different types of marketing employees, such as brand management, customer service and customer applications. References are available upon request.

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SALES INTEGRATION AND ITS PERFORMANCE EFFECTS IN NEW PRODUCT DEVELOPMENT: THE MODERATING ROLE OF INNOVATIVENESS

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SUMMARY

Prior research on new product development has revealed cross-functional integration to be one of its key performance drivers (cf., Troy, Hirunyawipada, and Paswan 2008). Existing literature has, in particular, focused on the extent to which integration between marketing and research & development (R&D) drives new product performance (e.g., Griffin and Hauser 1996). Only more recently, other functions like manufacturing and IT have been integrated in the analysis (e.g., Nakata, Zhu, and Izberg-Bilgin 2011; Olson et al. 2001).

While recent research on new product development has examined the role of sales in innovation processes (e.g., Hultink and Atuahene-Gima 2000), extant literature – with a few exceptions only (Ernst, Hoyer, and Rübsaamen 2010) – has largely ignored the role of cross-functional integration of the sales department. This dearth is problematic for several reasons: First, while extant research may have implicitly subsumed marketing and sales as a form of “marketing function,” recent studies indicate that “they are separate functions within an organization” (Kotler, Rackham, and Krishnaswamy 2006, p. 68; Workman, Homburg, and Gruner 1998). The sales department, in particular, is the most effective in providing the rest of the firm with necessary customer-related insights, hence representing “the voice of the customer” in development activities (cf., Ernst, Hoyer, and Rübsaamen 2010). In contrast, the marketing department takes a more strategic role, contributing, among others, market trend analyses, market research, product positioning, and communication activities (Griffin and Hauser 1996; Rouziès et al. 2005). In a similar vein, Biemans, Malshe, and Brencic (2010, p. 12) state that “in contrast to the traditional marketing literature, a reversal of roles may occur, with sales taking the initiative by developing new customer approaches, which are only later recognized and formalized by marketing.” Moreover, sales has been found to be more influential than marketing in certain strategic issues, such as customer service, distribution and pricing decisions, and the expansion to foreign markets (Homburg, Workman, and Krohmer 1999).

The present study contributes to sales, marketing, and new product development research by examining the impact of cross-functional integration from the sales department perspective. More concretely, we draw a comprehensive picture of performance effects – incorporating a broad performance measure covering sales growth, market share, and profitability – by examining effects of sales-marketing, sales-R&D, and sales-finance integration. To the best of our knowledge, this is also the first study including finance in a respective research setup. To shed more light on sales integration, going beyond the initial contribution of Ernst, Hoyer, and Rübsaamen (2010), we take a contingency perspective and examine the moderating effects of market- and technology-based innovativeness, representing different types of uncertainty. We use survey data from 304 firms to empirically test our research hypotheses. To validate our results, we include answers from second respondents as well as objective performance data.

Based on resource dependency theory (Pfeffer and Salancik 1978) and the concept of different thought worlds (Dougherty 1992; Homburg and Jensen 2007) of sales, marketing, R&D, and finance departments, we developed our hypotheses.

H1: Cross-functional integration between (a) sales and marketing, (b) sales and R&D, and (c) sales and finance is positively related to new product performance.

H2: The effects of cross-functional integration between (a) sales and marketing, (b) sales and R&D, and (c) sales and finance on new product performance are stronger when market-based innovativeness is high rather than low.

H3: The effects of cross-functional integration between (a) sales and marketing, (b) sales and R&D, and (c) sales and finance on new product performance are stronger when technology-based innovativeness is high rather than low.

We applied multiple regression analysis with interaction terms to test our hypotheses. Our results show highly significant positive effects for the relationship between sales-marketing, sales-R&D, and sales-finance integration and new product performance, confirming H1a, H1b, and H1c. Moreover, significant positive interaction effects of market-based innovativeness with sales-marketing and sales-R&D integration are shown, confirming H2a and
H2b. In contrast, a high degree of sales-finance integration under high levels of market-based innovativeness results in a significant negative interaction effect, still revealing a significant positive relationship for the main effect. Thus, the results lead to a rejection of H2c. The inclusion of technology-based innovativeness reveals similar moderating effects. H3a and H3b regarding sales-marketing and sales-R&D integration are confirmed. However, highly technologically innovative development implies a significant negative moderating effect on the relationship between sales-finance integration and new product performance, leading to a rejection of H3c.

Our results confirm the pivotal role of the sales function in innovative new product development and corroborate the hypothesis that it brings unique resources to cross-functional development teams. Sales’ customer orientation and listening to the “voice of the customer” is complemented by marketing’s strategic market and product perspective, R&D’s technical knowledge and finance’s analytical skills and cost perspective. While market- and technology-based innovativeness positively moderate the performance relationship for sales-marketing and sales-R&D integration, surprisingly and contrary to our expectations, our results show negative moderating effects for high levels of innovativeness on the performance impact of sales-finance integration. This may be the case as highly innovative, creative processes might not allow finance to fully apply its superior financial, risk, and cost management skills. In this case, strong sales-finance integration is likely to consume resources that are not used as effectively and to create significant opportunity costs that reduce overall performance. Our results indicate that the typical mantra “the more the better” does not necessarily hold true for cross-functional integration under all circumstances. References are available upon request.

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RESOURCES IN NEW PRODUCT DEVELOPMENT: AN INVESTIGATION OF RESOURCE FLEXIBILITY, AUGMENTATION, AND LEVERAGING

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SUMMARY

Nearly one half of firm sales and profits come from products launched in the past five years (Schmidt and Calantone 2002), suggesting that product innovation is the key to a firm's success (Henard and Szymanski 2001). With successful product development having a strong impact on the profitability of firms, research on new product development (NPD) is of continued interest. In order for a firm to innovate, a focus must be placed on firm resources and capabilities that facilitate enhanced NPD (Rumelt 1987). For the purpose of exploring the effect of resources and capabilities on NPD, we examine the NPD process outcomes of speed and cost. We define project speed as being based on the time taken during specific phases of the product development process from project conceptualization and initiation to product commercialization. Process costs are here defined as the costs associated with the various phases of NPD, including various aspects of development and commercialization.

Firms have various levels of technology and intellectual property at their disposal when developing products. Resource flexibility, as defined by the ability to deploy resources (e.g., Sanchez 1995; Johnson, Lee, Saini, and Grohmann 2003), is a characteristic that we incorporate in our study. Firm resources are considered flexible when they can be used in a variety of new product projects. Likewise, in order to succeed, firms must constantly press to expand and grow their limited base of resources. We therefore cast resource augmentation as the process of developing and expanding the existing firm’s resource base. Resource flexibility and augmentation may not be enough for a firm to successfully complete new product development projects, as many argue that managers must better use their resource base and not just acquire new resources (Calantone, Harmancojlg, and Droge 2010). Thus, we consider resource leveraging, the ability of the firm to utilize resources to their benefit, as a critical capability for a firm. We examine leveraging as it is important to have access to resources and to use them efficiently (Sirmon and Hitt 2003).

Using project costs and speed as dependent measures we examine the role of these resources in enhancing NPD outcomes. Although resource augmentation and flexibility add to the stocks and options needed to develop new products, they might not be enough to successfully develop improved products. An often overlooked aspect of resource management is that simply controlling them is not enough to achieve a satisfactory market position (Dierickx and Cool 1989). Resources in and by themselves are not strategically significant, nor are they adequate to create wealth. Thus, we must study what firms do with their resources (Calantone, Harmancojlg, and Droge 2010). The firm must be innovative in taking advantage of the limited number of resources available (Prahalad and Hamel 2005) and effectively use their resource stocks to their benefit. Therefore, we posit resource leveraging as a distinctive capability that a firm can use to gain a competitive advantage (Sirmon and Hitt 2003).

The sampling frame was based on a list of industrial and service firms in the European Union (EU). After purification of the list, because of incomplete company or informant data, email was sent to 729 firms, with follow-up email sent within a week. A total of 71 usable responses were obtained, resulting in a response rate of 9.74 percent.

Sample firms represented machinery, automotive, construction, chemicals, hi-tech, and other manufacturing industries. To test for nonresponse bias, we compared early respondents to late respondents on firm characteristics and found no differences, thus concluding that there was not a threat to nonresponse bias in the data.

Upon analysis of the data, some support was found for the hypothesized relationships and some contradictory results were found. Since NPD often involves the process of problem solving (Sheremata 2000), resource flexibility should benefit the process of NPD as it should increase the number of options where resources can be applied when needed. While testing the effect of resource flexibility to increase product development speed and to decrease costs, we found a significant relationship with speed, but in the opposite direction, and no support for cost savings. This suggests that resources with multiple uses might not have process costs advantages to firms and could even hinder development speed. The negative effect of resource flexibility on speed could be due to the time it takes to reconfigure and redeploy the resource for another application, since this type of resource is used in more
than one product (Chatterjee and Wernerfelt 1988). Additionally, the abundance of options could be problematic for managers who need to find quick solutions to challenges in the development process, but managers could become mired in the selection process and require more time to make decisions.

Consistent with our hypotheses, resource augmentation had a positive effect on product development speed. However, it had a negative effect on costs. Since resource augmentation is often directed by managers to develop and expand existing resource bases, it requires managers to pursue a focused path in augmenting the resource base to develop products quickly. The expansion of the resource base is known to come at a price to the firm and is thus consistent with Kessler and Bierly (2002), who suggest that a speed-based strategy comes at a cost because of the additional resources needed to gain faster development speeds.

Resource leveraging reduced NPD project costs but had no effect on speed, suggesting that firms developing new products can see cost benefits by increasing the use of available resources but see no improvements in speed. While testing the moderating role of resource leveraging on resource flexibility and resource augmentation with NPD process speed and costs, we found partial support for moderation of the link between resource flexibility and NPD process costs. Unfortunately, our findings do not support the moderation of the flexibility and NPD speed link. This partial support further reinforces the differential effect due to the interaction of a resource characteristic and capability on NPD. Measures, tables, figures, and references are available upon request.

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INCREMENTAL SERVICE INNOVATION, SERVICE EMPLOYEES’ INNOVATIVE ACTIVITIES, AND THE ENABLING FACTORS

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SUMMARY

Both practitioners and academics agree that service innovation is one of the key drivers for continual growth (Berry et al. 2006; Michel et al. 2008) and superior competitive advantage (Bitner, Brown, and Meuter 2000; Johne and Storey 1998). However, little is known about the role of service employees in a firm’s service innovation. This lack of attention is in spite of the recognition that service innovations often emerge in the daily practice of service employees (Bohmer 2010; Roth and Jackson 1995) rather than through deliberate R&D activities (Menor and Roth 2008; Toivonen and Tuominen 2009). Tucker and Edmondson (2003) found that 93 percent of all problems identified and solved by healthcare service employees during their daily practice were not elevated to a level in the organizations where a more generalized solution could be found, tested, and implemented.

Despite the potential contribution service employees can make to a firm’s service innovation, relatively little attention has been paid to service employees in the emerging literature of service innovation (Johne and Storey 1998; Cadwallader, Jarvis, Jo Bitner, and Ostrom 2010). This study addresses the gap in the literature by examining two related questions. First, how do service employees contribute to service innovation? And second, what managerially controllable factors influence service employees’ engagement in service innovation. We focus on small-scale innovations related to incremental improvement in service concepts or work processes as opposed to radical service innovation, because the nature of incremental service innovation is well-suited to service employees’ role of customer service provider (De Brentani 1991; Den Hertog 2000; Avlonitis et al. 2001).

To understand how service employees contribute to a firm’s incremental service innovation, we adopt an organizational learning perspective and delineate service employees’ knowledge generation and knowledge articulation as the two learning mechanisms that capture the new knowledge created by service employees, and transform it into incremental service innovation. We realize that although service employees’ knowledge generation and articulation are imperative for incremental service innovation, this is not taking place in many service organizations. In fact, there are considerable risks and disincentives for service employees taking on such innovative activities in organizations (Tyre and Orlikowski 1994; Crossan et al. 1995; Edmondson 1999). Drawing from Kahn’s (1990) framework of work engagement, we propose three factors, intellectual stimulation, open communication, and monitoring that promote employees’ participation in service innovative activities.

Hypotheses

H1: Knowledge articulation mediates the effect of knowledge generation on incremental service innovation.

H2: Incremental service innovation is positively related to profitability.

H3: Intellectual stimulation is positively associated with service employee knowledge generation and knowledge articulation.

H4: Open communication is positively associated with service employees’ knowledge articulation.

H5: Monitoring is positively associated with knowledge generation and knowledge articulation.

Data came from multiple sources in a big healthcare organization including: (a) self-reported data from frontline employees regarding knowledge generation, (b) key informant data from frontline employees for knowledge articulation, intellectual stimulation, open communication, and monitoring, (c) key informant data from frontline unit managers regarding service innovation, and (d) longitudinal financial archives for frontline unit profitability. After matching survey and financial data and excluding observations with missing values, 41 units with 411 responses (362 employee responses and 49 manager responses) provided usable data.

We used standard procedures including EFA and CFA to assess the psychometric property of the studied constructs. These constructs demonstrated acceptable level of construct reliability, convergent validity and discriminate validity. To account for the multi-level structure of data (frontline employees nested within units), we utilized a random-parameters model (Greene 2008), which accounts for individual-specific heterogeneity and allows for between- and within-unit effects.

The findings suggest that incremental service innovation is primarily driven by service employees’ individual knowledge generation and group knowledge arti-
calculation, and incremental service innovation, in turns, enhances a frontline unit’s profitability. We also found that intellectual stimulation and monitoring promote both knowledge generation and articulation, while open communication served as an enabling factor for knowledge articulation.

The findings of the study equip service organizations with new insights and guidelines to promote service employee-driving incremental service innovation in order to provide superior service offerings and maintain competitive advantage. First, the study highlights the important role of service employees in a firm’s incremental service innovation. Our findings suggest that service employees’ knowledge generation and knowledge articulation, if activated and nurtured, can be valuable sources for promoting incremental service innovation, which in turn, enhances a firm’s bottom line. Second, the study identifies enabling factors including intellectual stimulation, open communication, and monitoring, that promote employees engagement in knowledge generation and articulation. Finally, this study provides a framework for understanding how a firm can transform its market-based intelligence into financial outcomes. A firm can transform market-based knowledge into financial outcomes through encouraging and involving service employees in incremental service innovation. References are available upon request.

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SUMMARY

Over the last decade, there has been a spurt on the discussion about the value of, and return on, marketing investments. Stringent economic conditions have rendered companies even more concerned about marketing investment returns. Calls by executives about their need to measure the return on marketing investment (ROMI) coupled with efforts to advance marketing as a more prominent function in firms have triggered a strong scholarly interest on the link between marketing actions and firm performance, with particular emphasis on financial metrics. The magnitude of this interest is such that assessment of marketing returns and financial metrics have been among the top research priorities of the Marketing Science Institute in 2002, 2004, 2006, and 2008; and Journal of Business Research, Journal of the Academy of Marketing Science, and Journal of Marketing have devoted special issues to the measurement of the ROMI in 2000, 2005, and 2009, respectively.

Vast majority of the studies on ROMI are based on the efficient market hypothesis (EMH), which asserts that financial markets are “informationally efficient” and hence the stock price of a company fully reflects all publicly available information about the company. According to the EMH, favorable prospects of a company will drive its stock price up, and vice versa. Based on this premise, several studies based on the EMH have tried to predict the future performance of various marketing actions like brand extensions (Lane and Jacobson 1995), celebrity endorsements (Agarwal and Kamakura 1995), product placement in movies (Wiles and Danielova 2009), and new product introductions (Chaney et al. 1991; Sorescu et al. 2007).

Nevertheless, both the validity of the EMH and – more importantly – its relevancy has been cast aspersions. For instance, several scholars in behavioral finance (e.g., Barberis and Thaler 2003) have conceptually and empirically questioned EMH and argued that irrationality of investors may cause the stock prices to deviate from their most efficient values. On the other hand, Srinivasan and Hanssens (2009) caution the marketing scholars that stock returns are measured at firm or corporate level, while marketing actions are most of the time at product or brand level. Furthermore, Hanssens et al. (2009) call for future research to challenge the efficient market hypothesis.

Our study attempts to address this call by a multi-method analysis of the link between the stock price of a company and the future success of its marketing actions. On contrary to the previous studies, which examine how a marketing action triggers a change in the stock price of a company, we analyze the extent to which changes in the stock price can accurately augur the future success (or failure) of a marketing action. Specifically, we focus on new products, which have been identified as a key contributor to long-term firm sales, as well as to financial and stock market performance (Pauwels et al. 2004). We believe this study is highly relevant for both marketing academics and practitioners since it will help them better understand how and when the stock price fluctuations can signal the potential of a marketing investment. References are available upon request.

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LEARNING MARKETING MANAGEMENT AND LEADERSHIP PRACTICES FROM PEERS: THE CASE OF INDUSTRY PEER NETWORKS

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SUMMARY

In this research, we examine a unique resource for small business owners, industry peer networks (IPNs), and study how IPNs impact the performance of small businesses, in terms of implementation of marketing management and leadership practices.

Industry peer networks are a unique form of “parallel peers” in which the members of the network belong to a sub-segment in a given industry that draws on similar inputs to provide similar goods or services targeted to different sets of customers. These non-competing (and non-colluding) members gather regularly in small groups (typically 20 or fewer carefully selected members), in an atmosphere of significant trust, to share knowledge, exchange information about industry trends beyond their core markets, and discuss issues related to company performance.

In their own way, IPNs embody many important characteristics of mentors, advisory boards, and trade associations. Individual members often discuss their management issues one-on-one with specific peers whom they identify as mentors. Moreover, during a typical IPN meeting, a facilitator guides the members to present their operation/financial data, discuss their management, finance, and marketing issues, and provide constructive criticism of their business. In other words, the group members act as the advisory board for each of the members. It is also not uncommon for members to collaborate together to achieve a common goal, such as submitting business proposals together. Through face-to-face meetings and electronic communications in between the meetings, IPN members stave off problems of myopia and inertia by staying current with industry trends, learning vicariously from the experiences of their peers, and collaborating on mutually beneficial projects (Sgourev and Zuckerman 2006).

We studied the IPN phenomenon among the members of a “technology industry reseller” industry peer network whose member companies are located in the United States, Canada, the United Kingdom, and Australia. The members in the peer groups gather regularly each quarter for several days of intense face-to-face meetings. Peer group members also communicate with each other extensively throughout the year via electronic means. In addition, the IPN under investigation holds bi-annual “ALL” conferences in which all members of the peer groups convene together.

Data gathered for this study were generated from observations and interviews conducted during face-to-face peer meetings and sessions held during the ALL conference, along with numerous communications with the IPN founder, committee chairpersons, and peer group facilitators. Based on our understanding of the context, a longitudinal survey was developed to track the social interactions and the level of learning of the members. In addition, IPN members were asked to give permission to release their operation/financial data via a third party and these data were then merged with the survey database. The findings reported in this study are based on the survey and operation/financial data collected in January and April 2009.

In this research, we found that industry peer networks serve as an important source of new knowledge for the small business owners. New knowledge source diversity was identified as the best predictor in the baseline model, indicating that as IPN members are exposed to a more diverse set of knowledge sources, they achieve a higher level of perceived marketing and management learning. Nevertheless, as social embeddedness is added subsequently in the regression, the values of beta coefficients of source diversity decrease and those of socially embeddedness become statistically significant. Such findings suggest that industry peer networks provide a facilitating platform for learning in between meetings (such as setting up meeting agendas and working on IPN-related projects and approaching peers for professional advice about work-related problems).

As for the mediation models that test the implications of perceived level of learning, we found that the implementation of transformational leadership practices is partially mediated by the perceived level of management learning. The width of product portfolio, however, is not mediated by the perceived level of marketing learning. This research suggests that learning needs to be articu-
lated and internalized before transformational leadership practices are implemented successfully in their respective firms.

While a significant gain in knowledge about supplier information may be evident after just a few peer group meetings, the implementation of newfound leadership management knowledge demands significantly more efforts from the members. IPN members also must be aware that joining an IPN does not automatically improve firm’s performance. In order to learn and implement smart business practices, not only do members need to prepare for and provide critical advice to their peers during the quarterly face-to-face meetings, they must also network with their peers between the meetings by collaborating with them on a variety of activities so that the members can ask for advice whenever they need. References are available upon request.

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THE IMPACT OF PROACTIVE MARKETING AT THE FUZZY FRONT END OF INNOVATION

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SUMMARY

The central idea of market orientation is the dependence of companies’ success on their ability to satisfy the needs of target markets better than their competitors (e.g., Kotler and Keller 2006). Corresponding to this understanding, many studies find that market orientation leads to new product success (e.g., Gatignon and Xuereb 1997; Kohli and Jaworski 1990; Lukas and Ferrell 2000; Slater and Narver 1994). As the role of marketing departments in companies is to understand and satisfy customer needs, an early integration of these individuals into the new product development team increases the team’s market orientation and consequently yields innovation success (e.g., Nakata and Im 2010; Olson et al. 2001).

This view is challenged by a number of recent studies that find a negative correlation between marketing or customer integration and innovation performance (e.g., Atuahene-Gima 2005; Baker and Sinkula 2005; Spanjol et al. 2011). Explanations for this phenomenon include increased coordination effort (Song, Thieme, and Xie 1998), cultural differences and goal incongruity (Xie, Song, and Stringfellow 2003), the conservative mind of the customer and his or her inability to conceptualize ideas that go beyond their own experience (Knudsen 2007) which in turn hampers the realization of radical innovations (e.g., Christensen and Bower 1996).

In this article, a contingency perspective is taken to analyze whether the amount of proactivity of the marketing department impacts the interaction between the marketing department and the research and development department in a company (R&D-marketing interaction) on new product performance. More precisely, the relevance of taking a proactive marketing approach is investigated for collaborating in the early phases of product innovation. This front end of the product innovation process comprises the time between the first mentioning of the idea within the company and its approval or rejection to enter the development phase (Kim and Wilemon 2002) and is often referred to as the fuzzy front end because uncertainty and equivocality are high (Smith and Reinertsen 1998). Decisions taken in this period are said to have the highest impact on the overall innovation process (Cooper 2001; Reid and de Bretani 2004) and the tasks and characteristics of the front end are different from later innovation phases (Koen et al. 2001). For this reason, the impact of cross-functional integration can differ to that in other phases. This reasoning is in line with recent research that highlights the importance of more detailed research into success factors for the different phases of the innovation process (e.g., Brettel et al. 2011). Hence, this article focuses on the impact of R&D-Marketing interaction on market uncertainties and technical uncertainties at the front end of innovation and introduces proactive marketing as a moderator of this interaction.

To gather empirical evidence, 190 innovation projects in various industrial goods industries are investigated and the data was analyzed using hierarchical multiple regression analyses. The results indicate that R&D-marketing interaction does not per se reduce market uncertainties nor technical uncertainties, while proactive marketing does reduce uncertainties. Moreover, a moderating effect of proactivity is found which demonstrates that an integration of R&D and marketing at the fuzzy front end of innovation projects is beneficial when marketers take a proactive approach.

Therefore, innovation managers who set up an innovation team should carefully investigate whether the team members take a proactive approach. They should take a prudent approach toward R&D-Marketing interaction and should not foster cross-functional integration by all means at the fuzzy front end of innovation. Managers should assess the proactive orientation of the marketing department first. If marketers lack proactivity, they might oppose expedient innovations which are considered a threat to their current product lines or customer base. If they are proactive, they can contribute to the innovation in a savvy way by identifying latent needs of current and future customers and assuring that these needs are well-accounted for throughout the phases of idea generation, idea evaluation, product conceptualization and beyond. In addition, managers may need to identify ways to manage marketing in a proactive way and to motivate R&D and marketers to think proactively. References are available upon request.
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I DON’T NEED IT AND I DON’T WANT TO - EXAMINING EFFECTS OF SITUATIONAL AND COGNITIVE RESISTANCE TO INNOVATIONS

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SUMMARY

Since decades, the innovation literature reports high failure rates for innovations, ranging between 50 percent and 90 percent (e.g., Andrew and Sirkin 2003; Cierpicki, Wright, and Sharp 2000; Sivadas and Dwyer 2000). Yet, a closer look in the adoption literature reveals that most research focuses on positive outcomes of the adoption process and thus is subject to a so-called “pro-change” bias (e.g., Rogers 1976; Sheth 1981; Speier and Venkatesh 2002). In order to overcome “pro-change” bias we propose to incorporate the concept of passive innovation resistance. Passive innovation resistance is widely seen as generic innovation resistance evolving from an individual’s inclination to resist changes (cognitive resistance) and a status quo satisfaction (situational resistance). Despite scientific acknowledgement of the relevance of resistance to change and status quo satisfaction for new product evaluation, empirical research into this topic is surprisingly scarce (Bagozzi and Lee 1999; Ellen, Bearden, and Sharma 1991; Nabih, Bloem, and Poiesz 1997). More specifically, to the best knowledge of the author no empirical evidence currently exists on whether and how different types of passive innovation resistance affect consumer evaluations of new products. Hence, the aim of this research is to examine whether and how cognitive-, situational- and dual-passive resistance may influence new product evaluation.

We selected 307 individuals to participate in our Study, a 4 (type of passive resistance: low (control), situational, cognitive, dual) x 2 (degree of newness: low (INP), high (RNP)) between-subjects design. We used the scenario method, which ask participants to imagine themselves in hypothetical constellations and roles, to investigate the impact of varying the type of passive innovation resistance and the level of degree of newness on new product evaluation. In our specific case, each scenario asked participants to envision themselves inside an electronics retail store, in which they had decided to buy a new mobile phone that was available either with a traditional lithium-ion battery or with the new tin-sulfuric-lithium-ionic battery (INP) / kinetic-energy-harvester battery (RNP). Participants were randomly assigned to one of the eight consumer scenarios in line with Dreze and Nunes’s (2007) recommendations. At the beginning of the experiment, participants in all eight experimental groups reviewed background information describing the scenario, followed by scenario-specific manipulations. To provide realistic and effective experimental manipulations, we adapted our manipulations from prior experimental scenario studies and implemented several manipulation checks (e.g., Churchill and Surprenant 1982; Hess 2009; Phillips and Baumgartner 2002).

As the obtained data of our study demonstrated a non-normal distribution (D (307) = .210, p < .001) and heteroscedasticity (F (7, 299) = 5.416, p < .001), we utilized adjusted rank transform (ART) two-way ANOVAs for our statistical analysis. The results indicate a significant main effect for each type of passive innovation resistance on adoption intention (F (3, 306) = 16.94, p < .001). In the low passive innovation resistance condition, consumers are more willing to adopt new products (M_{PIRlow} = 6.76) than consumers in cognitive- (M_{PIRcognitive} = 5.35), situational- (M_{PIRsituational} = 5.38) or dual-passive resistance conditions (M_{PIRdual} = 4.60). While no significant difference for the effects of situational- and cognitive-passive resistance could be confirmed (F (1, 155) = .34, n.s.), dual-passive innovation resistance exhibited by far greater negative effects on new product evaluation than cognitive- (F (1, 154) = 9.68, p < .01) and situational passive resistance (F (1, 161) = 6.94, p < .01). Moreover, the proposed interaction of passive innovation resistance and degree of newness on new product evaluation was significant (F (3, 306) = 2.92, p < .05). According to our results, consumers in cognitive-, situational- and dual-passive innovation resistance condition prefer low levels of stimuli and thus INPs while consumers in the low passive innovation resistance condition prefer high levels of stimuli and thus RNP.

Understanding how different types of passive innovation resistance affect new product evaluation offers important implications for both theory development and managerial practice. From a theory development perspective, our controlled experimental scenario study enabled us to test causal effects of different types of passive innovation resistance on new product adoption. The findings reported herein increase our sparse knowledge on how cognitive-, situational- and dual-passive innovation resistance affects new product evaluation. All three types were shown to substantially decrease attitude formation, whereas dual-resistance was shown to be the most crucial type of passive innovation resistance. From a managerial perspective, innovation managers have to be aware that it
is not sufficient to offer new products with a superior relative advantage as it has long been suggested in the literature of innovation adoption (e.g., Ostlund 1972; Rogers 2003). Our findings provide evidence that passive innovation resistance emerges from either cognitive-passive resistance or situational-passive resistance, inhibiting favourable new product evaluation. Hence, consumers often act irrational in the innovation adoption process and over-rate products they already possess while under-estimating the new benefits offered by an innovation due to perceived changes in behavior necessary to use the product. A possible solution to passive innovation resistance would be to reduce negative effects from both cognitive and situational resistance. Innovation managers may use mental simulation or categorization cues to reduce effects of cognitive-passive innovation resistance, while using benefit comparison to reduce situational resistance. References are available upon request.

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THE PRICING OF SOFT AND HARD INFORMATION: LESSONS FROM SCREENPLAY SALES

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SUMMARY

Aesthetic evaluation is central to the motion picture industry. However, the industry does not usually create art for art’s sake—it processes complex inputs from many different fields of art with the ultimate goal of making a profit. Our major findings highlight the dual role of soft and hard information in the successful sale of intellectual property—the screenplays. The screenwriter’s experience and past success, which can be easily expressed in measurable terms, are very important, and increase the prices paid. However, the presence of soft information in the sales pitch, as indicated by our proxies, depresses prices. That is, screenplays characterized in “softer” terms, particularly if they are written by lesser-known writers, command substantially lower prices. Various manifestations of soft information are also shown to increase the probability of a contingent contract. This suggests that contingent contracts may allow contracting in an environment where uncertainty and asymmetric information interact. However, reputation increases the probability of receiving cash upfront.

We also link the economic performance of films with screenplay characteristics. We find that pricing is efficient, even in an industry with a complex production function relying fundamentally on soft information. Our findings suggest a few managerial implications for the movie industry as well as other industries, in particular ones which produce intellectual property. First, we are able to justify the movie industry emphasis on short pitches as an effective selling tool. Our analysis suggests that when one pitches a product, a short, concise, and simple description increases the sales price, in particular for intangible products. This could be applicable for selling anything from a new drug to a new book. In our empirical work we show that this high pricing for short pitches may be justified—the screenplays that cost more were predominantly the ones that resulted in more successful movies. In other words, it seems audiences too prefer simple “high concept” stories. In a more general sense, our results suggest that “soft” elements in marketing products are important and have a significant impact on the price paid. The finding that more experienced writers fare better is less surprising.

Finally, it matters to whom you sell. We affirm the theoretical predictions and evidence from the banking sector that small organizations can handle “softer” pitches better, perhaps because the hierarchy is much less of an issue and sellers may interact directly with the people who make the final decision. References are available upon request.

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THE ENTRANT’S PRICING DILEMMA: LINKING LOW PRICE ENTRY STRATEGIES TO AGGRESSIVE PRICE RESPONSES BY INCUMBENTS

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SUMMARY

We investigate the entrant’s dilemma created by penetration pricing. Penetration pricing is a common strategy where firms enter into a market with relatively low prices. Setting a low price offers several advantages for entrants. For example, beating competitor’s prices reduces consumers’ risk of trial and gives consumers a monetary incentive to switch brands (Blattberg and Neslin 1990). Low prices thus help entrants to gain a foothold in the market and to build scale, especially when demand is price elastic (Moore 1992). However, there are also drawbacks of low price market entry. Low prices send an obvious signal of aggressiveness and can pose a substantial threat to incumbent firms (e.g., Ailawadi, Lehmann, and Neslin 2001). Consequently, low entry prices likely trigger hostile pricing responses by incumbents (Leeflang and Wittink 1992).

If incumbents reduce prices in response to entry, the entrant faces a severe dilemma: If the entrant does not readjust its prices, it will lose its competitive advantage and risk being pushed out of the market by the incumbent. If the entrant does readjust its price to reclaim its price advantage, this might trigger downwards spiraling prices, ultimately resembling a price war (Heil and Helsen 2001). In this price war, experience-curve cost-effects are likely to favor the incumbent (Kerin, Varadarajan, and Peterson 1992). As a result of the entrant’s pricing dilemma, new product failure rates are “notoriously high” (Ernst, Hoyer, and Ruebsaamen 2010, p. 81).

In our research, we explore this dilemma and suggest ways to both reap the benefits of low price market entry and avoid aggressive price reactions by incumbents. Specifically, we extend knowledge in three important ways.

First, we particularly focus on market entry pricing and expand the currently narrow understanding of market entry with relatively low prices. Previous research has limited low price entry strategies exclusively to penetration pricing (e.g., Hultink et al. 1998; Liu 2010; Noble and Gruca 1999). This low level of complexity is surprising for several reasons. Most importantly, it does not mirror common practice in many markets that are characterized by largely homogenous products and a price elastic demand. Additionally, in non-entry settings a wide array of low-price strategies is discussed. Examples include exclusive price promotions (Barone and Roy 2010), non-linear pricing (Gu and Yang 2010), and reward point promotions (Zhang and Breugelmans 2012). Yet, it remains unclear to what extent these insights can be transferred to a market entry context given significant differences in the management of new and existing products (e.g., Homburg, Fuerst, and Prigge 2010). In view of the above, we classify three especially relevant forms of low price entry strategies based on in-depth interviews with 32 experts from various industries: bonus pricing, introductory pricing, and price-matching guarantees (PMGs). With bonus pricing firms do not lower the absolute price level but lower the relative price for value compared to incumbents by increasing product value through a “bonus.” This bonus can be an increased package size or free after-sales services. Firms entering with introductory pricing set an exceptionally low price during a preannounced time frame in order to test customer acceptance and enhance customer trial. When the time frame ends, prices are typically raised. PMGs are announcements that the entrant will match any lower competitive price.

Second, we contribute to literature on competitive interaction between entrants and incumbents. Pricing decisions are especially important to competitive interaction, as price actions trigger competitive reactions more often than other instruments of the marketing mix (Kuester, Homburg, and Robertson 1999; Leeflang and Wittink 1992). Yet, empirical evidence on competitor assessments of price attacks remains inconclusive. On the one hand, competitors seem to generally interpret penetration pricing as an aggressive move calling for reciprocal retaliation (Hultink and Langerak 2002). On the other hand, some authors explicitly ask for more research on the “underlying causes of an observed absence of reaction” to price promotions attacks (Steenkamp et al. 2005, p. 51). Based on an experiment with 358 graduate and MBA students, we find that entrants can “camouflage” their aggressive entry signal when choosing innovative low price entry strategies compared to entry with classical penetration pricing.

Third, we study how incumbents react to low price entry strategies. Previous literature has extensively investigated determinants of incumbent reaction, including entrant’s launch decisions (Shankar 1999). Pricing decisions are especially important to competitive interaction,
as price actions trigger competitive reactions more often than other instruments of the marketing mix (Leeflang and Wittink 1992). Low prices have been consistently found to cause aggressive and retaliatory responses (e.g., Hultink and Langerak 2002). We contribute to academic research by showing that incumbents do not react in the same way to all low price strategies, but unique low price entry strategies trigger unique competitive reactions. Particularly, we find that market entry with bonus pricing, introductory pricing, and a PMG significantly reduces the strength of competitive reaction compared to classical penetration pricing. Consequently, we show that these innovative low price entry strategies help avoid the entrant’s dilemma. References are available upon request.

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ACCEPTING OR FIGHTING PIRACY: CAN FIRMS REDUCE PIRACY FOR DIGITAL MEDIA PRODUCTS BY OPTIMIZING THEIR MARKETING?

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SUMMARY

The challenge for the media industry is to find strategies to optimally compete with pirates. The major players in the media industry actively lobby via their associations MPAA and RIAA for strict copyright enforcements and stronger punishments of pirates. However, consumers (and pirates) argue that the offered products are not optimally designed to meet their preferences (Clement et al. 2012). The pressure to compete against pirates is high, especially with the advent of file sharing and, recently, locker services that allow users to efficiently and massively share their media files illegally (IFPI 2011). These new technologies have substantial effects on consumer behavior (Papies et al. 2011; Bhattacharjee et al. 2007). Interestingly, prior research mainly focused on understanding piracy behavior and addressed the effects of digital rights management systems (DRM, Sinha et al. 2010), legal actions (Sinha and Mandel 2008), or free services on downloading intention (Gopal and Gupta 2010; Clement et al. 2012). However, the key question for the industry players remains whether and how firms should change their marketing strategies in order to better compete against pirates. Thus, should firms fight piracy by providing specific offers to piracy segments or should they simply accept a certain level of piracy because they will not be able to gain more business due to cannibalization effects?

In order to address this research question we develop a conceptual framework and model for media choice in which we account for pirated alternatives. More specifically, we analyze the effects of different (1) timing and (2) pricing strategies on consumers’ choices while controlling for piracy effects. We focus on pricing and timing decisions as the main two strategic instruments in applying a sequential release strategy. Both play a major role in many entertainment industries such as the motion picture (Elberse and Eliashberg 2003) or book industry (Clerides 2002) in which products are sold for different prices at different times (e.g., hardcover versus paperback books). We empirically test the validity of the model in two large representative samples of 2,521 (1,623) consumers in the motion picture (book) market collected in Germany in 2011. Subsequently, we use the empirical results to predict consumer choices and simulate (piracy corrected) revenues for more than 17 million potential market configurations, which differ in terms of timing and pricing of the market options, and identify those scenarios with the highest sales for the industry, both with and without addressing piracy.

Although the motion picture and book industries are quite different (e.g., the digital distribution channel is relatively new in the book market, while movie downloads are established in the motion picture market) consumer reactions toward piracy are very consistent in both contexts. This is even more surprising, since the price levels (e.g., higher in the book market), the target audience (older for the book market) and the novelty of digital product versions (newer in the book market) differ between the two markets. The results indicate that about 1/3 of the revenue potential is lost accordingly, thus, piracy has a large effect in both industries. Addressing this problem explicitly and trying to optimize the piracy corrected revenue with timing and pricing decisions has only limited impact. The optimal results that can be achieved are not much different than maximizing the revenue without piracy consideration and only lead to a 1–2 percent revenue gain. Thus, from a managerial perspective, piracy can be neglected because maximizing revenue also leads to higher piracy corrected revenue. Consequently, although timing and pricing decisions have a large effect on the overall revenue, they cannot reduce the relative loss due to piracy, which remains a constant problem in all scenarios we have examined. References are available upon request.
FRAMING EFFECTS ON EVALUATION OF COUPON OFFERS: ASSESSING THE PERFORMANCE OF ALTERNATIVE FACE VALUE FRAMES

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SUMMARY

This paper is concerned with coupon effectiveness and in particular framing of coupon face value. Coupon face value has been identified as the most critical determinant of coupon redemption rate but very little is currently known about how different face value frames influence coupon attractiveness, evaluation and redemption.

Considered generally, the term framing refers to individuals responding differently to alternative descriptions of the same decision problem. The framing of alternatives is found to affect choices in many and diverse domains, such as health precautionary behavior, credit card usage, product and service evaluation, donations to non-profit organizations, and new product adoption. Framing of discount promotions has been the focus of several studies, which addressed the presentation of the savings of promotional offers, also known as deal semantics. However, very little attention has been paid to the related issues of coupon design and framing.

The present study considers three alternative face value frames: “cents off,” “percentage off” and “reduced price.” In all three cases, consumers save the same amount of money, acquire the same amount of product units and receive the same reference price information. Thus the deals are totally equivalent and the “pure” framing effect can be detected. The “cents off” face value frame informs consumers about the actual monetary savings received by redeeming the coupon. The “percentage off” frame is an indication of the relative attractiveness of the offer. The “reduced price” frame is equally popular in business practice but it has not so far been considered in the framing literature. However, very little attention has been paid to the related issues of coupon design and framing.

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The results of the experiment are revealing. Different frames are effective in terms of perceived savings, attitudes toward the offer, and redemption intention when the

American Marketing Association / Summer 2012
price level of the promoted product is considered. The "reduced price" frame can be considered as a peer of the "cents off" frame, both for high and low-priced products. In the case of high price products, the latter frames outperform the "percentage off" frame. It is conceivable that discounts of high price products are more noticeable and influential framed in absolute terms. In the case of low price products, we observe the opposite. It is equally clear that discounts of low price products are more noticeable and influential framed in relative terms. It is also useful to note that contrary to our expectations, the "reduced price" frame performs unexpectedly well. The results suggest that potential difficulties in consumer evaluation of such frames have been overestimated. We respect to the discount size, it is demonstrated that moderate and high sizes do not distort framing effects. Note also that discount size improves promotional effectiveness as larger savings enhance the desirability of the coupon offer. One may here parenthetically note that sufficiently large discount sizes may fill the attitude-to-intention gap observed in previous studies and be able to trigger a behavioral response. Finally, by performing meditational analysis, the study sheds light on the effects of frames on the antecedents of behavior. It appears that transaction value influences attitude toward the offer, which in turn determines redemption intention.

The results lead to some useful managerial implications. Marketers can design more efficient coupon campaigns by matching the right frame with the right price level. It has been demonstrated that framing and price levels influence every stage of the coupon evaluation process. In particular, coupon face values framed in percentage terms are more effective for low-priced products. Reduced-price and cent-off frames appear more effective for high-priced goods. Finally, managers can use face value as a means of improving coupon effectiveness as long as the incentive is plausibly high. References are available upon request.

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I THOUGHT IT WAS ALL OVER AND NOW IT IS BACK AGAIN:
CUSTOMER REACTIONS TO TIME EXTENSIONS
OF SALES PROMOTIONS

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SUMMARY

Sales promotions are a ubiquitously used marketing tool. Firms often rely on promotions in order to directly impact customer behavior. A common practice in many industries is the time extension of sales promotions. Here, firms decide to postpone the initial deadline of a promotion after the announced promotion period has been expired. Such extensions of sales promotions are not restricted to certain industries but are heavily used by, e.g., telecommunication providers, media or leisure travel firms as well as (online) retailers. For example, the electronic manufacturer Panasonic has postponed the initially announced deadline of offering a free Blu-ray Disc for every purchase of a HD Blu-ray Disc Player from the end of February to end of April.

Announcing a short promotion period and then extending the deadline of the sales promotion seems to be beneficial for firms for two reasons. First, past research found promotions with short periods to affect customers to accelerate their purchases (Aggarwal and Vaidyanathan 2002). Second, according to Inman and McAllister (1994) customers show a tendency to buy shortly before a promotion expires. Consequently, firms extending the deadline of a sales promotion expect to profit (1) from two shorter promotion periods, as well as (2) twice from the revenue peaks shortly before the expiration dates.

However, so far research on sales promotions has neglected the issue of extending a sales promotion on (potential) customers and empirical evidence of the consequences for firms is lacking. However, researching these effects is important as based on regret theory we cannot only assume positive but also negative effects of postponing the deadline of a sales promotion. We therefore strive to shed light on the effects of extending a sales promotion on potential customers’ as well as existing customers’ attitude and behavior.

We draw on regret theory to develop our hypotheses. Regret is an emotion individuals feel when they “realize or imagine that [their] present situation would have been better had [they] made different decisions” (Zeelenberg and Pieters 2006, p. 210). Building on regret theory, we assume that existing customers who bought within the initial promotion period will experience higher levels of regret when the deadline of a promotion is postponed, whereas potential customers’ regret of not having bought the product within the first promotion period will decrease when a promotion period is extended. Moreover, we assume the negative effect of extending the sales promotion on existing customers’ attitude to be stronger when customers have accelerated the purchase than when they have not accelerated the purchase.

To analyze the effects of extending a sales promotion on potential customers’ as well as existing customers’ attitudes and behaviors, we conducted two laboratory experiments. In the first experiment, we employed a 2x2 factorial design and manipulated customer type (potential customer, existing customer) and sales promotion time extension (no time extension, time extension) using a scenario approach. We measured attitude toward the firm, recommendation and purchase behavior as dependent variables. A total of 192 students with an average age of 21 participated in the study. Eighty-one point eight percent of the participants were female. Supporting our hypotheses, the results of the two-way ANOVA show that existing customers’ and potential customers’ attitude toward the firm are affected differently by a time extension of a promotion, that is, existing customers’ regret increases and potential customers’ regret decreases if a promotion is extended. We could also confirm mediating effects of attitude toward the firm on customers’ purchase and recommendation behavior.

In our second experiment, we concentrate on the potential negative effects of sales promotion extension on existing customers and analyze purchase acceleration as a contingency factor. Again, we conducted a laboratory experiment with a 2x2 factorial design. We manipulated sales promotion time extension (no time extension, time extension) and purchase acceleration (no acceleration, acceleration). In total, 256 participants with an average age of 30 participated in the study. Fifty-one point six percent of the participants were female. We conducted a two-way ANOVA with attitude toward the firm as dependent variable. The interaction effect between extension of sales promotion and purchase acceleration is significant. However, the direction is opposite to our assumption. When a sales promotion is extended, we do not see a difference in customers’ attitude toward the firm among...
customers who have accelerated their purchase compared to those who have not. In contrast, when the sales promotion is not extended, customers who have accelerated their purchase have a more negative attitude toward the firm compared to those who have not forwarded their purchase date.

The results of our two experiments allow for the following implications: First, when firms are extending their sales promotion they should consider the positive as well as the negative effects. Extending the deadline of a sales promotion can mean losing some of the newly acquired customers as their action regret increases. Consequently, firms should carefully evaluate the return-on-marketing of an extension of a sales promotion. Second, firms could attempt to fence potential customers from the existing customer base in their communication and only inform potential customers about a postponed deadline. Third, future research should develop and test creative means to reduce or avoid negative effects of extending the duration of a sales promotion. For example, research could compare the effects of extending the same promotion with the effects of offering a reframed promotional offer. References are available upon request.

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PURCHASE BEHAVIOR AND PSYCHOPHYSIOLOGICAL RESPONSES TO DIFFERENT PRICE LEVELS

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SUMMARY

The reference price concept and how consumers react to price changes from a reference price has been widely studied in economics and marketing. This information is important for companies in planning pricing strategies and timing pricing changes.

Prospect Theory, introduced by Kahneman and Tversky (1979), suggests that consumers react more to losses (high price levels) than to gains (low price levels). The phenomenon has been extensively studied by statistically modeling scanner panel data of frequently purchased grocery products. However, empirical results are mixed; some concluding that consumers are more responsive to losses and others that consumers are more responsive to gains, while some of studies report symmetric behaviour (Bell and Lattin 2000; Mazumdar and Papatla 1995; Putler 1992; Terui and Dahana 2006).

Our study will extend the research on the discussion above. Our aim is not only to look at the behavior around reference price (normal selling price) but also to understand the emotional responses elicited by low and high prices, and brand. In this study we apply psychophysiological measures to study the emotional responses.

Even though recent research on emotions has identified, for example, that emotions have a significant role in decision making (Vohs, Baumeister, and Loewenstein 2007), the current pricing literature has paid only limited attention to the role emotions play in how people respond to prices and price information. The advent of psychophysiological measures in psychology has made it possible to include reliable measures of emotions also in pricing research. Psychophysiological measures can potentially add a new dimension to our understanding of emotional processes – a dimension that we cannot necessarily tap if we only record behavioral responses. Their use may lead to a more complete and objective understanding of consumer desires, and may consequently assist companies to adjust their strategies.

The research was conducted as a laboratory experiment. The idea in the experiment was to study participants’ purchase behavior and psychophysiological reactions when product’s price levels were changed for national brand and store labeled products in seven different product categories. Altogether 33 right-handed healthy business students participated in the experiment. A 7 (Product Category) × 2 (Brand) × 15 (Price) within-subjects design was employed.

The participants were asked to imagine them grocery shopping in a local supermarket and having 40 to spend (their endowment). In each trial, they were shown a picture of a product with a price and they were asked whether they want to buy the product or not. All participants were presented with 224 trials in a random order. While the participant conducted the experiment their facial electromyographic (EMG) activity and electrodermal activity (EDA) were recorded. In return for their participation, the participants could keep the purchased products and that part of the endowment they had not spent when leaving the experiment.

All data were analyzed using the Generalized Estimating Equations (GEE) procedure in SPSS. In the GEE procedure, the dependent variable is linearly related to the factors and covariates via a specified link function. The GEE approach requires the specification of the correlation structure of the repeated observations of the dependent variable, distribution of the dependent variable, and link function. The GEE models were introduced by Liang and Zeger (1986), and the method has received wide use in medical and life science research (Ballinger 2008).

In 38% of the trials (n = 224), the participants chose to purchase the product and, in 62 percent of the trials, not to purchase the product. The frequency of purchases varied across product categories and brands. When analyzing the results, we considered the direct influence that emotions have on purchase decision and the influence that price and brand has on the elicitation of emotions. We found that increased zygomatic EMG activity (an index of positive emotions and approach motivation) predicted an affirmative decision to purchase a product. However, emotional arousal as indexed by EDA did not have a significant impact on purchase decision. In this study, this may be due to the low value of items purchased (the average price of products was 1.72 ) as previously EDA has been found to be an important construct for the explanation of buying behavior (Groeppel-Klein, 2005). When we looked at the elicitation of zygomatic EMG activity, we found that low prices elicit significantly more zygomatic EMG activity than high prices. Peine et al. (2009) had similar finding in their research where partici-
pant in self-reports expressed that a price increase lead to changes in price affect. In our study, the increased zygo-
matic EMG activity was grater for national brand products than for private label products. As brand products are seen
to provide comfort, security, and value (Hankuk and Aggarwal 2003) the greater emotional attachment seems natural.

Price and brand have also direct influence on purchase decision. The results suggest that a low price level and private label product predict affirmative purchase decision. As private label products are cheaper they may induce direct positive influence on purchase decision. However, the national brand products seem to elicit more positive emotions. It may be that via increased positive emotions/approach motivation the reaction to price changes is stronger for national brand products than for private label products.

The identified behavior around a reference price in our study supports some of the previous findings that consumers react more strongly to price decreases of national brand products compared to private label products (Bronnenberg and Wathieu 1996) and that consumer behavior around a reference price is mixed (Halme and Somervuori 2009; Hankuk and Aggarwal 2003; Klapper et al. 2005). Our experiment highlights that not only low price levels but also high price levels have a larger effect on demand for national brand products compared to private label products. That being so, all price changes are more critical for national brand products than for private label products. In addition, the results indicate that the consumer purchase behavior around a normal price is more gain seeking for national brand products, whereas it is more loss averse for private label products. The results suggest that emotions may have a role in loss averse/gain seeking behavior.

This research highlights the importance of emotions in purchase decision process and on the role emotions play in how people respond to prices and price information. Our work is a good example of how psychophysiological measures may be applied in marketing and pricing research. References are available upon request.

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SOlAl COMMONALITIES AND SUBJECIVE DISCOUNTING

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SUMMARY

In many retail transactions, such as those involving jewelry, furniture, furs, antiques and estates, automobiles, pawn sales, and artwork, sales associates are usually able to offer their customers subjective price accommodations without needing to obtain managerial approval for doing so. The literature is replete with articles showing that customers often expect financial discounts from sales associates with whom they maintain relational ties, based on a working history, or with organizations with which they have an established purchasing history, such as by participating in the organizations’ loyalty programs or brand communities (Berry 2002; Gwinner, Gremler, and Bitner 1998; Mulhern and Padgett 1995; Verhoef 2003). In addition, in many cases, families and close friends have come to expect financial discounts from some retail sales associates under the auspices of “family-and-friend” specials, such as those offered to General Motors’ and Macy’s employees.

However, a dearth of knowledge remains about whether customers who maintain weak social ties to sales associates also expect to receive price accommodations during marketplace exchanges. Nearly 20 years ago, Goodwin (1996) speculated that commercial friendships, or so-called commonalities between service providers and customers, require time to develop, but when in place, they profoundly influence working relationships so that, quite often, customers exhibit organization loyalty and resistance to switching when they sense commonalities with particular employees. Furthermore, customers who share close commercial friendships with service providers often expect demonstrations of appreciation, perhaps in the form of unexpected discounts or even birthday presents (Price and Arnould 1999). Although these investigations remain valid, we speculate that the recognition of some shared social commonalities between customers and retail employees may occur within a single marketplace occurrence and, similar to long-term commercial friendships, may provoke customers to believe that they are entitled to resources in the form of discounts.

We draw on marketing and anthropological theory to argue that customers who realize that they have commonalities with employees (e.g., through Facebook or LinkedIn linkages), shared life experiences (e.g., chronic diseases, physical handicaps, university attendance, fraternity membership), or shared lifestyles (e.g., affinity to a sports team, sexual orientation) may believe that they are entitled to price accommodations from these employees merely by virtue of shared commonalities. Furthermore, we extend the commercial friendship paradigm and service nepotism theory (Rosenbaum and Walsh 2011) by showing the extent to which customers believe that they are entitled to discounts from retail employees simply because they share weak, nonfamilial, social commonalities with them. We also show that this sense of entitlement derives from customers’ perceptions of shared commonalities as an impetus that propels them into an organization’s so-called best status.

We speculate that the recognition of any sociocollective commonality between customers and retail employees during marketplace exchanges may be sufficient to encourage customers and like employees to band together in consumption settings, in turn resulting in the receipt and offer of discounts, respectively. To understand this speculation, we turn to group nepotism theory (Jones 2000), which derives altruistic behaviors from a sociocollective level – for example, people who share commonalities, such as Facebook, Twitter, or LinkedIn connections, fraternity/sorority memberships, shared lifestyles, or hobbies. Surprisingly, group nepotism theory posits that at this level, even weakly bonded kin are inclined to share resources with each other.

We explore three research questions in this study. The first asks whether the mere knowledge of shared commonalities between customers and retail employees results in customers believing that they are entitled to relational benefits, such as price discounts. The second asks whether the knowledge of shared commonalities between customers and employees results in customers believing that they are entitled to discounts because they view themselves as favored by employees as best customers. The third research question asks whether the knowledge of shared commonalities between customers and employees results in customers believing that they are entitled to discounts, even when they know that employees may confront job termination when providing them with the discounts.

To address the research questions, the study employs survey methodology. As a result, 199 respondents answered the survey in the first condition, 229 answered the survey in the second, and 153 answered the survey in the third, for a total of 581 respondents (49.5% male, average age 21.8 years). Respondents read a scenario...
explaining that Pat was a sales associate in a jewelry store. In the first condition, respondents were told that Pat could offer customers a discount on jewelry without managerial approval. This condition explores the extent to which consumers believe that they are entitled to price accommodations because of their shared commonalities. In the second scenario, respondents were told that Pat could offer customers a discount without managerial approval but that the discount was reserved for the store’s best customers. The third condition mirrors the second, except that in this condition, Pat told the customer that he could get fired for disregarding the organization’s discounting policy. After reading each scenario, respondents considered whether they as customers felt entitled to receive a discount from Pat because they shared 12 different commonalities with him (yes or no).

Overall, the findings reveal that respondents believed that they were entitled to monetary discounts simply because they shared social commonalities with the retail employee. The results also show that respondents believed that commonalities catapulted them to “best-customer” status. Finally, many respondents believed that they were entitled to discounts despite placing the employee’s job at risk. References are available upon request.

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PRICE-QUALITY RELATIONSHIPS AND THE PRICE HEURISTIC

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SUMMARY

Correlations between price and quality (PQ) have traditionally been noted to be low. Yet consumers stubbornly persist in utilizing price as a highly important cue to quality. Arguably, price is an especially important and determinative choice heuristic since it is doubly “usable” to customers: price is both available at the point of purchase and has immediacy to the choice decision at the precise time the decision is being made.

Price is especially relevant in instances where buying decisions are made quickly. A “good buy” is often contingent on getting a discounted price, especially for many branded fashion goods offered in limited quantities. Retailers often purposely configure buying decisions to be made in a short time frame by offering marked down “specials” and placing items temporarily “on sale.”

Finding a discounted high quality brand can certainly be an exciting “find” for consumers. Hence price cuts can be an effective marketing tactic. Consistent with dual process models of cognition (Kahneman and Fredrick 2005), store managers may effectively motivate quick buying decisions that are intuitively appealing and impulsive. They may thus be able to overcome much more careful and deliberative cognitive choice processes.

Managers may use price deals to stimulate positive and memorable shopping experiences and thus bolster their brand. While discounted prices can be an especially important motivator to these “quick choice” situations, dropping prices can also be a problematic decision for brand managers. Lowering prices significantly affects perceptions of quality. Yet store managers regularly drop prices in response to lower than expected sales volumes. Prices need to be strategically assessed by managers in this context. Managers clearly need better tools to improve branding decisions.

This study revisits the extensive history of the PQ literature to serve this goal. Several researchers have contended that low PQ correlations are evidence that markets are inefficient (e.g., Ratchford and Gupta 1990). This study takes a different approach.

The effort was not to assess the so-called “efficiency” of markets as they are related to PQ relationships. Instead, price and quality were examined in the context of developing a better understanding the changing spectrum market offers. PQ correlations and scatterplot data were explored as potentially simple and useful analytic tools to aid what are often fast and immediate decisions of marketing managers.

These tools are especially useful in conditions when prices are subject to quick managerial revision. The issue is especially relevant to many situations that have emerged in which prices are subject extraordinarily rapid change. For example, in the merchandising strategy of what has been called “fast fashion,” rapid price change is an especially important. PQ relationships would naturally be highly unstable in this context.

Utilizing data from Consumer Reports, PQ relationships were examined in several categories, and longitudinally where possible. Looking at a wide range of data over the past three decades, PQ relationships were seldom stable or persistent over time. PQ relationships appear to rapidly and competitively change. Additionally, some surprisingly high PQ correlations were occasionally found. In this context, PQ measures were considered a “snapshot” of short term market performance.

While PQ correlations alone are simple and useful quantitative measures, they have their limitations in categories in which a limited number of brands compete. The number of products competing in many product categories (and subcategories) may consist of a rather small number. This commonly produces an “n” value of data observation points that are below the standard that a rigorous statistical analysis would require. Counter-intuitively, a low level of PQ correlation is not always exhibited in categories with few competitors.

As illustrated by the example of the Anscombe (1973) quartet, datasets with identical statistical properties can be different when visibly graphed. In fact, the visual inspection of PQ data in a scatterplot form reveals that even strong correlations may not be linear. Particularly if the cost of achieving higher levels of quality in a category varies, a curving PQ relationship would be expected.

Scatterplots are discussed as a complementary analytic PQ tool. Scatterplots are able to visibly picture or represent the range of competitive offerings that compose a market. Scatterplot charts also have the advantage of allowing a quick and easy identification of the “non-efficient” outliers in the price to quality spectrum. Additionally, scatterplots often suggest to managers some
immediate competitive opportunities. This is illustrated in situations in which PQ product cluster into high and low-priced offers. Such competitive clusters are suggested by Porter’s “generic” approach to cost and differentiation strategies.

Finally, there are times that the PQ relationship could reasonably be expected to be quite low. During times of technology change, during times of scarcity, and during new product introductions, prices could be expected to be at least temporarily high. A strong PQ relationship would theoretically appear to be conditional. PQ correlations and scatterplots were found to be valuable tools to examine changing competitive strategies.

Finally, PQ decisions are particularly relevant as consumers are increasingly empowered by digital devices. Online consumer reviews and social networking increases information diffusion substantially. Potentially important are convenient mobile devices and apps that can provide fast access to product reviews. These can aid immediate shopping decisions and alter these PQ relationships in some categories. References are available upon request.

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PRODUCT MASKING: EFFECTS OF CONSUMER EMBARRASSMENT ON SHOPPING BASKET SIZE AND VALUE

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SUMMARY

Consumers experience feelings of embarrassment in many social situations, including shopping in a retail setting. Embarrassment is a socially-dependent emotion capable of motivating people to engage in behaviors aimed at reducing or avoiding social rejection and judgment, some of which affect what and how consumers buy products. Wilson and West (1981) were early in formally addressing the topic of “unmentionables” as it relates to marketing by categorizing these products as (1) those considered unacceptable by society, but tolerated and sought after, and (2) those that are accepted by society, but that the buyer is reluctant to acknowledge. Despite social classifications, both carry the ability to create feelings of embarrassment for some consumers, especially when the purchase must be made in a social setting like a convenience store, pharmacy, or similar retail establishment. According to Goffman (1959), when individuals are involved in any kind of social interaction, they engage in certain practices in order to avoid being embarrassed or embarrassing others. In this view, people modify their behavior to control the outward impression given to others.

Because embarrassment is a strong socially-dependent emotion, it is capable of motivating people to engage in behaviors aimed at reducing or avoiding social rejection, judgment, or increased levels of the emotion. For example, Lewittes and Simmons (1975) conducted naturalistic field studies of men buying “girlie” magazines. They found that college-aged men who purchased girlie magazines were more likely to request a bag than men who purchased other types of magazines. They were also more likely to purchase other items like gum or candy. They concluded that requesting the bag and purchasing other items was an attempt to avoid negative external evaluations, avoid embarrassment, and disguise or “mask” the true nature of their shopping trip. Along these lines, Moore et al. (2008) reported on coping strategies that consumers use when purchasing embarrassing products. They found that embarrassment felt when purchasing condoms is countered by both cognitive and active coping strategies.

The present set of studies focus on these behavioral effects of, or active coping strategies for, embarrassment in a retail setting. In Study 1 we were interested in discerning the level of embarrassment that would be anticipated in association with purchasing a wide set of personal care products that could be considered sensitive, unmentionable, or controversial, and if consumers would readily acknowledge masking behaviors. The study included 357 undergraduates ($M_{age} = 22$) from two large public universities who indicated their degree of anticipated embarrassment with a variety of both sensitive (e.g., condoms, fungal creams) and non-sensitive type products (e.g., toothpaste, sunscreen). Data were collected via an online survey that displayed images of such products. The results suggest that participants’ anticipated embarrassment was significantly higher for sensitive products than for non-sensitive products ($p < .05$). Additionally, more than two-thirds of participants acknowledged the use of masking as a coping strategy. These two-thirds were asked to describe the masking behavior and circumstances. Responses suggested that products related to sexual health and feminine care might be strongly related to masking behavior as a coping strategy. Study 1 provided us with initial evidence that college students acknowledge participating in masking behavior when purchasing products that cause them to experience embarrassment. Further, there seems to be some product categories that elicit greater embarrassment than others.

The main purpose of Study 2 was to empirically examine relevant retail outcomes of masking behaviors. Specifically, our intentions were to examine how (1) masking behaviors influence the total basket size and basket value of drug store shopping visits, and how (2) embarrassment influences checkout behaviors aimed at reducing embarrassment. Using an experimental design, participants were randomly assigned to the task of purchasing either an embarrassing product (hemorrhoid cream) or a non-embarrassing product (bandages) from a drug store. Then they were asked to shop for any other items they would like to buy. Three hundred eighty undergraduate students ($M_{age} = 21$) completed the online study, in which they were asked to imagine that they were shopping in person at a well-known retail drug store. Participants were able to browse product assortments in a variety of product categories (e.g., drinks, snacks, magazines), and select items they wished to purchase. Each product was priced accordingly to the retailer’s actual item prices. When finished, participants were asked to answer a vari-
ety of questions, including how they would check out with their items. Those in the embarrassment condition (n = 186) expressed greater embarrassment with their purchase task than those in the non-embarrassment condition (n = 194), p < .0001. Additionally, a marginally significant difference in the number of products purchased (p = .07), and a significant difference in the value of the shopping basket (p < .05) was observed such that those in the embarrassment condition purchased more items and spent more money than those in the non-embarrassment condition. Participants did not indicate any gender congruence with respect to the checkout cashier, nor were any significant differences present for preferring a self-checkout lane. Additional analyses include assessments of socially-relevant personality variables and post-hoc tests regarding the types of products used to mask the embarrassing purchases.

While preliminary, this research suggests that a reduction in the emotion of embarrassment could be detrimental to the retailer. Specifically, the present research suggests that the retailer stands to gain a significant revenue increase when shoppers enter the store tasked with an embarrassing purchase. Ethically speaking, while the retailer might not attempt to increase the felt embarrassment, they may also decide to avoid trying to reduce it. More research is needed to streamline and generalize these findings. References are available upon request.

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EXAMINING THE ROLE OF COGNITIVE DISSONANCE AFTER PURCHASE ON PRODUCT RETURN INTENTIONS

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SUMMARY

The U.S. retail industry loses billions of dollars a year because of product returns, but scholarly articles examining consumers’ product return intentions have been somewhat limited. This study explores how cognitive dissonance after purchase affects consumers’ product return intentions. Using cognitive dissonance theory, it examines product return intentions in the context of both lenient and strict return policies. The results indicate that cognitive dissonance after purchase positively influences product return intentions but the relationship remains unaffected at strict and lenient return policy situations. This questions the previously held notion of retailers to control product return by imposing strict return policies.

Product returns cost U.S. retailers $100 billion per year in lost sales (Petersen and Kumar 2009). The electronics industry alone spent around $13.8 billion in 2007 to restock returned products (Lawton 2008). Return proportions for electronic retailers are at least 6 percent (Strauss 2007) and for catalog retailers as high as 35 percent (Rogers and Tibben-Lembke 1998). For products such as personal computers return proportions are as high as 25% (Mixon 1999), eroding retailers’ profit margin by 4 percent (Petersen and Kumar 2009) and sometimes causing them to file bankruptcy. Retailers often impose strict return policies to control such disturbing product return rates (Bower and Maxham 2006; Hess et al. 1996; Wood 2001) without an in depth understanding of the effect of such policies and more importantly why consumers form product return intentions in the first place. Thus, to address the above issues, the role of cognitive dissonance as an antecedent to product return intentions and the role of return policy leniency as a moderator are examined in this study. It is proposed that consumers will form product return intentions to reduce their cognitive dissonance after purchase and that the relationship will vary at different levels of leniency of a retailers’ return policy.

In the pre-purchase phase, consumers have an ideal product or purchase requirement in mind, but they often purchase a product that deviates from this ideal requirement (Shulman et al. 2010). This deviation may occur because of something as simple as a wrong choice (Petersen and Kumar 2009) resulting from the difficulty in choosing among closely competitive alternatives. Such deviations may give rise to uncomfortable post-purchase feelings known as cognitive dissonance. According to cognitive dissonance theory (Festinger 1957), consumers exhibit a motivation to reduce their psychological discomfort. Festinger (1957) discussed various ways that an individual can reduce such psychological discomforts. Adoption of a specific dissonance reduction strategy will depend on the reversibility of the purchase decision (Cummings and Venkatesan 1976; Korgaonkar and Moschis 1982; Mowen 1995). If the purchase decision is reversible (i.e., when there are product return facilities), consumers will reduce dissonance by undoing the behavior in order to maintain the attitude – behavior consistency. On the other hand, if the purchase decision is irreversible (i.e., when there are no product return facilities) consumers will display irrevocable commitment to the decision they made, reducing their dissonance by changing their attitude toward the product (Cummings and Venkatesan 1976; Korgaonkar and Moschis 1982; Mowen 1995). It is argued that in the US retail market due to its fierce competition among retailers to satisfy consumers, almost all retailers offer some kind of product return options (Davis et al. 1998). In any such situation that involves some type of return options, it is reasonable to assume that consumers will not show such irrevocable commitment toward their purchase decisions. Instead, when they perceive cognitive dissonance after purchase, they will be much more likely to reduce dissonance by forming return intentions using the offered return facilities, thus restoring psychological balance and comfort (H1). Additionally, it can be argued that a lenient return policy offers a higher degree of reversibility of a purchase decision than a strict return policy, since it imposes fewer restrictions and hassles to the consumer than a strict return policy. Thus, a lenient return policy will encourage consumers more to undo the buying event and cause them to form higher product return intentions than a strict return policy, in order to reduce discomfort and restore psychological balance (H2).

The data for this study was collected from 120 undergraduate students enrolled in marketing courses at a large state university in the central part of United States. As a part of the survey, each student was initially required to provide a written description of a recent product purchase experience which involved a difficult choice between two or more close alternatives (Sweeney et al. 2000). The written description was followed by three sections consisting of many survey items. The first section of the questionnaire contained the cognitive dissonance after purchase scale (Sweeney et al. 2000), which is a twenty two item, seven point Likert scale designed to capture the multi-dimensional construct cognitive dissonance after...
purchase. The second section of the questionnaire contained the return policy leniency index. This six-item measure was adapted from Davis, Hagerty, and Gerstner (1998) and Bonifield, Cole, and Schultz (2009). The third section of the questionnaire contained the product return intentions scale, which is a three item, seven point semantic differential scale adapted from the “Online purchase intention” scale (Schlosser et al. 2006).

The findings suggest that cognitive dissonance after purchase positively influences product return intentions but remains unaffected at varying levels of return policy leniency. In other words, the study empirically verifies the previously assumed relationship between cognitive dissonance after purchase and product return intentions implying that in order to reduce dissonance resulting from a wrong choice, consumers will form product return intentions. Retailers can try to minimize such dissonance by introducing comparison charts for competing products in their store wherever feasible.

Insignificant moderation effect of return policy leniency, points toward important possibilities such as (1) inadequacy of the present return policy practices in the U.S., and (2) need to shift to a more centralized return management system. As long as the retailers provide return options to the customers through some kind of return policy, the issue of the degree of strictness (or leniency) of the return policies perhaps becomes unimportant to the customers as per this study. The focal issue for a dissonant consumer becomes then whether she/he is able to return the purchased product and correct his/her “purchase mistake.” The U.S. retailers, while formulating their return policy’s careful factor in the risky implications of a strict return policy on purchase rate, long-term customer relationship and store patronage issues. That is why in most situations the “strict” return policies are not stringent enough. As a result, the restrictions imposed on consumers upon return such as mode of refund (cash vs. non-cash refund), the product and packaging condition or receipt requirements, or imposition of time limits or additional fees are not stringent enough to prohibit consumers from forming product return intentions. To increase the stringency of return policies, retailers can come up with tailor-made strict return-policies (such as accepting return only if the product is defective) which may successfully weaken consumers’ product return intentions in many situations.

Additionally, perhaps the retailers might consider shifting to a more centralized return management system that involves recording consumers’ return practices and share the data across retailers. Such return data can be used to arrive at a score-based return system which can be further used to profile consumers based on their return practices (similar to the present credit score practices in the U.S.). Furthermore, such data can be used to offer tailor-made return facilities, specific to the individual consumer profiles (Janakiraman and Ordóñez 2011). Moreover, such data can be integrated with the existing customer relationship management systems to arrive at appropriate levels of return restrictions. Future research can investigate the feasibility of such systems. References will be available on request.

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Retail managers must seek the most effective resources and capabilities to satisfy their customers, especially in difficult economic contexts that encourage consumers to control their spending. For example, in the current economic downturn, food retailers must find new ways to maintain or improve their performance, such as through more unplanned purchases by consumers, which they make on the basis of decisions at the point of sale (e.g., Bell et al. 2008, 2011; Inman et al. 2009). However, some research suggests that shoppers may make fewer unplanned purchases than previously believed. Therefore, we have attempted to determine which factors contribute more to customer satisfaction and assess if there are differences, depending on shopping lists usage by consumers, a variable that we use to measure their unplanned purchase behavior. This research objective in turn reveals which store attributes and factors food retailers should consider most carefully to enhance customer satisfaction.

Bearing these goals in mind, we conducted an in-depth review of relevant literature pertaining to store attributes, unplanned purchase behavior, and their relationship with customer satisfaction. By conducting a factorial principal components analysis of 422 consumers from a representative Spanish city, we identified three factors underlying consumer perceptions of the value of different store attributes. Then our parametric linear regression analysis revealed that by running a regression analysis for different consumer segments with diverse unplanned purchasing behavior, we could uncover unique satisfaction responses, depending on consumers’ specific behavior.

This study thereby offers conclusions and ideas for further research into store attributes and their underlying factors, as well as their influence on overall satisfaction. Moreover, we demonstrate the possibility of determining varying perceptions of store factors, according to consumers’ unplanned purchase intentions, operationalized by a shopping list usage variable. This important contribution highlights which store attributes and factors retail managers should address first if they want to enhance customer satisfaction across different types of purchase intentions. Consumers who exhibit planned buying want services and convenience, as do consumers who exhibit unplanned behavior. These consumers are also very conscious of the products and services they demand, and their decisions are not affected by the quality image of the store. Price discounts and promotions even cause concern among this consumer group. Finally, consumers who exhibit unplanned behavior sometimes are affected most by services and convenience, but they also consider the quality image and economic value. Thus this last consumer segment clearly differs from the other segments, and retail managers have more room to maneuver their various store attributes and factors to enhance customer satisfaction.

These findings emerged from data collected at the beginning of a significant economic downturn in the Spanish economy, which seemingly should have increased the importance of the economic factor. In contrast, the results show it was valued positively (though least) only by customers who sometimes use a shopping list. Among the other groups, the factor either did not contribute to overall customer satisfaction or had a negative impact. Perhaps the most compelling of the possible explanations for this finding is the chance that many consumers simply were not aware of the economic downturn when we collected the questionnaires. As previous studies have noted though (e.g., Freshplaza 2009), in 2008 Spanish consumption patterns had begun to change, compared with the years prior to 2008, including greater value placed on aspects related to the purchase scenario (e.g., new services) and grocery products (e.g., quality, innovation). Grocers therefore began to issue more appeals related to services, convenience, and quality, instead of just costs and/or production. Moreover, because more than half the questionnaires were collected in EDLP positioned supermarkets that emphasized customer services and convenience, perhaps the economic value factor had less importance than other factors in these stores specifically. We also acknowledge that a shopping list may be a relatively poor surrogate for unplanned buying behavior, in that it is overly simplistic to claim that only consumers who use shopping lists plan their trips to the grocery store. Finally, the findings are consistent with academic research that indicates consumers tend to avoid promotions involving uncertainty, so such promotions would not be particularly effective to achieve their intended results.
The results reinforce the importance of services and convenience. To keep customers satisfied, regardless of their unplanned purchasing behavior, retail managers should develop and communicate value propositions that focus on value-added services, such as wider product assortments, increased distribution intensity, high-quality customer attention programs, additional services, enhanced store atmospheres, and longer operating hours. A wider assortment also benefits consumers by providing many choices, as does increasing the availability of stores or extending into online channels (especially for fast moving consumer goods, for which an online presence can stimulate sales by fostering wider consumer recognition and impulse buying). An effective customer satisfaction management program, as part of the retailer–customer relationship management strategy, should create a positive, fair working environment to motivate employees to take better care of customers. Services such as advice, home delivery, or free parking can increase store attractiveness; once inside, a positive atmosphere can improve the customer’s shopping experience. Extending operating hours also might influence the level of consumer demand.

Next, grocery retailers should develop a coherent price and promotion strategy to avoid the potential for customer reactance. Managers should determine the price image they want to communicate and the promotions they will offer (e.g., type, magnitude), ensuring they are totally consistent with both the desired price image and the pricing policy. For example, price discounts and sales promotions are more aligned with a high-low pricing policy. The low valuation our respondents expressed regarding the economic value factor might indicate the greater convenience of everyday low pricing strategies though.

Several questions also remain to be addressed. Further work should analyze the influence of the identified factors on the degree of loyalty consumers exhibit toward certain commercial formats or specific establishments. Satisfying consumers is particularly important for companies in this industry, because grocery retailers aim to achieve long-term, loyalty-based relationships. As Oliver (1999) points out, satisfaction is a necessary step in loyalty formation, but other mechanisms also enter into the construction of loyalty. We call for research to assess how store factors might influence the degree of selection in certain product categories, particularly in terms of purchase frequency. Noting the relatively low variance explained by the models, we also recommend further analyses that incorporate other potential explanatory variables related both to store attributes, such as the speed of checkout, accuracy of scanned prices, or availability of fresh food, as well as respondents’ economic vulnerability, attitudes, and demographics. These factors may have great relevance for assessments of customer satisfaction and should be included in further investigations of this key area of importance for retail service managers. Finally, alternative measures of unplanned buying behavior, beyond shopping list usage, could expand research into grocery retailing and customer satisfaction. References are available upon request.

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FLOW EXPERIENCE IN PHYSICAL RETAIL STORES

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SUMMARY

Introduction

Internet marketing research has found that online consumers with a flow experience tend to be less price-sensitive, and develop more favorable attitudes toward online stores (Novak et al. 2000; Wang et al. 2007). Surprisingly little research has been conducted to investigate similar flow experiences in brick-and-mortar stores, which contribute more than 90 percent of retail industry sales (Anderson et al. 2011).

The objectives of this paper are twofold. First, it provides a theoretical foundation to develop the antecedents (challenges and skills) associated with in-store shopping activities. Secondly, it aims to further investigate the flow theory in physical retail environments.

Theoretical Background and Research Methods

According to the flow literature for online shopping, the two antecedents of flow (navigational challenge and Internet/computer skill) are specifically related to Internet surfing and not directly applicable to shopping activities in traditional brick-and-mortar stores. The theoretical foundation for antecedents is lacking to extend flow to in-store shopping. The first study used focus group interviews to explore consumers’ shopping challenges and their shopping skills.

In addition, prior research suggests that consumers’ different states of shopping experiences may influence their future shopping intention. An empirical study was further conducted to examine if the two antecedents (in-store shopping challenge and skill) could influence consumers’ shopping experiences (such as flow, or boredom), which then impact their shopping intention.

Research Results

The results suggest that a shopping activity can be challenging depending on the level of complexity and inherent risk associated with a product. Consumers’ skills may vary based on their level of knowledge, familiarity, or experience with a particular product category. Consumers may experience different states of shopping experience (such as anxiety, apathy, boredom, or flow) in physical retail stores, resulting from their perceived challenges and skills. In addition, consumer’s future shopping intention was positively associated with their shopping experience.

Implications

The current research extends the flow theory to physical retail stores. It suggests the two antecedents (shopping challenge and skill) for the shopping context. Retailers can develop marketing strategies to enhance consumers’ skill to deal with shopping challenges. References are available upon request.

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EFFECTS OF ILLUMINATION ON STORE ATMOSPHERE, PRICE AND QUALITY PERCEPTION, AND SHOPPING INTENTION

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SUMMARY

Although, store design and atmosphere are popular research fields, only a few studies focus on store lighting in particular (e.g., Areni and Kim 1994; Babin et al. 2003; Briand and Pras 2010; Summers and Hebert 2001). This is astonishing, as lighting is an important design parameter that retailers can change easily with subsequent consequences on energy costs and customer behavior as well.

However, especially predicting the impact on customer perception and behavior is a challenging task. Firstly, lighting can be characterized by a number of parameters, such as brightness, the number and arrangement of light beams or the color and saturation of the light. Secondly, lighting influences a number of related variables, such as store atmosphere, price and quality perception, and shopping intention. Predicting consequences of lighting parameters becomes even more challenging, as in some cases conflicting theories suggest opposite effects canceling each other out. Bright light might, for example, increase perceived pleasure and thereby serve as a cue for higher prices. At the same time, bright light is also a characteristic of discount stores. Contradicting effects also exist for color. Previous color research indicates that blue is preferred over orange, while research on color appropriateness indicates that customers rate orange as more appropriate for sensory-social products, such as apparel (e.g., Bottomley and Doyle 2006).

These examples illustrate that it is not trivial to develop hypotheses about the effects of store lighting. This might be a reason, why a comprehensive analysis of different lighting parameters and their interactions on a broader range of dependent variables is still missing in the literature. This paper closes this research gap by reporting results from two experimental studies. In the first experiment, we analyze the impact of the number and brightness of light beams on store atmosphere, price and quality perception, and shopping intention. In a second experiment, we investigate the impact of color type and saturation on the respective dependent variables.

In the experiments, lighting conditions were varied through digitally manipulated pictures of a fashion store. Respondents were randomly assigned to the stimuli. They rated the pleasure, price level perception, quality perception, and shopping intention for the selected store compared to a second store that was identical in all treatments. All variables were measured with single items on seven-point scales. Each stimulus was rated by 40 to 50 persons in an online survey. The total sample consisted of 338 respondents, relatively equally distributed across the stimuli. To guarantee homogeneity between the groups, the majority of respondents were students of a large European university. Data was analyzed using MANOVA and separate ANOVAs. Interrelations between dependent variables and conflicting effects were considered by mediation analyses through the inclusion of covariates.

The results reveal interesting insights. They show that lighting influences several dependent variables, such as the pleasantness of the store atmosphere, price and quality perception, and shopping intention.

Several significant effects of lighting on pleasure and shopping intention were found. The pattern of effects for both dependent variables is similar, as most effects on shopping intention are fully mediated by pleasure. In particular, several interesting interaction effects were observed. Increasing brightness through the number of light beams has positive effects on pleasure and shopping intention, when beams are bright, but not for dimmed beams (here, a smaller number of light beams result in greater pleasure). Hence, it seems that customers prefer extreme stimuli configurations versus mixed ones. However, comparing both extreme configurations, many bright beams are still preferred against a small number of dimmed beams. This can be explained by vision theory and antidepressant effects of light. Interesting interaction effects occurred also for color. The results show that orange light results in greater pleasure and shopping intention compared to blue light, supporting research on color appropriateness for sensory-social products. However, the positive effect of orange exists only for saturated, but not for pastel colors.

The results show also that the total effects on price and quality perception are small, which was somewhat disappointing at first glance. For dimmed light, increasing the number of light beams resulted in an inferior quality perception, indicating that inconsistent stimuli configurations negatively affect quality perception. Furthermore, orange light resulted in a better quality perception compared to blue light. This underlines the preferability of
orange versus blue. The small total effects on price and quality perception can be explained by different effects, canceling each other out. The results show, for example, that bright light has a positive effect on quality perception via inferences drawn from a more pleasant store atmosphere. At the same time, bright light has a negative effect on quality perception when controlled for pleasantness. This is an indication that bright light is also used as a cue to categorize a retailer as a discounter, resulting in a lower quality perception. Hence, atmospheric inferences and categorization effects cancel each other out.

The observed effects make a contribution to the literature, as some of them were not reported in prior research. However, and more importantly, the results shed also light on the relevance of different theories explaining the observed effects. References are available upon receipt.

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SUMMARY

Brick and mortar store atmospherics have long been considered as a way for retailers to influence customers’ mood and behaviors, creating a competitive advantage through differentiation. Several atmospheric models have been introduced to retail marketing such as the Mehrabian-Russell environmental psychology model which builds the relationship between environmental stimuli and customer affect and behavioral responses (Donovan and Rossiter 1982; Donovan et al. 1994). However, few studies have addressed the effects of the online shopping environments on customer behaviors. A single exception, Eroglu et al. (2001) examined online atmospherics systematically but limited discussion to computer mediated designs.

This paper investigates this gap in the literature and proposes the Hybrid Online Shopping Environment (HOSE) framework to help investigate online shopping atmospherics and effects. The HOSE framework is the first to identify the online shopping environment as constituted of both physical and virtual environments, and also the first to introduce the Customer Control construct into atmospheric literature. The HOSE framework defines the online shopping environment as a hybrid system where online customers experience two types of environment simultaneously: a Virtual environment that refers to the computer-mediated online stores where customers shop for products; and a Physical environment that refers to the place where a customer is physically located while participating in online shopping. The dual environments interact with customers as well as with each other, competing or enhancing each environment’s impact on customers.

Introducing the hybrid environment concept provides a more comprehensive understanding of online shopping environments and enables holistic investigation of all potential atmospherics and their influential effects. Compared to traditional brick and mortar store research, the HOSE framework not only incorporates the online virtual world but also considerably extends the boundary of physical locations and atmospherics by recognizing the flexibility and viability of online shopping. Meanwhile, compared to previous online shopping research which merely focuses on medium, website design, and computer mediated process, the HOSE concept encompasses the physical environment as well, and consequently allows for the examination of the atmospherics from physical location and related space attachments.

Previous research shows that people can have emotional or affective ties to a place as the result of connection with a certain environment (Low and Altman 1992), and the place with which a person has an association can trigger associated memories, emotions and feelings unconsciously (Hidalgo and Hernandez 2001). Respectively, the HOSE framework proposes that customer associated locations for online shopping could be virtual and physical, and also could influence customers’ online shopping mood and behaviors. The stronger an association is, the stronger influence the environment (physical or virtual) may have on an online customer.

In environmental psychology, control is one of the focal constructs to influence people’s behaviors, presenting the need to demonstrate one’s competence, superiority, and mastery over the environment (White 1959). Existing research suggests that perception of control can have a positive impact on psychological and behavioral outcomes (Wortman 1975; Glass et al. 1969). Surprisingly, customer control has been consistently left out of the literature on retail atmospherics, and it is likely a result of customers having little control and influence on the environment setting in a brick and mortar store. On the contrary, online shopping environment enables higher customer control, and therefore demands the relative research.

In the HOSE framework, the role of customer control has two levels, actual customer control and perceived customer control. The Actual Customer Control (ACC) of the shopping environment presents the extent to which a customer can choose, change, and act on both physical and virtual environments; and the Perceived Customer Control (PCC) is the extent to which a customer perceives and believes his or her control of shopping environment. ACC recognizes online customers’ ability and authority to predetermine what atmospheric combination from the hybrid system has potential to affect customers. For example, customers choose to turn on/off music either from a virtual web or a physical player, and the decision determines whether music will participate into atmospheric influence. Meanwhile, increased PCC has a positive influence on customers’ cognitive and affective responses to atmospherics.
The atmospherics in the hybrid online shopping environment are expanded into both virtual and physical components and categorized as ambient, design, and social factors which are consistent with prior research (Baker et al. 2002). Meanwhile, multi-media interaction has been emphasized and differentiated from other environmental factors due to media’s profound capacity to entertain and inform. In that regard, the HOSE framework discusses online shopping atmospherics’ emotional influence based on a mediated stimulus-response model along with major cognitive effects including perception and attention. Eventually the customer behavioral responses and business outcomes influence customer satisfaction, time spent, sales performance and customer loyalty.

The proposed HOSE conceptual framework is aimed to help gain a deeper understanding of the online shopping environment and its potential effects on customers, encouraging researchers on empirical validation for the framework’s theoretical constructs and propositions. Such research will help enable industry practitioners to enhance business performance by leveraging online atmospheric influences on customer behaviors. References are available upon request.

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TEMPORARY STORES: CONSUMER RESPONSES TO A LIMITED ASSORTMENT AND LIMITED TIME HORIZON

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SUMMARY

For years, the fast-moving consumer goods (FMCG) industry and its retailers have had to address high satiation levels in several product categories. With firm offers in both offline and online contexts, it became much more difficult to attract the consumer’s attention and interest and motivate him/her to purchase more and more often. Especially during the past few years of global economic downturn, we have observed both a high industry dependency on consumers’ trust in economic growth and consumers’ adapted purchase behavior. Thus, in Europe, many apparel retail firms have had to accept huge decreases in sales and profit. Consequently, retailers are searching for innovative marketing concepts and retail formats to attract consumers and to increase their sales.

In the consumer goods industry, a popular strategy is to make product offers scarce by limiting the supply, e.g., by weekly product promotions. Firms often emphasize these limitations with slogans such as “for a limited time only,” sometimes even when the offer is not limited by time. Particularly in the automobile industry and in luxury retail, offering limited editions is very common. These limitations are often combined with anniversaries, such as the 25th anniversary of the BMW M3, marked with the launch of a limited edition model available for the Chinese market. Consumers strive to buy luxury and limited items such as the limited edition of the Chevrolet Camaro, 100 of which were sold within three minutes at a luxury department store chain (Wahba 2010). Other limited editions have social and charity objectives, such as the spring 2011 Limited Edition Bag by Tommy Hilfiger in Aid of Breast Health International. According to economic-based scarcity theory, limited offers influence several aspects of the FMCG industry and its retailers, such as the extent to which consumers like and are attracted to a product, consumer preference and desire for a product, and the perceived uniqueness of an offer. Limited offers can lead to a higher perception of product quality and can consequently increase a firm’s sales and profits (e.g., Amaldoss and Jain 2008).

The potential value of limited offers raises the question of whether these scarcity strategies can be transferred to the retail sector by setting up limited retail stores. How can time-limited stores, i.e., temporary stores, influence consumers by increasing their willingness to visit the store, purchase there and spread positive word-of-mouth (WOM) about it? In this context, we define temporary stores as stores set up by retailers and manufacturers to remain open for a limited time at a specific location.

In this study, we will focus on addressing the above mentioned research questions by investigating the impact of time-limited stores on consumer intentional responses. In addition, we will investigate how limited editions of goods also impact consumer responses. Therefore, our research will extend the knowledge about limited offers by investigating different roles of limited time and limited assortment in temporary stores. We will contribute to the literature on scarcity theory by broadening the focus of the theoretical framework from products to retail formats. Furthermore, we will contribute to the marketing and retail research literature by introducing the concept of temporary stores as a new and promising retail format, and we discuss the consequences of this format for retailers’ future. Additionally, we will position our results within the retail management literature by showing the impact of two main marketing mix variables (time and assortment) on consumer intentions toward the retailer. References are available upon request.

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DO CUSTOMER EXPERIENCES ENHANCE RETAIL BRAND EQUITY?

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SUMMARY

Slow market growth rates and increasing market saturation challenge retailers to generate competitive advantages that rely on alternative approaches rather than offering innovative products and reducing prices (e.g., Hansen 2003). Two recent trends in retail indicate businesses’ efforts in tackling this challenging problem: (1) an increasing focus on customer experience management (Grewal, Levy, and Kumar 2009) and (2) a growing interest in building and establishing strong retail brands (Ailawadi and Keller 2004). Practitioners and scholars alike have paid increasing attention to the strategy of customer experience management as an appropriate means for differentiation in competitive retail environments (Berry, Carbone, and Haeckel 2002; Naylor et al. 2008; Puccinelli et al. 2009). According to Verhoef et al. (2009, p. 31), “[c]reating superior customer experience seems to be one of the central objectives in today’s retailing environments.” This study explores the relationship between customer experience and retail brand equity. When customers come to a retailing environment they typically hold perceptions about two types of brands: the retail brand (e.g., Wal-Mart, Macy’s) and the manufacturer or service brands that are sold in the retail stores (e.g., Ralph Lauren, Tide) (Verhoef et al. 2009). The objective of this research is to investigate the influence of customers’ retail experience on retail brand equity.

Customer experience refers to consumers’ subjective internal and behavioral responses to stimuli from retailing environments. More specifically, we conceptualize customer experience as a multi-faceted construct including four components: sensory, affective, cognitive, and behavioral experience. Sensory experience refers to the customer’s reaction on environmental stimuli through senses (i.e., sight, hearing, smell, taste, and touch). Affective customer experience is defined as the customers’ emotional response toward environmental stimuli during the shopping trip. Cognitive experience relates to customers’ thinking or mental process during shopping. Finally, we define behavioral experience as customers’ physical response toward the retailer, including physical activities and labor work.

Retail brand equity is defined as a set of brand assets and liabilities linked to a store brand, its name, and symbol that add to or subtract from the perceived value of the store brand by its customers (Arnett, Laverie, and Meiers 2003). Based on prior research (Arnett, Laverie, and Meiers 2003; Pappu and Quester 2006; Yoo, Donthu, and Lee 2000) we specify the domain of content for retail brand equity in this study as consisting of four dimensions, namely retail brand awareness, retail brand associations, retail brand quality, and retail brand loyalty. While retail brand awareness is the degree to which a retailer’s name is familiar to consumers (Arnett, Laverie, and Meiers 2003), retail brand associations are attributes and benefits linked to the name of the retailer in the consumer’s mind (Keller 1993). Retail brand quality refers to customers’ perceptions of quality associated with the retailer brand (Pappu and Quester 2006; Yoo, Donthu, and Lee 2000). Finally, retail brand loyalty refers to the intention to buy from one retailer as a primary choice (Yoo, Donthu, and Lee 2000).

Within this study, we anticipate that customers’ retail experience has a positive impact on retail brand equity. More specifically, we predict that customer experience positively affects retail brand awareness, associations, quality, and loyalty. This notion is supported by previous studies revealing that customer experience has an impact on traditional performance measures and on a set of intangible assets of the company (Gentile, Spiller, and Noci 2007). This notion is further supported from prior research in branding. For example, Keller (1993) notes that customer experiences are a key determinant of brand equity. Finally, this notion is backed up by previous studies in retailing research, which explore the interplay between customer experiences and brand-related outcome variables (e.g., Leischnig, Schwertfeger, and Geigenmüller 2011a,b).

To test the influence of customers’ retail experience on retail brand equity, empirical examinations including qualitative and quantitative studies were conducted. The qualitative study involved interviews with retailing and marketing professionals, as well as customers. The quantitative study involved a survey with customers of two retailers. In order to analyze the hypothesized relationships we employed structural equation modeling.

This research finds significant support for all of the hypothesized relationships. The findings of this study show that customers’ experiences do have significant positive effects on retail brand awareness, associations, quality, and loyalty. Thus, we can extrapolate the notion that the way customers respond to stimuli from retail environments influences their perception and evaluation...
of the retail brand. The key message of this study for managers is twofold. First, the creation of customer experiences requires thoughtful consideration of customers’ subjective internal and behavioral responses to retail environments. Second, to build strong retail brands, managers should consider the customer experience as an important determinant having the potential to positively influence retail brand equity. Against this background, we suggest that retailers should develop management systems that consider customers’ sensory, cognitive, affective, and behavioral responses when creating unique customer experiences. These management systems require strategies and instruments to address each of the facets of the customer experience construct. A further implication is that retail managers should develop monitoring systems to survey customer experiences. The measurement instrument that was developed in this study might serve as such a survey instrument. Taking into account that customer experience has a significant positive effect on retail brand equity, another implication concerns the fact that retail managers who wish to build strong retail brands should consider customer experience as a potential determinant of customers’ brand perception and evaluation. References are available upon request.

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ANTECEDENTS OF PRIMARY STORE DISLOYALTY IN A STAGNANT MARKET

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SUMMARY

Relationship marketing and loyalty programs have been major strategic tools for retailers but recession and stagnation impacted severely on loyalty. Customer loyalty has generated direct economic benefits for retailers, loyal customers being more likely to purchase high margin supplementary products (Gummesson 1997). Customer retention lowers costs, Dhar and Galzer (2003) suggesting that loyals require up to 90 percent less marketing expenditure. Gremler and Brown (1999) refer to “the loyalty ripple effect” to suggest that loyalty can enhance customer behaviors providing indirect benefits. Loyals generate further interest and patronage in the firm through positive WOM, a most cost-effective form of marketing communication (Zeithaml et al. 2006).

Given its importance, numerous research studies examine the antecedents of consumer loyalty and a dichotomy has emerged between loyals and non-loyals. The former require relationship maintenance strategies, the latter relationship building. However, a disproportionately small amount of research has looked specifically at shoppers who remain patrons of their primary stores but become less loyal – i.e., primary store disloyalty. To develop strategies to restore previous loyalty, marketers need to understand the causes of shifts toward disloyalty.

This need is particularly apparent in a stagnant economic climate. Consumers are faced with factors potentially increasing their willingness and ability to be disloyal. Hampson and McGoldrick (2012) find that recent economic crises have undermined many retailers’ loyalty bases, as consumers have become more price-conscious and concerned with value. Greater Internet access also allows consumers to become more knowledgeable. Many retailers’ recession responses contributed further to these trends, creating enduring levels of increased disloyalty.

Based upon a literature review, qualitative investigations and quantitative primary research, this paper addresses the following research objectives: (1) to define and conceptualize primary store disloyalty; (2) to examine shifts in primary store disloyalty since the 2008/09 recession; (3) to identify some antecedents to primary store disloyalty; (4) to discuss the managerial implications and theoretical contributions.

The qualitative investigations with managers and consumers, combined with two surveys of 1,211 and 611 shoppers at different phases of recession and stagnation, reveal significant influences upon primary store disloyalty of (post) recession effects, service failures and intrinsic motivations. It is argued that researchers need to give closer scrutiny to recession effects and to shopper disloyalty, not treat this merely as an antonym of loyalty. The paper suggests implications for researchers, retailers and other marketers. References are available upon request.

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SIGNALING E-TAILER TRUST: EXPLORING SOURCE INFLUENCES OF INTERNET TRUSTMARKS

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SUMMARY

Marketing researchers have learned that context-specific trustmarks are effective (Aiken and Boush 2006); however, the field has yet to more rigorously investigate many of the complex signal-based communications processes surrounding trustmarks. This study provides a foundational investigation into the source influences of Internet trustmarks (i.e., any third-party mark, logo, picture, or symbol presented in an effort to dispel consumers’ concerns about privacy and security). Thus, the current work has two main objectives. First, the study explores the process of trust development through the use of trustmarks. Second, the study specifically investigates the impact of source influences of trustmarks in early stages of trust transference.

A between-subjects experiment manipulated the source characteristics of stimuli so as to come from (1) a governmental source, (2) consumer reviews, (3) an objective, expert third-party source, or (4) a control condition. Data collection took place in classroom settings rather than over the Internet in order to increase response rates and to increase subjects’ involvement levels. A convenience sample of 400 subjects was taken from a large northwestern university.

The paper-and-pencil questionnaire consisted of three parts. Part One provided an introduction to the study and inquired about generalized Internet commerce trust (GICT). The scale was adapted from Aiken, Mackoy, Liu, Fetter, and Osland (2007) and measured the five dimensions of GICT. Part Two opened with another short introduction, written in a font size three times that of the rest of the questionnaire. The short paragraph provided further introduction to the stimuli and implored subjects to pay special attention to the website they were about to see. Next, one of the four possible experimental stimuli was presented in the form of a screen print from a mock website. The trustmarks only differed in terms of the identification of the certifying source at the bottom of the mark. Phrases at the bottoms of the trustmarks were: (1) “Reviewed and Certified by Customers Like You,” (2) “PC Magazine – Editors’ Choice,” (3) “The Bureau of Consumer Protection (A Division of the Federal Government).” Part Three of the questionnaire contained variables adapted from Aiken and Boush’s (2006) measure-ment of firm-specific trust (FST). Here, variables attempted to measure the affective, behavioral, and cognitive elements of trust in the experimental website. After the firm-specific trust questions, subjects were asked several demographic and Internet-usage questions.

Initial analysis of subjects’ GICT means revealed a relatively low overall trust of the Internet. This is consistent with previous research noting that people are still hesitant to trust web information (Gosling 2004). The mean for the entire sample was 3.91 on a seven-point scale. Across gender groups, the data showed that men were more trusting than women in terms of generalized Internet commerce, (male mean = 4.12, female mean = 3.85; \( t = 4.05, p < .01 \)). Further, an ANOVA revealed that high GICT subjects exposed to the government-sourced trustmark displayed significantly higher firm-specific trust means (\( F = 4.44, p < .01 \)). High GICT subjects seemed to be more influenced by the government-sourced trustmark. Low GICT subjects were not swayed by exposure to any of the different conditions. Additionally, an ANOVA found significant differences between GICT groups and their firm-specific trust scores (after controlling for exposure to experimental stimuli). Thus, generalized Internet trust was determined to be a significant moderating variable between the trustmark condition and firm-specific trust. Low GICT subjects were not swayed by exposure to any of the different conditions. Additionally, an ANOVA found significant differences between GICT groups and their firm-specific trust scores (after controlling for exposure to experimental stimuli). Thus, generalized Internet trust was determined to be a significant moderating variable between the trustmark condition and firm-specific trust (\( F = 11.02, p < .01 \)) as well as the three base components of firm-specific trust.

Next, a set of ANOVA and t-tests were utilized to investigate differences in FST means. When FST means were analyzed across experimental conditions, the means of the group exposed to the governmental source were consistently higher than that of subjects in the other three groups. The differences were statistically significant for the combined measure of FST (\( F = 4.22, p < .01 \)). Further analyses showed that the government-sourced trustmark favorably influenced affective trust (\( F = 5.05, p < .01 \)) as well as cognitive trust (\( F = 4.46, p < .01 \)), but it did not have an effect on the behavioral FST component. Post hoc tests utilizing Tukey’s HSD multiple comparisons further reinforced the power of the government-sourced trustmark. Finally, the sample showed significant FST differences across gender groups. Similar to differences in GICT, men showed higher trust levels than women at the firm-specific level.
This study provides several noteworthy conclusions. First, with respect to firm-specific trust, the results reveal that (amongst the three sources) the government-sourced trustmark was the most influential. Second, findings show that the behavioral component of trust is still not usually higher than the affective or cognitive components of FST. From an important strategic perspective, consumers’ behavioral trust is not significantly influenced by trustmarks. Third, the data show that men not only have higher levels of generalized Internet commerce trust, but that they also (oftentimes) are more trusting at the firm-specific level compared to women.

Regardless of the interesting and significant findings uncovered by this study, there is still a great deal of work to be done before researchers can fully understand the complexity of Internet communications in E-tailing. Exploring the intricacies of communication processes and signaling through trustmarks certainly requires further exploration and empirical validation. References are available upon request.

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A COMPARISON OF BRAND EXTENSIONS FOR PRIVATE LABELS AND NATIONAL BRANDS

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SUMMARY

Private labels continue to grow in both market share and penetration. Their evolution in the US has been constant over years and in August 2009 their average unit share reached 22.8% (ACNielsen data 2010). Those products now account for more than $86 billion in the U.S., (ACNielsen data 2010) while in some UE countries, they have gained a market share similar or higher to that of the leading brands one.

The growth in private labels has spawned much research on them that addressed a wide variety of issues: who buys and how private label products, whether and how private labels provide leverage to retailers, the determinants of private label share (Ailawadi and Keller 2004; Dhar and Hoch 1997; Hoch and Banerji 1993); the interaction between national brands and private labels (Cotterill et al. 2000; Sayman et al. 2002; Blattberg and Wisniewski 1989; Allenby and Rossi 1991) and conditions for entry of store brand and its impact on retailer’s pricing and bargaining power with manufacturers (Raju et al. 1995; Chintagunta et al. 2002; Pauwels and Srinivasan 2004).

Although the growth of private labels has been interpreted by some as a sign of the “decline of brands,” it could easily be argued that the opposite conclusion is more valid, as their evolution could be seen in some ways as a consequence of cleverly designed branding strategies (Ailawadi and Keller 2004, p. 336). Retailer brands have indeed changed throughout time (De Wulf et al. 2005). If private labels were introduced in the market as products of lower quality offered at better prices (De Wulf et al. 2005), today retailers offer real brand systems, similar to the manufacturers ones, that show how their branding strategies became more and more articulate (Ailawadi and Keller 2004). Until recently, the general wisdom was that private labels were essentially meant to serve price-sensitive market segments (Amrouche, Martin-Herrán, and Zaccourú 2008). Nowadays, retailers’ brands are seen by consumers as valuable substitutes to established manufacturers’ brands (e.g., Amrouche, Martin-Herrán, and Zaccourú 2008; Dunne and Narasimhan 1999; Hoch and Banerji 1993; Fitzell 1992; Keng and Ehrenberg 1984; Wilensky 1994; Quelch and Harding 1996; Uncles and Ellis 1989).

Retailers’ private branding strategies are clearly based on brand extension (Alexander and Colgate 2005), that is the use of an established brand name to enter a new product category (Aaker and Keller 1990). Brand extension is a heavily-researched and influential area in marketing (Czellar 2003). Surprisingly research on brand extension has only marginally considered the retail context by focusing on manufacturers’ extensions sold within a retailer’s store, rather than analyzing retailers’ own brand extensions (Alexander and Colgate 2005). This is coherent with a trend in the branding literature that, in spite of the emergence and growing importance of store brands, mostly focused on national brands (Steenkamp and Dekimpe 1997).

In this paper we rely on the brand extension framework to contribute to solve an unresolved debate in literature on whether private labels should be investigated or not as something different from the “traditional” brands. Richardson (1997) and subsequently De Wulf et al. (2005) support this identified gap, indicating that the question whether store brands are perceived to be just another brand in the market or something different has received little attention in the marketing literature.

As a consequence of this, the key question literature has not yet succeeded to answer is: are private labels brands as manufacturers’ brands are in terms of how various marketing principles can be successfully applied to them? Or, although many important branding principles apply to them, are retailers brands sufficiently different from product brands that the actual application of those branding principles should vary for them as Ailawadi and Keller (2004) suggest?

Uncles and Ellis state that consumers buy own labels in the same way as a brand with a comparable market share (Uncles and Ellis 1989), thus supporting the first point of view. However, at least three characteristics of private labels seem to support the latter view:

- Retail brand exclusivity. Indeed, while the national brands are sold in various retailers, private labels are sponsored or owned by a retailer and are only sold in its stores (Bushman 1993; Burt 2000; De Wulf et al. 2005; Hansen, Singh, and Chintagunta 2006).

- While advertising is the dominant factor in creating national brands that reveal strong brand equity, store image is the most important source of brand equity for store brands (De Wulf et al. 2005). Consumers
therefore transfer brand connotations to the retail brand products from their experiences of the retail store (Burt 2000). This is also due by the fact that the retailer itself (e.g., Tesco) is seen as the brand (Swoboda et al. 2009) and sometimes the retailer’ own brand and its products’ brand coincide.

- Private labels are advantaged by retailers’ closeness to the final market and privileged allocations on the shelves (Nenycz-Thiel et al. 2010; Nogales and Suarez 2005). Indeed, an effective marketing of store brands creates a captive clientele and makes the chain less vulnerable to price pressures or aggressive attacks by the competition (Dick et al. 1995; De Wulf et al. 2005).

In this paper we will test if consumers perceive these characteristics of private label differently. If so, this would thus justify the past ad hoc focus on PLs in the branding literature. We will focus on the effects of brand extensions since despite product and service extension is a fundamental feature of retail operational development and brand extension has become a fundamental feature of retail commercial competition (e.g., Alexander and Colgate 2005; Burt 2000), few studies are available on consumers’ evaluation of retailers’ brand extension compared to national brands’ ones.

The paper reports the results of four experimental studies analyzing similarities and differences in the impact on brand extension evaluation of the two key variables identified within the brand extension literature: category fit and brand knowledge.

The results seem to support the view that private labels differ from national brands as both category fit and brand knowledge have no significant effect on their extension evaluations. References are available upon request.

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AN EXPERIMENTAL EXAMINATION OF BUYERS’ RESPONSES TO RELATIONSHIP FAILURES

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SUMMARY

A 1997 survey of sales managers revealed that nearly half (49%) of the managers believed their salespeople had lied on a sales call, 34 percent believed their salespeople had made unrealistic promises, and 22 percent believed their salespeople had sold products the customer did not need (Marchetti 1997). A 2002 survey of sales and marketing executives similarly revealed that approximately 50 percent of the executives believed their salespeople had lied on sales calls and 74 percent believed the aggressive pursuit of sales goals encouraged their salespeople to lose focus on customer needs (Strout 2002). Though these findings have spurred research aimed at identifying the antecedents of ethical salesperson behavior (cf., Ferrell, Johnston, and Ferrell 2007), there is little evidence to suggest the situation has improved much in recent years (Ramsey, Marshall, Johnston, and Deeter-Schmelz 2007).

This suggests that the prevention of unethical salesperson behavior is but one piece to the puzzle – firms must develop recovery strategies to effectively respond to ethical transgressions. While extant research has focused on salvaging both business and consumer relationships following a service failure (Gonzalez, Hoffman, Ingram, and LaForge 2010; Tax, Brown, and Chandrashekaran 1998), we know little about recovering from an ethical failure. The overarching hypothesis advanced here is that ethical and service failures differ in that a more intense emotional response is elicited by ethical failures. Thus, while previous research supports the notion that emotional responses resulting from service failures serve to heighten the level of emphasis customers place on recovery efforts (Smith and Bolton 2002), we examine how buyers’ responses differ when facing an ethical transgression relative to a service failure. We argue that the key difference distinguishing the two is that a service failure is accidental in nature while the ethical transgression has occurred intentionally. This is the first research we are aware of that contrasts the two types of relationship transgressions and investigates the differential impacts in business relationships.

This research also examines the effects of the buyer’s perception of the salesperson’s relationship role. Heide and Wathne (2006) maintain that individuals in interorganizational relationships assume different roles based on how the relationship is governed. The authors identify two types of roles: a friend and a businessperson. A friend is motivated by the welfare of the relationship as a whole, while a businessperson is motivated by utility maximization and will defect from the relationship if such a move is deemed economically desirable. Consistent with research which reveals that norms influence customer responses to relationship failures (e.g., Aggarwal 2004), we propose that ethical transgressions will elicit a stronger emotional response when the buyer believes that the offending salesperson is a friend. Buyers who categorize the salesperson as a businessperson will be more calculative in their response as for them the transgression creates a debt that must be repaid.

Research supports the notion that buyers view their relationships more through the salesperson than they do the sales company (Palmatier, Scheer, and Steenkamp 2007), as salespeople largely determine the level of value and satisfaction provided the customer. While this separation of salesperson and company can prove challenging for selling firms, might it also prove beneficial following unethical salesperson behavior? Are there ways through which the firm can disentangle itself from the salesperson following an ethical transgression or service failure? In response to these questions, this research addresses two primary research questions:

1. How are buyers’ responses to ethical transgressions different from their responses to service failures?

2. How do buyers’ role perceptions affect their response to a relationship transgression?

A scenario based experimental design was employed to address these questions using an online survey delivered to professional buyers. Respondents were recruited from a national panel of business professionals and had to have two years purchasing experience. Relationship role (friend vs. businessperson) and relationship failure (service vs. ethical) were manipulated through a scenario that described a relationship failure with a real salesperson the buyer interacts with. After reading the scenario, participants responded to survey questions asking about their perceptions and reactions to the incident. We find that
ethical transgressions elicit more anger from the buyer than service failures. We also find that salespeople categorized as friends will produce more anger following an ethical transgression than those categorized as a businessperson. Additionally, salespeople categorized as friends produced less anger when the buyer faced a service failure than those categorized as a businessperson.

The prevalence of ethical transgressions evidenced in the popular press suggests that managers would benefit from a better understanding of the impact unethical salespeople can have on a relationship. We contribute to existing research by (1) examining the differential impact that service failures and ethical transgressions can have on a buyer’s attitudes; (2) developing a measure to capture the friend vs. businessperson distinction; and (3) examining how the relationship role impacts a buyer’s response to each type of relationship failure. We contribute to managerial practice by (1) showing that building stronger relationships with buyer firms insulates the firm against service failures and (2) that buyers expect more from salespeople perceived as businesspeople following a service failure. Future research directions include examination of the most appropriate type of recovery efforts following a failure and who leads that recovery effort. References are available upon request.
WHEN CUSTOMERS SHOW DIVIDED ATTITUDINAL LOYALTY: USING CHANNEL INTERMEDIARIES TO INCREASE BEHAVIORAL LOYALTY

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SUMMARY

The cultivation of customer loyalty is a challenge (and an important opportunity) that businesses face today. It is a challenge because there has been a steady erosion of loyalty in almost every product market because of increased competition. However, cultivating customer loyalty is also an opportunity since loyal customers are believed to contribute to increased revenue and profitability (Chaudhuri and Holbrook 2001; Gupta and Lehmann 2003), provide more predictable sales and profit streams (Dick and Basu 1994), and show greater propensity to favor the firm’s extensions and product enhancements (Reichheld 1996).

A firm’s competitors are constantly engaged in weakening customer loyalty and stunting value exploitation from loyalty efforts. In a brand context, Keller (2003) has noted that competitors are constantly engaged in not only creating points of differences (PODs) but also nullifying a firm’s PODs by converting them to points of parity (POPs). The impact of such competitive efforts is two-fold: weakening or even eliminating perceived differences among competing brands (Ehrenberg, Barnard, and Scriven 1997), or signaling the presence of comparative differences (that is, competitor has comparative advantage in satisfying certain benefits). Further, Uncles, Dowling, and Hammond (2003) observed that “having a favorable set of beliefs about one brand does not preclude having an equally favorable set of beliefs about other functionally similar brands in the category” (p. 301). Either way, the end result is divided customer loyalty among competing brands. Interestingly, purchase patterns in many product categories show that customers are divided in their loyalty (Ehrenberg and Scriven 1999). While loyalty literature has shown the presence of divided loyalty using behavioral information (Ehrenberg, Goodhardt, and Barwise 1990), it has however not taken the next step to develop and test a sound rationale or basis for its presence. Using customer value theory (Woodruff 1997; Ulaga and Eggert 2006) we examine the issue of divided loyalty within the context of customers exhibiting such loyalty to two closely-competing brands (which we term as “dual loyalty”).

We define dual loyalty as the phenomenon wherein customers have “equivalent levels of overall attitudinal loyalty” toward two firms—a focal firm and its closest competitor-based on past exposure and experience. It should be noted that (a) the terms firm and brand are used interchangeably in the rest of the manuscript, and (b) the focus is on loyalty toward a firm, where the firm is also a brand.

The primary purpose of the present study is to examine the presence of, the reasons for and the outcomes of dual loyalty. In doing this, the present study addresses three important issues. First, it offers two explanations for dual loyalty—equivalence and comparative advantage—and examines which explanation is more valid. The equivalence explanation rests on the logic that customers can be equally loyal to two firms if they do not see any difference between them, implying that the value drivers of loyalty are the same for both firms, both in terms of level and impact. The comparative advantage logic assumes that customers may be loyal to two firms because they seek different benefits from them. The comparative advantage premise is supported if the drivers of loyalty are perceived to be important and if different drivers are salient for loyalty toward each firm. Second, the study examines how firms respond to divided loyalty of customers. Firms can escalate value offerings to dual-loyal customers on the belief that higher value is needed to keep them satisfied; or firms can focus on the more loyal customers and thus indirectly penalize the dual loyal customers for showing loyalty to someone else. Third, the study examines the role played by intermediaries that interface between the firm and the customer. Specifically, it evaluates to what extent intermediaries have the ability to induce customers that show dual loyalty at the attitudinal level to demonstrate behaviors that makes them more valuable to the firm.

The conceptual framework was empirically tested in a supplier-dealer-customer triadic setting in a B-to-B context using data from survey responses from customers and supportive objective information on customer lifetime value from the supplier firm. The results of the study suggest that (a) consumers are loyal to more than one firm because they value different benefits offered by competing firms, (b) dual loyal customers get more attention from firms than customers who are only loyal to them, and (c) intermediaries are successful in converting customers that are loyal to a competing firm to purchase more from the
focal firm. Based upon the last result, a second study is being proposed to evaluate alternative strategies that the focal firm (a manufacturer and also a finance provider) can use to encourage dealers to recommend the focal firm to their customers. In particular, the authors aim to evaluate the issue of maximizing monetary gain versus maximizing value propositions (Verhoef 2003) related to the task of recommending the focal supplier firm to end customers. Overall, the results of the first study are in support of customer value theory and suggest that dealer recommendation can increase behavioral loyalty toward the supplier.

In sum, our study will make three key contributions to the loyalty literature. First, the study will add to the sparse literature on divided loyalty of customers. Second, it will investigate how firms respond to consumers that exhibit divided loyalty. If firms recognize the existence of such loyalty, they will be expected to escalate their service and commitment to divided-loyal consumers as compared to those that show loyalty to one firm. Third, the study will throw light on how a firm can use its intermediary network to handle customers who show divided loyalty. This evaluation will have implications for the design of dealer strategies and training programs to dealer staff. Further, this evaluation will have generalizable implications for firms in product categories other than the one examined here that face similar customer and intermediary issues. References are available upon request.
CUSTOMER REACTIONS TO MASSIVE WORKFORCE REDUCTIONS: WHEN IS SATISFACTION AFFECTED?

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SUMMARY

While firms usually downsize to improve performance, studies show that this attempt often fails. In search for explanations, researchers have begun to examine the effects of downsizing on customer satisfaction and found first evidence of a negative relationship. This would imply that downsizing is an undesirable practice, at least from a marketing perspective. It would also raise the question, why so many firms still rely on downsizing.

In our paper we argue that the issue may be more complex. Drawing on the theoretical argument on the relationship between firm productivity and customer satisfaction by Anderson, Fornell, and Rust (1997), we propose that it will mostly depend on contextual factors whether downsizing has a positive or a negative effect on customer satisfaction. Consider for instance firms that are high on organizational slack (Love and Nohria 2005). They have the opportunity to compensate for potential negative effects of work force reductions by improving existing business processes (Marks 2003), which may even increase customer satisfaction. At the same time, firms that were already working very efficiently before the downsizing will find it hard to preserve their service quality. Thus, customer satisfaction is likely to go down.

Similarly, we expect that the negative effect of downsizing on customer satisfaction is more pronounced if the firm has employed downsizing proactively and its labor productivity is high. Further, we expect a negative effect of downsizing on customer satisfaction in service firms and in industries characterized by high (R&D) intensity and by high consumer involvement.

To test our hypotheses, we combine data from three sources. (1) We use data from the American Customer Satisfaction Index (ACSI) to measure our focal variable customer satisfaction. (2) We measure organizational downsizing as well as most context factors using Computstat data. (3) To measure consumer industry involvement, we collected survey data. As a result, we have a longitudinal data set with data from 1994 to 2008 (before the financial crisis) from over 140 companies, covering more than 180 downsizing events.

Based on this data, we find that the negative effect of downsizing on customer satisfaction is more pronounced if a company has low organizational slack, benefits from high labor productivity, operates in an R&D-intensive industry, and markets a product that customers feel highly involved with. Interestingly, we find no strong support for our hypothesis that downsizing is less harmful to customer satisfaction if financial performance has been declining before the downsizing. Our initial reasoning was that under these circumstances, customers would perceive downsizing as fairer (Love and Kraatz 2009). We propose that our ambiguous findings are the result of different downsizing strategies depending on the previous trend of financial performance.

By examining the effect of downsizing on customer satisfaction in the context of a large longitudinal dataset, our study contributes to academic knowledge in at least three ways. First, we identify conditions when downsizing reduces customer satisfaction and conditions when downsizing may actually improve customer satisfaction. Second, our study is the first to use longitudinal data on customer reactions to downsizing, allowing us to make stronger causal claims than previous research. This contribution is particularly important, because a negative association between downsizing and customer satisfaction can also arise in cross-sectional data through an effect of customer satisfaction on downsizing. Third, this study is the first to link the customer-related outcomes of downsizing to firm performance. By showing that downsizing has an indirect effect on financial performance via customer satisfaction, our findings provide a possible explanation of why so many downsizing projects fail. Thus, we also contribute to research on the so-called “hidden costs” of downsizing (Buono 2003) by providing evidence that these hidden costs actually translate into monetary disadvantages. References are available upon request.
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A CUSTOMER-CENTRIC APPROACH TO B2B MARKET SEGMENTATION

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SUMMARY

In B2B markets, it is logical for the selling firm to consider relevant characteristics of the buying firm’s customers when developing its marketing strategies (Bradford et al. 2010; Kleinaltenkamp and Ehret 2006; Piercy and Lane 2003). This is especially true with decisions regarding market segmentation strategy which drives all other marketing strategies. Scholars have called for research which focuses on downstream markets to generate market intelligence and provide understanding of customers’ customers’ preferences (Slater and Mohr 2006; Henneberg, Mouzas, and Naude 2009). Despite the importance of the concept on customers’ customers, we are unaware of any theoretical or empirical approach to segmentation that explicitly incorporates this dimension (i.e., the relevant characteristics of the buying firm’s customers).

In this paper, we focus on the implications of derived demand for segmenting business marketers’ focal customers and propose a segmentation method that distinguishes between immediate and downstream customer characteristics and explicitly accounts for both sets of customer variables in deriving richer, more meaningful, and actionable segments for B2B marketers.

We propose a three-dimensional joint segmentation model that fit these criteria. The model is an extension of Ramaswamy et al. (1996). The model is first validated through a series of Monte Carlo studies. Then we apply it in a real B2B market. In the empirical application of the model, we collected survey data in collaboration with a media company in the Midwest United States. This media company’s main business line is a print newspaper. It is one of the top thirty newspapers in the United States, with over one million readers each week. As is the case for most media companies, it has two business lines: one is aimed toward readers and therefore B2C, the other one is geared toward advertisers and therefore B2B. Our objective is to segment the advertisers (B2B) market based on three criteria: previous ad purchase behavior, benefits desired when buying the ads, characteristics of advertiser’s (customer’s) customers.

Data were collected by a phone survey administered by trained interviewing staff. Altogether, 2,307 telephone numbers were dialed. Five hundred sixty-six eligible businesses were reached. Three hundred thirteen survey interviews were completed, for a response rate of 55 percent. We applied the proposed model to the data. Using AIC3 as the model selection criteria, we extracted two segments on the purchase behavior dimension, three segments on the benefits dimension, and two segments on the customer’s customers dimension. One of the conceptual contributions of the 3D joint segmentation model is that it explicitly considers benefits desired by customer’s customers in a B2B market. The analysis results showed that even when advertisers or the direct customers’ desired benefits are the same, these accounts (advertisers) could belong to different segments because advertisers’ customers desire different benefits.

Executives at the collaborating media company reviewed the results and found it meaningful. They selected two segments as the focus of selling effort. This is because these segments have ad spending behavior and desired benefits that well match what the focal company can offer. Also in these segments, the advertiser’s customers have attributes that are reflected in the company’s reader base. So the company is able to offer readers that are potential customers for these advertisers.

Conceptually, our model is the first segmentation model that explicitly takes customer’s customer needs/characteristics into account. Methodologically, it advances the current state of the art for finite mixture models in the market segmentation literature. Substantively, it adds to the sparse literature on empirical applications of B2B market segmentation models. References are available upon request.
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A STRATIFIED EXAMINATION OF THE DRIVERS AND OUTCOMES OF MARKETING CROSS-POLLINATION

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SUMMARY

As competitive intensity and market dynamism continue to escalate in today’s business environment, the need for organizational innovativeness has never been greater. The cross-pollination of marketing employees is a potent way to pursue innovation within the firm. The impact of HRM practices that facilitate the cross-pollination of knowledge in the marketing function have not been explored in an aggregate fashion. As such, little is known on the relative impact of different cross-pollinating activities.

We conceptualize marketing cross-pollination (MCP) as the extent to which marketing intentionally integrates personnel to cultivate new perspectives and ideas. Marketing departments utilize inter- and intra-functional rotation, cross-training, and cross-integration of employees to facilitate cross-pollination. The facets of MCP are influenced by a company’s values and policies and are proposed to be impactful on performance. These activities create greater functional and competence diversity and facilitate explicit and tacit knowledge sharing within the firm. The activities were selected subsequent to an extensive review of HRM practices utilized to promote learning in the organization. MCP is a mechanism essential to creating the opportunity for the transfer of explicit and tacit knowledge stores through its components. Additionally, MCP can occur at different levels: between different product groups within the marketing function, between marketing and sales, among other functional areas and marketing, or through acquisition of employees from and interaction with different companies. We theorize the potential differential impact of these four levels of cross-pollination on key marketing outcomes.

Organizational learning is a key motivation for cross-pollination in a marketing context. Knowledge acquisition can accrue from many sources including learning from experience, learning by observing other organizations, and grafting (acquiring necessary talent not possessed). MCP creates the opportunity for the distribution of knowledge and the incorporation of different interpretations. We propose several drivers and outcomes of MCP in the marketing department.

Factors pertaining to culture and strategy are proposed to drive MCP and the structural aspect of marketing slack to moderate their impact. The cultural factor comprises the learning orientation. Organizations with a high learning orientation will value and practice MCP as the knowledge created and transferred through this process will be consistent with the organization’s values. Firms pursuing an exploration strategy are also more likely to practice MCP. Exploration focuses on new, emerging markets and radical changes and firms pursuing an exploration strategy seek to innovate and create new knowledge and skills. MCP serves to cultivate different, new ideas through the rotation, cross-training, and cross-integration of employees. Slack resources allow for increased flexibility and time to reflect that may result in more efficient and effective business practices. Slack can be utilized to promote learning through MCP. Marketing departments operating with no slack may not have the time and resources for MCP. Regardless of their strategic or learning orientations, departments without slack resources will have a difficult time enacting these behaviors. Conversely, an abundance of perceived slack resources in a marketing department enhances the effect of these two variables as the resources are available to cross-pollinate their employees and facilitate learning.

While MCP could be argued to affect a wide array of organizational outcome variables, we seek to indentify the positive, negative, and contingent effects MCP can have on the organization. In this pursuit, we propose relationships between MCP and (a) innovativeness, (b) relative cost, and (c) market knowledge.

The components of MCP are likely to increase the innovativeness of the marketing product group. Personnel transfer enhances the collective base of experiences among business-unit members and provides diverse ideas and new ways of conducting business, cross-training promotes learning, and cross-functional teams are conduits for creativity and innovation. A drawback of MCP, however, is increased cost. MCP activities entail both hard-dollar marketing expenditures and soft-dollar inefficiencies which increase the relative cost of the product group. Efficiencies that are developed with experience in a marketing or sales position are often lost or reduced when job transfer occurs, cross-training requires a time investment by both the trainer and trainee, and coordinating strategies such as cross-functional teams can give rise to inefficiencies. Last, the effect of MCP on market knowledge is proposed to be contingent on the type of MCP occurring. For example, personnel rotation will affect market knowl-
edge differently depending on the whether it occurs within the marketing function, between marketing and sales, among other functional areas and marketing, or through acquisition of employees from different companies. These effects are proposed to be moderated by the use of knowledge integration mechanisms (KIMs). KIMs provide formal structures to capture, interpret, and integrate knowledge within the firm that should leverage the positive effect of MCP. Last, the impact of MCP on innovativeness and relative cost will likely vary contingent on what level it occurs. More intense MCP activities (rotation) performed at higher levels (from different companies) will have higher innovativeness benefits, but also higher costs. References are available upon request.

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THE ROLE OF FRANCHISEE MARKETING COMMITMENT ON PROMOTION EXECUTION AND PERFORMANCE

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SUMMARY

The primary purpose of this article is to introduce and develop understanding of the role that franchisee marketing commitment plays in the relationship between franchisors and franchisees in terms of executing marketing promotions. Franchisors and franchisees represent a significant and specific type of marketing channel relationship. Extant research on the dynamics of business channel relationships, including franchisor-franchisee interactions, has concluded time and again that satisfaction is of vital importance for sustaining successful relationships (Brown, Lusch, and Smith 1991; Geyskens, Steenkamp, and Kumar 1999; Ruekert and Churchill 1984). While the concept of satisfaction has been examined considerably in the literature, the role of commitment has received relatively less attention, especially in terms of how it affects contractual franchisor-franchisee interactions (Andaleeb 1996; Anderson and Weitz 1992; Morgan and Hunt 1994; Williams and Hazer 1986). Furthermore, while general commitment has been the subject of research, franchisee marketing commitment has not despite its existence and importance in understanding franchisor-franchisee marketing interactions.

Marketing commitment is critical to examine because of the role it plays in determining how a business owner or general manager will strategically and tactically implement marketing activities, such as product promotions, that originate from an external source.

There are several examples of interactions between franchisors and franchisees concerning marketing promotions. Burger King has seen public and litigious conflict between these groups for over six years now due to two different marketing promotions – $1 double cheeseburgers and later operating hours – which were mandated to franchisees by corporate management (Gibson 2010). In recent years, Blockbuster has increased their willingness to listen to their franchisees. In attempts to make their brick-and-mortar locations more viable, Blockbuster has been de-emphasizing its online service and experimenting with various store concepts that will ideally lead to increased foot traffic (Maze 2008).

Franchisee marketing commitment is conceptualized as comprising both strategic and tactical forms of commitment. It captures the extent to which a franchisee wants to comply with marketing promotions that are initiated and mandated by the franchisor. A conceptual framework is presented and assessed. Within this framework, the authors examine how marketing promotions, which are initiated by the franchisor, are strategically and/or tactically committed to by the franchisee. In addition, the roles of franchisee economic and social satisfactions (e.g., Gassenheimer and Ramsey 1994; Geyskens and Steenkamp 2000) as well as franchisor equitable promotion development are assessed in order to provide a clearer picture of how franchisee strategic and tactical commitment affects promotion execution and promotion performance. Lastly, the influence of coercion as a moderating factor is also theorized in terms of how it actually alters the impact of strategic and tactical marketing commitment.

Overall, it is argued that high levels of franchisee economic and social satisfactions will positively affect strategic forms of commitment; while high levels of franchisee social satisfaction and evaluation of equitable promotion development will positively affect tactical forms of commitment. These two types of franchisee marketing commitment are expected to affect promotion execution, and hence promotion performance. Two studies are proposed to further investigate these franchisor-franchisee channel interactions.

The following research questions are examined: (a) What is franchisee marketing commitment? (b) How does a franchisee’s level of strategic and tactical commitment toward a franchisor-instigated marketing promotion impact execution of the promotion as well as performance? (c) What antecedents impact a franchisee’s desire to comply? (d) How does coercion moderate the relationship between a franchisee’s marketing commitment and their promotion execution?

The conceptual framework discussed is applicable for both franchisees and franchisors alike. For franchisees, it provides guidance to help them better understand their own levels of franchisee strategic and tactical commitment as well as what drives these motivations and how they affect marketing promotion outcomes. For franchisors, the framework provides understanding of the drivers behind franchisee strategic and tactical commitment so that they can improve relational input. This research also offers guidance on how coercive tactics can be used. By better understanding how franchisors affect the affective state of their franchisees, it is possible to better manage
such relationships. If franchisees are satisfied with the relationship and evaluate promotions equitably, then there exists a higher level of marketing commitment. Identifying the drivers and effects of franchisee marketing commitment, as well as determining the boundary conditions, is especially important in terms of accurately capturing actual outcomes that accompany varying levels of marketing commitment in real world franchisor-franchisee marketing interactions. References are available upon request.

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DETERMINANTS OF THE ADOPTION OF A MOBILE COMMERCE STRATEGY: THE PERCEIVED BENEFITS TO THE FIRM

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SUMMARY

Firms have been reluctant to develop mobile marketing initiatives because of the time and effort needed, as well as not fully understanding its value to their customers. As firms have begun to advertise on the mobile channel, there is still reluctance to become involved in mobile commerce. This study seeks to understand the benefits of the adoption of a mobile commerce strategy to the firm.

Several advantages exist for consumers, as well as marketers, in using mobile devices for commerce. Customers can be targeted based on location, allowing marketers to target those within a geographic area. Since most mobile devices have a single owner, personalization can be offered along with location flexibility, allowing business to be transacted anywhere, anytime, to a specific customer. However, there are also a number of disadvantages of m-commerce. Usability issues are of concern, including the smaller screen, and the fact that most mobile devices are not as fast as personal computers. As of now, there are different technology standards by different mobile companies while each is moving toward the 4G technology. Many organizations, however, have not been eager to develop strategies to take advantage of mobile devices for marketing purposes. Because of the widespread use of mobile devices by consumers, the question becomes what are the benefits to using mobile commerce.

In order to determine the efficacy of m-commerce adoption, firms must also understand the benefits of a mobile strategy, even with the pressure to adopt. Perceived benefits refer to the anticipated advantages that can be gained by an organization when m-commerce has been adopted (Chwelos et al. 2001).

Mobile commerce would allow firms to improve customer service by offering products and services conveniently, offer faster response to customer concerns through mobile access, as well as the ability to offer higher service quality through mobile communication. External factors include those benefits that enhance the ability of firms to compete. Benefits that allow a firm to keep and expand the customer base would certainly add to a firm’s competitive advantage. Internal factors are those within a firm that allow for greater performance; these can be in terms of cost savings, profitability and operational effectiveness. Influencing the decision to enter an online space, in many cases, can be spurred on by relationships with others through industry, business and trade associations.

A total of 316 managers from various industries completed the survey. Respondents found that the perceived consumer benefits (PCB) of using m-commerce are positively associated with the attitude toward using m-commerce (ATT) as a marketing strategy. However, respondents did not have a positive attitude toward external benefits (PEB) or internal benefits (PIB) of m-commerce. There was a positive association between attitude and the intention to use m-commerce (INT) as a marketing strategy. The results support the belief that firms do find there are perceived benefits of mobile commerce.

This research has shown that firms are more likely to develop a mobile commerce strategy because of the advantage it would give over the competition. However, firms are unlikely to choose a mobile commerce strategy if it aids in the relationship with customers, or with their relationships with other businesses. The framework tested in this paper will be a useful first step in the determining the underlying antecedents to a firm’s decision to use mobile commerce. The importance of mobile commerce has its underpinnings as a useful tool that companies are beginning to become involved in as the potential benefits are understood, as found in this investigation. References are available upon request.

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THE MODERATING EFFECT OF CREATIVITY ON CONSENSUS AND PERFORMANCE: A MODERATED POLYNOMIAL REGRESSION MODEL

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SUMMARY

This study investigates the impact of marketing consensus on firm performance. We particularly focus on the effect that decision making consensus regarding the firm’s marketing strategy has on firm-level performance. An important moderator of this relationship is the creativity or innovativeness of the firm’s products or services. We test three hypotheses:

H1: Consensus is related to firm performance in a curvilinear manner (inverse U-shaped relationship).

H2: Marketing creativity moderates the effect between consensus and firm performance.

H3: Marketing creativity directly increases firm performance.

We use both subjective and objective data gathered from 174 senior executives of North American companies in various industries. Consensus was measured with items adapted from Hult, Ketchen, and Slater (2004), Moorman (1995), Menon and colleagues (1999), and Johnson, Sohi, and Grewal (2004). The scale used in this study to measure marketing creativity was adapted from Im and Workman (2004). Objective financial data were obtained from multiple secondary data sources (Compustat, Hoover’s, and DandB's Million-Dollar Database) for the year immediately following the survey.

We use a curvilinear model that explains 37% of the variance and shows substantially different results from the previously frequently used linear models. We suggest that one reason for the often conflicting empirical findings in the consensus – performance literature is because of this lack of appreciation for a non-linear relationship. In addition, we demonstrate how marketing creativity is a key moderator of this relationship.

Our study provides important insights for managers. It shows that managers across all ends of the continuum of consensus styles can be effective: from the complete autocratic manager, to the extreme consensus focused manager. In short, neither extreme is right. Results of our study show that managers should indeed attempt to communicate with their employees, attempt to incorporate employees’ input, encourage the challenging of others opinions, seek to build consensus during strategy making, and ensure that there is a great deal of buy-in on decisions. However, managers should do all of this only up until a point. At the end of the day, managers also need to make some decisions with little or no staff input, enforce policies and decisions, and put plans into action without complete agreement. Going against the grain and taking action without complete buy-in may in fact be a good business practice, particularly in markets that are characterized by more intense competition. The real managerial skill in this regard is to recognize when more consensus adds value to the firm, and when it does not.

Furthermore, our study shows that the level at which consensus gets “too high” depends on the level of creativity within the organization. In highly creative organizations, the optimal level of consensus is much lower than in less creative organizations. In other words, if a company is constantly coming up with new products and ideas and implementing these rapidly, there is hardly time for consensus building. Whereas, firms with low levels of creativity, and perhaps very stable, not rapidly changing product lines, can afford the time and energy to build consensus. This finding should also guide academics in future research looking to examine how creativity affects organizations’ decision-making processes. For example, new product development processes may be impacted or hindered by consensus making or other decision-making processes. References are available upon request.
Does CEO Tenure Really Matter? The Mediating Role of Employee and Customer Relations

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Summary

Does CEO tenure really matter? Over the decades, this question has garnered immense attention from both managers and researchers, spawning many theories in the strategy literature. CEO career stage theory (Hall 1976) seems to have won the widest acclaim. This theory suggests that CEO tenure is characterized by multiple seasons. Specifically, Hambrick and Fukutomi (1991, p. 719) note that “there are discernible phases, or seasons, within an executive’s tenure in a position, and [those] seasons give rise to distinct patterns of executive attention, behavior, and ultimately, organizational performance.” CEOs learn rapidly during their initial years in charge, but then grow stale in the saddle as they lose touch with the external environment (Henderson, Miller, and Hambrick 2006). Thus, extant literature acknowledges that the relationship between CEO tenure and firm performance is an “inverted-U.” That is, firm performance increases until CEO tenure reaches an optimal point and gradually declines thereafter (Miller and Shamsie 2001).

However, the performance relevance of CEO tenure is a complex phenomenon that scholars believe goes beyond the simple, direct effects (Hambrick and Fukutomi 1991). Therefore, to get a holistic view of the causal linkages between CEO tenure and firm value, it is important to account for the underlying mechanisms that channel CEO tenure’s impact (Simsek 2007). Nevertheless, even after several calls (e.g., Souder, Simsek, and Johnson 2011), our knowledge of the intermediate factors that channel the impact of CEO tenure on organizational performance is surprisingly limited.

In bridging this crucial knowledge gap, we propose two novel routes through which CEO tenure influences firm value creation. The first channel stems from a firm’s relationship with one of its most important internal stakeholders – employees. As CEO tenure increases, CEOs gain more influence, power, and credibility (Hambrick and Fukutomi 1991; Wu, Levitas, and Priem 2005). However, longer CEO tenure rarely translates into superior performance automatically without the support of firm human capital. CEOs with longer tenure can leverage their reservoir of influence and credibility to create “unity of purpose” and foster trust between the firm and its employees (Lang, Ronit, and Schneider 2008; Simsek et al. 2005; Souder et al. 2011), which positively affect firm performance (Wang, He, and Mahoney 2009). Therefore, the potential rent-generating role of CEO tenure is path-dependent and can partially be accounted for by the firm-employee relationship strength.

The second channel that we propose is rooted in the firm’s relationship with its key external stakeholders – customers. As their tenure and market knowledge increases, CEOs such as Bill Gates and late Steve Jobs may develop a charisma that invigorates and draws customers closer to the firm (Canella and Hambrick 1993). During their career seasons, CEOs’ strategies to tackle emerging product-market needs and evolving customer demands affect the strength of firm-customer relationships (Hambrick 2007; Musteen et al. 2006), which subsequently influence firm value (Bantel and Jackson 1989). Indeed, without attracting strong customer segments that are loyal to the firm’s product offerings, even experienced CEOs cannot sustain competitive advantages in the marketplace. Thus, the potential performance impact of CEO tenure can be channeled by the extent to which CEO tenure affects firm-customer relationship strength.

Our findings support these mechanisms for the impact of CEO tenure on firm value creation, i.e., via the strength of firm relations with two of the most important stakeholders, employees and customers. We also find that CEO tenure has a linear impact on firm-employee relationships but an inverted-U shaped impact on firm-customer relationships, thus demonstrating the complexity regarding the internal versus external focus of CEOs across their career stages. These results also help disentangle the mixed findings pertaining to the ultimate performance impact of CEO tenure. References are available upon request.
WHEN THE FOG DISSIPATES: THE CHOICE OF STRATEGIC EMPHASIS IN A PARTNER

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SUMMARY

For many established firms the ability to innovate is critical when it comes to building a foundation on which their competitive advantage would rest (Varadarajan and Cunningham 1995). Increasingly, this requires organizations to look not only inwardly but also outwardly in their search for innovative ideas (Rice et al. 2000). The growing prominence of interorganizational relationships (Morgan and Hunt 1994) is a testament to the importance of external sources of innovative ideas (Chesbrough and Tucci 2004). A growing trend among large public companies interested in innovation is to enter equity-based partnerships with smaller privately owned, growth-oriented firms that have the technological insight but may lack innovative breadth and the capabilities to bring their technological prowess to fruition (Swaminathan et al. 2008). Yet, as established companies differ in their strategic emphasis with respect to allocating resources between value creation and value appropriation (Day 1994), so does their attractiveness for smaller technologically oriented players.

When corporations emphasize value creation, the success of the company relies on innovation and outperforming competitors with respect to the technologies employed (Mizik and Jacobson 2003) When value appropriation is emphasized firms rely on heavy advertising (Mizik and Jacobson 2003). Potentially, both strategic emphases may be attractive to small firms. Value appropriation-focused large companies tend to defend their position in the market against competition by erecting barriers to imitation and through the use of isolating mechanisms such as brand-based advertising (Mizik and Jacobson 2003). Value creation-focused corporations may better understand the small firm’s technology and could assist in its development and commercialization (Dushnitsky and Shaver 2009) thus arguably providing an even more attractive deal to small firms.

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However, the mutual attraction between large companies and smaller firms is not without challenges. Because public companies openly pursue the innovative agenda, they may try to misappropriate the technologies developed by small firms. Unless the large corporation has established a strong track record that clearly suggests that it does not mistreat its smaller counterparts, the small firm is wise to exercise caution when considering joining forces with an otherwise attractive equity partner. Like the fog, information asymmetry blurs the vision for the smaller firm (Akerlof 1970), and the smart strategy may be to steer clear of all partnerships because some of them may hurt the firm.

When the ultimate intentions of the large corporation are foggy, the small firm may shield itself against misappropriation by choosing to partner with companies that emphasize advertising over R&D and thus may not have sufficient absorptive capacity (Cohen and Levinthal 1990) to decode and internalize the small firm’s knowledge base. Even though working with a technologically capable partner should be the first choice for a small firm (Dushnitsky and Shaver 2009), when the fog of information asymmetry is thick it is perhaps best to seek a “safe” partner who may ease the market entry, provide legitimacy and access to distribution channels (Chesbrough 2002) rather than flirt with a technological powerhouse that may be of great help but is as likely to snatch the key ideas from the small firm to later claim them as its own.

On the contrary, when the information asymmetry is reduced and small firms can make an accurate assessment of the true intentions of the large corporation, they will favor R&D-centered companies that focus on value creation. If the corporate partner with years of technological expertise accumulated in its R&D department has held its part of the deal with other small firms in the past, working with such a partner may be of tremendous value and could be instrumental in perfecting the technology for the ultimate success in the marketplace. In other words, this impact of strategic emphasis on attractiveness may be contingent on information asymmetry between the large company and its smaller counterpart. The fog of information asymmetry could make them choose much safer (although arguably less valuable) value appropriation-focused partners that emphasize advertising. As the fog dissipates, however, value creation-centered companies’ attractiveness to small firms may increase.

Our dataset covers 233 instances of equity partnership between large public companies and 1445 small private firms, with an average large company supporting over six small firms in a given year. Because the number of smaller firms attracted by the established corporations is a count variable, we utilized a population-averaged negative binomial estimation technique with equal-
correlation structure (McCullagh and Nelder 1989). A set of hierarchical models was fitted by use of the generalized estimation equation approach (Liang and Zeger 1986); all models proved significant. Information asymmetry was a significant predictor of the established company’s attractiveness to small firms but strategic emphasis was not. As expected, information asymmetry was negatively related to the attractiveness of an established firm to smaller firms ($\beta = -.33, p < .05$). The data also suggests that all else being equal, strategic emphasis does not seem to matter for small firms seeking a larger partner thus leaving preference for strategic emphasis without statistical support. The interaction of the information asymmetry and strategic emphasis is positive and significant ($\beta = .59, p < .05$) thus providing support to the moderating relationship. Interestingly, in the presence of the interaction term, strategic emphasis variable gains marginal significance ($\beta = -.26, p < .10$) thus suggesting that small firms prefer to partner with large corporations that emphasize R&D to the exclusion of advertising.

The results of our research show that information asymmetry may play a crucial role in the development of an equity partnership between large public corporations and small privately owned growth-oriented firms. Not only is information asymmetry significant in its own right as a predictor of the large corporation attractiveness as an equity partner to smaller firms, but also it attenuates the effect that strategic emphasis adopted by the corporation has on such attractiveness. Indeed, the fog of information asymmetry, makes small firms wary of entering equity-based partnerships and also makes them unwilling to partner up with corporations that potentially have the most to offer them in terms of technological expertise.

When the information asymmetry fog is at its thickest, small firms choose to work with corporations that invest in advertising at the expense of R&D. Once the fog dissipates, the picture changes dramatically. Established corporations that pursue value creation strategic emphasis gain attractiveness in the eyes of the small firms while value appropriation-focused corporations lose it at a similar rate. Surprisingly, by itself strategic emphasis does not appear to matter much when considered without the presence of the interaction effect mentioned above. Perhaps, the benefits and drawbacks associated with the both ends of the strategic emphasis continuum are balanced rather evenly. References are available upon request.

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WHY QUALITY MAY NOT ALWAYS WIN: THE IMPACT OF PRODUCT GENERATION LIFE-CYCLES ON QUALITY AND NETWORK EFFECTS IN HIGH-TECH MARKETS

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SUMMARY

Many high-tech industries are characterized by positive indirect network effects associated with the hardware/software relationship – consumers receive greater benefit from hardware with a larger selection of software, and software firms find it more profitable to provide for hardware with a larger installed base of consumers. Recent marketing literature has witnessed a major debate about the critical drivers of success – quality versus network effect, as well as efficiency in these types of markets (Ratchford 2009; Reibstein 2009; Rossi 2009; Tellis, Yin, and Niraj 2009a, 2009b). Tellis, Yin, and Niraj (2009a) demonstrate that both the quality effect and network effect are significant factors determining market shares in these markets, but that quality effect is more important than the network effect, and that such markets are efficient.

Our paper contributes to this current literature and the ongoing debate on quality and network effects in high-tech markets and extends the results of Tellis, Yin, and Niraj (2009a) in several ways. Using a data set from the home video game industry (1995–2007) we examine quality and network size impacts on market share over different phases of the product life-cycle. First, we replicate prior research and show that indeed both quality and network effects are significant factors in determining market shares in high-tech markets. Second, contrary to the relatively stable impact of quality and network effects found in Tellis, Yin, and Niraj (2009a), we show that the quality and network effects vary over the product generation’s life-cycle. Third, we show that there are times when the network effect can indeed dominate the quality effect. Specifically we find that the network effect may dominate the quality effect during the Growth and Maturity phases of a product generation’s life-cycle. Fourth, our results show that there is a distinct possibility that these high-tech markets may not be efficient in that the highest quality product may not be the market leader. In addition, in terms of estimations, we jointly estimate both the demand and the supply equations allowing for backward compatibility of the products (Ratchford 2009) and we control for the endogeneity issues raised by Reibsten (2009) and Rossi (2009) by using several reasonable instruments with instrumental variables regression techniques via generalized method of moments (GMM) estimations.

The video game industry is ideal for study for several reasons. First, it is a classic example of an industry where indirect network effects play a major role in determining market share outcomes: consoles become more attractive as the number of available games for a console increases; the number of available games increases as the installed base for the console increases. Next, quality increases regularly through the introduction of more technically sophisticated consoles that can play more complex and graphically superior games. In addition to incremental improvements within a product generation, we observe four separate product generations over the life of the data set; each generation delineated by a significant jump in the technological capability of consoles and games. Finally, each generation goes through four phases of the product life-cycle similar to those defined by Golder and Tellis (2004): Introduction, Growth, Maturity, and Decline.

The results of our study generate several implications for managers. First, in the economics literature, the overall strong impact of network effects often imply a lock-in and a dominance of an existing product even when it might have an inferior quality (see, among others, Farrell and Saloner 1986; Clements 2005; David 2007). However, contrary to some of these results, Tellis, Yin, and Niraj (2009a, p. 147) argue that a network need not be a reliable shield to protect incumbents. Constant quality enhancement is an effective way for existing leaders to defend their current positions. Our results confirm the Tellis, Yin, and Niraj (2009a) result on average. However, our results also show that during specific phases of the generation life-cycle – Growth and Maturity phases, the network effect can be a reliable shield to thwart entry. In such situations, quality enhancements may not be as effective as in other phases.

Second, it may be possible for network effects to slow the introduction of a new product generation. Specifically, the network effect is relatively strong during the Maturity phase of the generation life-cycle and weaker during the Decline phase. A potential pioneer of a new product generation may have to strategically delay entry until the incumbent has entered the Decline phase.
Third, Tellis, Yin, and Niraj (2009a, pp. 147–148) argue that contrary to the lock-in predictions of economics literature, under certain circumstances, network effects can make the market more efficient. “...A strong network enhances the impact of quality.” Our results show that there are some boundary conditions to these findings. Specifically, we see that the network effect is the smallest in the Introduction phase of a generation life-cycle, and hence a potentially inferior quality early mover can enter and position itself well in the marketplace. Therefore, we find that the network effects may minimally enhance the quality effect, if at all.

Finally, recent studies have found that higher quality can attract larger networks thereby reinforcing the effect of superior quality. For example, Gretz (2010) found that higher quality consoles attracted greater provision games. Our results show that higher quality may attract a larger network; however this occurs when the effect of a larger network is relatively small. That is, the reinforcement of the quality effect may not occur when the quality effect is most in danger of being dominated by the network effect – during the Growth and Maturity phases.

Our research can be extended and improved in several ways. For example, we are currently unable to account for advertising or marketing spending as this data is not readily available. However, Tellis and Fornell (1988, p. 68) find that the effect of advertising on quality is positive and mildly significant. However, quality affects advertising strongly positively in the later phases of the product life-cycle. Thus we might expect both a direct and an indirect (via quality) impact of advertising on market share. Also, we are unable to account for bundling of new products that may enable one firm to promote adoption by including it with its console. For example, Microsoft bundled its Xbox 360 with the very popular game, or “killer application,” Halo 3 in September of 2007. It is possible some “killer applications” may significantly affect market share throughout the generation life-cycle (see Gretz and Highfill 2010) in a way different than what we present here. Future research should address this aspect. References are available upon request.

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FOREIGN DIRECT INVESTMENT IMPACT ON RETAIL STRUCTURE

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SUMMARY

Retail structure refers to the number, scale, and type of retailers within a given geographic area such as a town, a region within a country, or even an entire country. For example, the retail structure in developed economies such as the United States is dominated by large-scale, modern retailers such as hypermarkets, supermarkets, discounters, and shopping malls while the retail structure in developing economies such as India and Poland consists mainly of small-scale, “mom-and-pop” stores (Reinartz, Dellaert, Krafft, Kumar, and Varadarajan 2011; Samiee, Yip, and Luk 2004). Studying retail structure is important for the following reasons. First, the retail sector provides employment to a significant portion of a nation’s workforce, can help improve consumer welfare as well as economic growth in town centers, and often accounts for between 20 percent and 40 percent of Gross Domestic Product (GDP) in both developed and developing countries (Boylaud and Nicoletti 2001; Reynolds, Howard, Drugin, Rosewell, and Ormerod 2005; Smith and Sparks 2000). Second, since numerous factors influence the retail structure existing in a country, global retail chains need to gain a better understanding of retail structure determinants in order to devise successful retail strategies for each host market. Specifically, retailers need to establish physical presence in a given country in order to grow. However, while doing that, these firms directly interact with local consumers, suppliers, and government decision makers. So, unlike manufacturers, retailers cannot hire an outside company to distribute their products and services in foreign markets (Coe and Lee 2006; Goldman, Ramaswami, and Krider 2002; Reinartz, Dellaert, Krafft, Kumar, and Varadarajan 2011; Samiee, Yip, and Luk 2004). The issue of understanding local retail markets has become even more important in recent years as global retail chains have continued to expand their operations beyond their national borders and grow their power. According to the 2011 Global Powers of Retailing Report published annually by Deloitte Touche Tohmatsu Limited, the top 250 global retailers have aggregate sales of over $3.7 trillion and their average size, as measured by sales volume, is $15.05 billion. Moreover, each of the top five global retailers has operations in at least thirteen countries in different regions of the world.

The primary focus of retail structure research has been on investigating the relationship between demographic factors and retail structure (Bucklin 1972; D’Andrea 2010; Ford 1936; Hall, Knapp, and Winsten 1961; Ingene and Brown 1987; Ingene and Lusch 1981; Rosenbloom 1975; Takeuchi and Bucklin 1977). Although this demographic approach to studying retail structure is of importance in explaining and predicting retail structure in geographical units ranging in size from small local areas to entire countries, it ignores other environmental factors. In particular, retail sector regulations such as foreign direct investment (FDI) restrictions in the retail sector as well as property regulations and opening hours regulations are designed to restrict the expansion of large-scale foreign and domestic retail chains and, thus, protect small stores from intense competition (Boylaud and Nicoletti 2001; Czinkota 1985; Mishra 2008; Pilat 1997). So, these factors are also important retail structure determinants.

The purpose of the current study is to investigate the impact of one set of retail sector regulations – FDI restrictions, on two retail structure components: (1) retailer intensity (number of retail stores per 1000 people) and (2) retailer scale (sales per store). FDI restrictions are regulations that completely restrict or inhibit foreign retailers from entering a country’s retail sector or put limits on foreign equity ownership (Lapoule 2010; Mishra 2008; Reinartz, Dellaert, Krafft, Kumar, and Varadarajan 2011; Uncle and Kwok 2009). FDI restrictions are among the most widespread regulations in the retail sector and are present in both developing and developed countries, but are most prevalent in developing nations. The impact of FDI restrictions on the domestic retail sector has been a major topic of interest for both policy makers and global retail powers as some developing countries are implementing strict FDI regulations, thus inhibiting entry of foreign retailers into the domestic market (Hailepete, Iyer, and Park 2008; Lapoule 2010; Majumdar 2008; Mishra 2008). Therefore, investigating the relationship between FDI restrictions and retail structure can offer important managerial and public policy implications.

We find that FDI restrictions are negatively related to retailer intensity, but positively related to retailer scale. Our results also show that whether a country is a former communist nation, also referred to as a transition economy (TE), as well as a country’s level of economic development are moderators of the relationships examined here. References are available upon request.
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THE DIFFERENTIAL EFFECT OF INTERNET TRUSTMARK SOURCE:
AN EXPLORATORY STUDY OF KOREAN AND U.S. CONSUMERS

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SUMMARY

Based on trust in e-commerce and third-party endorsements as theoretical backgrounds, an exploratory study is undertaken to investigate the source influence of Internet trustmarks for both Korean and U.S. consumers. In a between subjects experiment an Internet trustmark source is manipulated (e.g., governmental affiliated organization, industry experts, and typical consumer reviewers) in order to determine whether or not the trustmark source can influence perceptions of three important constructs (i.e., firm-specific trust, the product being advertised, and purchase intentions) of interest to Internet business in regards to Korean and US consumers.

Results of empirical studies with the data of 394 Korean and 358 U.S. consumers show that the presence of a trustmark has a positive influence on firm-specific trust (FST) for both Korean and US consumers. Further, for Korean consumers, an industry expert source trustmark appears to have the most positive influence on the outcome measures, whereas a government affiliated or consumer reviewer source trustmark appears to have the most positive influence with U.S. consumers. Moreover, as one of the outcome measures, product evaluation (PE) and purchase intention (PI) appear more positively assessed when trustmarks are presented to Korean consumers whereas in the U.S. sample, having a trustmark on website does not appear to increase neither PE nor PI, implying that different routines of customers’ information processing are affecting purchase decisions in the Korean and U.S. contexts.

In addition, generalized Internet commerce trust (GICT) is found to moderate the influence of trustmark source for both Korean and U.S. consumers. However, the moderating effect differs by trustmark condition. In particular, for the governmental trustmark group in the U.S. sample, FST, PE, and PI are all moderated by GICT. For the industry experts’ trustmark, FST, PE, and PI are moderated by GICT level for the Korean sample whereas GICT fails to moderate any of the relationships in the U.S. sample.

As an initial comparison study, the research findings suggest managerial implications in regards to using targeting strategy based on a customer variable (i.e., general trust level on Internet transaction) and for international marketing concerning the selection of appropriate types of trustmark based upon consumer nationality. Limitations of the study are presented along with directions for further research. References are available upon request.

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MARKET ORIENTATION AND BUSINESS PERFORMANCE IN MNC FOREIGN SUBSIDIARIES: THE MODERATING EFFECTS OF INTEGRATION AND RESPONSIVENESS

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SUMMARY

Although there is a growing body of empirical evidence to attest for market orientation’s positive impact on business performance, several researchers have reported nonsignificant or even negative effects for this association. On the other hand, little research has examined the impact of market orientation on the business performance of multinational corporation’s foreign subsidiaries despite the multinational companies’ dominance in many industrial sectors in many countries. In the field of multinational subsidiary management, there is also a need to examine the impact of integration and responsiveness on MNC subsidiaries’ strategies.

To address the above knowledge voids, we investigate the market orientation and business performance relationships in the context of multinational companies’ subsidiaries. In specific, we examine whether the relationships are moderated by the degrees of integration and responsiveness pressures under which a subsidiary is operating.

To test the hypotheses relating to the moderating effects, we carry out a split-group analysis on a sample of 252 foreign subsidiaries in the United Kingdom collected via a mail survey. The results reveal that market orientation’s impact on business performance is largely moderated by the local responsiveness pressures but only to a limited extent by the integration pressures.

Our findings contribute to ongoing debate among academics on whether market orientation’s effects on business performance are universal or whether they are contingency-based by providing new empirical evidence to suggest the latter. Our research also contributes to the international business literature by demonstrating the benefits of separately examining the effects of integration and responsiveness instead of using the established I-R framework. References are available upon request.

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EMERGENCE OF ONLINE SHOPPING IN INDIA:
SHOPPING ORIENTATION SEGMENTS

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SUMMARY

Although Internet retailing in India is on the verge of rapid growth, relatively little is currently known about Indian non-store shopping behavior in general and Indian online shopping in particular. The purpose of this study is to explore Indian shopping orientations and to examine how they relate to online shopping by identifying shopping orientation-defined segments and profiling them in terms of website characteristic importance, online shopping behavior, and demographics. By examining these issues, the research will provide a foundation of understanding of Indian shopping in general and online shopping in particular.

Since online shopping is not yet widespread in India (Kenistone 2004), a data collection procedure that tends to over-sample online shoppers and potential shoppers was selected (cf., Gehrt et al. 2007); thus, an online survey method was chosen. A total of 2500 subjects were randomly contacted from a reputable research company’s validated, opt-in panel of online respondents. Eight hundred forty responded yielding 536 fully completed responses for a 21 percent response.

The analysis involved several procedures. Factor analysis was used to identify underlying shopping orientation themes. Cluster analysis was then used to identify segments of respondents who shared similar profiles across the shopping orientations. Factor analysis was also used to identify key website dimension factors. Finally, appropriate statistical analyses were used to characterize the clusters in terms of website attribute importance, online shopping behavior, and demographics. Factor analysis of the 39 shopping orientation statements yielded four factors/shopping orientations with an eigenvalue ≥ 1.00 on which three or more statements loaded at ≥ .50. Twenty-three of the statements came into play. The procedure yielded factors with Cronbach coefficient reliabilities ranging from .81 to .86. The shopping orientations included value, quality with convenience, recreational, and reputation with convenience. Four criteria were used to identify the optimal cluster solution which yielded a three-cluster solution including value singularity, quality at any price, and reputation/recreation clusters.

Factor analysis was also used to summarize 20 website statements, yielding only two factors/website dimensions with an eigenvalue ≥ 1.00 on which three or more statements loaded at ≥ .50. Fifteen of the 20 statements came into play for the two resultant website dimensions: (1) website responsiveness and security and (2) website design and product assortment. In the case of the analysis of both the shopping orientations and website dimensions, several factors emerged that had two distinct themes. Despite two themes emerging for two of the four shopping orientations and two of two website dimension, Cronbach alphas were very high.

The analyses suggest that there are two segments ready to be tapped in the Indian online shopping market; the Quality at any Price Segment and the Reputation/Recreation Segment. The segments’ Internet usage patterns and online shopping patterns are very similar. Where they differ is in the shopping orientation defined motivations and in some of the products that they are inclined to purchase. For the Quality at any Price Segment, price appears to be a relatively unimportant deterrent to acquiring quality. These young professionals tend to purchase travel, utilities, electronic media, and consumer electronics. The Reputation/Recreation Segment is interested in acquiring name brands, conveniently, and derives enjoyment from the act of shopping. This young, blue collar/clerical/service industry segment is well educated. They tend to purchase a wide array of computer-related items, clothing and accessories, as well as the categories that cut across the three segments, travel, utilities, and electronic media. These two segments represent India’s pioneer online shoppers and contrast with U.S. pioneer online shoppers who were substantially motivated by price issues (Maguire 2005). Although the Value Singularity Segment’s online buying profile is low at this point, they do show some interest. Online sellers may rely on the passage of time and the diffusion of innovation process to bring these consumers on board. The results show that the only motivational appeal that might be used to speed along their adoption process is the value appeal.

The dimensionality of the shopping orientation factor analysis procedure for this sample of Indian consumers, as well as the website dimension procedure, appear to be relatively simpler than similar analyses in highly deve-
oped economies. Gehrt et al. (2007), for instance, used an almost identical scale for an analysis of Japanese consumers and arrived at a solution of seven factors, each with very singular themes. Thus, the Indian consumer’s conceptualization of the marketplace, immersed in an emerging economy, may not yet fully expanded with respect to their marketplace experience and their perceptions have not yet become as fully elaborated as they are likely to once their marketplace experience deepens and marketplace choices expand (cf., Mahi and Eckhardt 2007). Not only did fewer factors emerge but the Indian shopping orientation factors did not have the singularity of theme seen in research conducted in more developed economies.

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IT’S NICE TO BE IMPORTANT, BUT IT’S MORE IMPORTANT TO BE
NICE: COUNTRY-OF-ORIGIN EFFECTS IN PRODUCT FAILURES

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SUMMARY

Extant COO literature largely focuses on how an origin country’s competence across board or in a specific industry shapes perceptions of its products (e.g., Hong and Wyer 1989). Country competence refers to degrees of economic and technological development and the resultant power and influence in the global society. This parallels Fiske’s definition of perceived people competency: “Out-groups are perceived as more competent to the extent that they are perceived as powerful and high status” (Fiske et al. 2002). German luxury cars, Japanese gadgets, and Swiss watches all rub off the origin country’s reputation of being generally competent and advanced. Relative to the competence dimension, the warmth perception of an origin country is seldom examined. Similar to how Fiske et al. (2002) define people warmth, we define country warmth perception as how much an individual sees a foreign country as well-intentioned, friendly, warm, and cooperative. This perception may derive from one’s understanding of past and current political and economic relationship between the foreign country and one’s own country. Even though the contents of country images seem diverse and arbitrary, Fiske et al. (2002) contend that the images of out-groups can be reduced to two dimensions: competence and warmth. When people meet other individuals, they want to know: (1) what the other’s goals will be in relation to the self or in-group and (2) how effectively the other will pursue those goals. These two dimensions can be orthogonal to each other. In the context of origin country perceptions, four quadrants result from these two dimensions. Some countries enjoy an overall image of being both competent and warm. Some are perceived as strong and competent, but not particularly friendly or warm. Some countries come across as warm, though not particularly competent. Yet some are seen as low on both.

Different combinations of perceived warmth and competence result in unique intergroup emotions. In particular, stereotypes of low warmth justify taking action against envied groups by casting the groups as being concerned only with furthering their own goals. We believe these premises also pertain to consumers’ reaction to foreign businesses. Businesses from “cold” countries would receive a harsher treatment relative to those from “warm” countries, especially when a punishment is apparently justified.

The current research is interested in products with which safety can readily become an issue. Whether a product is safe and sound usually is not obvious to consumers at the point of purchase. COO’s role is more pronounced when products pose such risks. When an origin country is perceived as warm and well-intentioned, consumers are more likely to trust its products to be safe and harmless.

H1: A perception of the origin country being warm is positively related with purchase intention.

Many products are outcomes of collaboration between businesses from different countries. Due to the complexity in supply chain, if products fail, there is often a period of time when consumers do not know which business is (most) culpable. With culpability increasingly ambiguous, it would be useful to companies to understand if observers are likely to give a company the benefit of the doubt. Even if a company is later exonerated, its brand can still suffer damage if consumers blame the company for the product failure early on. Consumers with warm feelings toward the origin country selectively seek and process confirmatory information, thereby lessening the negative impact of the failure on perceptions of the company.

H2: In product failure, a perception of the origin country being warm enhances the perception of the company’s sufficient motivation/effort to produce safe goods.

After it is ascertained that a foreign company is at fault for the product failure, another question arises for consumers: is it because the company does not care enough to enforce quality standards, or is it because the company does not have required expertise? Although neither scenario provides peace of mind, the former is more worrisome, because motivation and intention tend to be seen by lay people as deeper-seated and less likely to change (Dweck 1999). As Fiske et al. (2002) pointed out, the warm but not competent out-groups can receive pity and sympathy, whereas the competent but not warm out-groups receive harsher treatments: envy and even
exclusion. We posit that consumers would be willing to give the stumbled company a second chance if the company is seen as well-intentioned more than if it is seen as capable.

H3a: In the wake of product failure, a perception of the origin country being warm, more than that of it being competent, leads to consumers’ repatronage intention after the troubled company issues a recall.

H3b: In the wake of product failure, a perception of the origin country being warm, more than that of it being competent, leads to purchase intention of improved products.

H3c: In the wake of product failure, a perception of the origin country being warm, more than that of it being competent, leads to perceived excessiveness of a specific amount of government-imposed fine.

We run two studies using different choice contexts (i.e., fruit juice and batteries). Warmth and competence perceptions were measured. Regression analyses largely supported the hypotheses. Coming from a powerful, competent country is good news to a foreign business, because this translates to greater purchase intention in the absence of product failure. However, once product failure occurs, perceived competence ceases to help the business in question. This is shown from all the non-significant coefficients in predicting post-failure attitudes. Instead, a background in a friendly country turns out to be more beneficial. Further, perceived motivation mediates the relation between warmth and purchase intention for improved products. In sum, the current research highlights an orthogonal but largely neglected dimension, i.e., perceived warmth, as a factor no less important than perceived competence in shaping consumer attitudes. References are available upon request.

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THE EFFECTS OF PRODUCT DIVERSIFICATION AND GLOBALIZATION ON THE PERFORMANCE OF LARGE INTERNATIONAL FIRMS

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SUMMARY

Product diversification has been a widely adopted firm strategy for growth in the global marketplace (Ravichandran et al. 2009). However, the research on the effects of product diversification on firm performance across various disciplines, such as marketing, strategic management, and finance, produces mixed results (e.g., Graham, Lemmon, and Wolf 2002; Soni, Lilien, and Wilson 1993). One stream of research that focuses on comparing financial performance of diversified American firms with that of specialized American firms demonstrates that product diversification leads to value discount, and diversified firms have significantly lower market value than single-segment firms (e.g., Berger and Ofek 1995; Lang and Stulz 1994). In contrast, another stream of research suggests that diversification contributes to firm survival and long-term performance (e.g., Chiang 2010). Furthermore, studies of the product diversification-performance link have been centered on American firms, and few studies have explored the impact of product diversification on firm performance with more diverse international backgrounds (Lins and Servaes 1999). The advance of globalization makes product diversification an even more prominent marketing strategic initiative across firms worldwide. How product diversification impacts firm performance under various social and economic globalization forces is an intriguing question for not only the practitioners but also the academicians (Wiersema and Bowen 2008).

The purpose of this study is two-fold. First, the study intends to examine how product diversification impacts large international firm performance. Product diversification refers to the extent to which a firm manages its market segments based on its multiple and disparate products (Hitt, Hoskisson, and Kim 1997). Second, the study intends to investigate how social and economic globalization impacts the relationship between product diversification and the performance of large international firms. Despite the recent globalization of economic and social activities (Dreher 2006), empirical evidence on the interaction between the degree of globalization and the success or failure of firm product diversification strategic initiatives is rather scarce. The study attempts to fill this gap by arguing that examining performance implications of product diversification needs to take into consideration economic and social globalization in which all firms are embedded.

We build our sample through Fortune global most admired companies, spanning the years 2006–2009, and develop a data set from multiple secondary data sources. We then empirically test a conceptual model of the effects of product diversification and globalization on the performance of large international firms with hierarchical linear modeling techniques. Our results demonstrate that diversification in multiple product segments leads to a higher financial performance of large international firms. Furthermore, economic and social globalization, indicated by actual flows, personal contacts, and information flows, moderates the above positive relationship. For large international firms whose home countries promote international trade and capital investment, encourage cross-border inter-personal communication, and provide convenient social media for interactions; the adoption of product diversification strategy can significantly enhance their competitive positions in the global marketplace. References are available upon request.

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WHAT HAPPENS TO “BRAND JAPAN” WHEN TOYOTA SUDDENLY ACCELERATES? THE SPILOVER EFFECTS OF BRAND TRANSGRESSIONS ON COUNTRY IMAGE AND RELATED BRANDS

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SUMMARY

Country of origin (COO) continues to be one of the most important phenomenon in the international marketing literature (e.g., Balabanis and Diamantopoulos 2011; Magnusson, Westjohn, and Zdravkovic 2011; Sharma 2011). Extant COO research has largely viewed the cause-and-effect relationship between country and brands as the country is the “cause” and the brand is the “effect.” For example, Pharr’s (2005) major review of the COO literature graphically depicts the causal relationship as country-specific beliefs à country-of-origin related thoughts à country-of-origin brand evaluations à purchase intentions.

The objective of this study is to investigate this causal assumption and examine whether the brand can be viewed as the cause, which affects country image and related brands. We examine the extent to which a highly publicized negative event involving an iconic brand influences attitudes toward its associated country image, its industry, and related brands. In effect, this study examines the explanatory power of a causal sequence in which brand “behavior” affects country image and other related brands.

Toyota is the perfect example of an iconic brand that has recently experienced major negative publicity. After numerous consumer complaints and alleged car accidents with fatal consequences, Toyota was recently forced to recall over six million vehicles from the U.S. market and more than eleven million worldwide (Maynard 2010). The incidents received heavy media attention and led to multiple congressional hearings. One letter issued by the United States Congress to Toyota executives concluded that “Toyota resisted the possibility that electronic defects could cause safety concerns, relied on a flawed engineering report, and made misleading public statements concerning the adequacy of recent recalls to address the risk of sudden unintended acceleration” (Ingram 2010). Although subsequent investigations have largely exonerated Toyota (Wald 2011), Toyota’s brand value has decreased by more than $5 Billion (16%) (Interbrand 2010) and Consumer Reports found a 46 percentage-point decline in consumer satisfaction.

Although the consequences have been severe for Toyota, we are concerned with examining the broader effects of this event on Japan’s country image and other Japanese brands. The Japanese government acknowledged a fear that Toyota’s massive recall could have a spillover effect on other Japanese exports (Mochizuki 2010), but nobody has been able to assess changes in consumer attitudes before and after Toyota’s recall. With the help of unique longitudinal data, we are able to examine attitudes toward Japan’s country image and Japanese brands pre- and post-crisis, which suggests a significant negative spillover.

The longitudinal study observes a very interesting phenomenon, however, due to the longitudinal and real-world nature of this part of the study, we are unable to control for potentially confounding factors. Therefore, subsequently, we develop a conceptual framework to explicate the causal mechanisms involved. We empirically examine the conceptual framework in four experimental studies that mimics an extensive recall similar to the one experienced by Toyota.

In the experiments, we replicate a negative within-country spillover effects in three separate experiments (Mercedes-Benz-Germany, Hyundai-South Korea, and Beck’s-Germany). In advanced economies, the negative spillover on related brands is mediated by micro country image. In emerging markets, spillover is mediated by both micro and macro (Pappu and Quester 2007) country image. For low-involvement products (Beck’s beer), spillover is limited to brands within the product category, but not to brands outside the immediate category. Finally, the last experiment suggest that foreign prototype brand transgression leads to a more positive attitude toward domestic brands, which is mediated by consumer ethnocentrism.
We believe our study makes the following contributions to the literature. First, we shed light on a causal relationship that heretofore has largely been assumed to move in the direction from country-level beliefs to brand-level evaluations (Bilkey and Nes 1982; Lee and Ganesh 1999; Pharr 2005). Instead, this study investigates the potential for the effects to move in the opposite direction, i.e., from brand-level to country-level beliefs, shedding new light on one of the core issues in the international marketing literature (e.g., Anholt 2010; Magnusson et al. 2011; Sharma 2011). Second, the theoretical framework and resulting hypotheses are grounded in prototype theory (Rosch 1978). Thus, we provide a new theoretical lens to help us understand the relationship between brand image and country image. Third, we identify the generalizability and boundaries of the theoretical framework by examining multiple experimental contexts: advanced economies vs. emerging economy brands, high vs. low-involvement products. Fourth, we examine whether a foreign brand crisis affects consumer ethnocentrism and pro-domestic brand attitudes. Prior research has primarily viewed consumer ethnocentrism as a chronic trait, yet, we examine whether consumer ethnocentrism may also be a state of mind that responds to arousal. References are available upon request.

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THE REAL MCCOY: PRODUCT ETHNICITY, AUTHENTICITY AND COSMOPOLITANISM IN EVALUATIONS OF SEARCH AND EXPERIENCE GOODS

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SUMMARY

Real. True. Genuine. Consumers seek out and select brands that demonstrate high levels of authenticity to derive the symbolic benefits associated with these brands and to use the brand as part of the construction of their individual identity. Successful brands engender perceptions of being real, true, and genuine by rooting themselves in authenticity. In maintaining a delicate balance between authenticity and social significance (Keller 2003), global brands like Apple, IKEA, and Virgin prompt verisimilitude in the product without sacrificing their relevance to consumers. It is these symbolic benefits conferred by a brand’s authenticity that helps explain how product ethnicity, or the stereotypical associations between a product category and its country of origin (Usunier and Cestre 2004), and product evaluations, in terms of perceived image and purchase intention. This study proposes that perceptions of authenticity mediate the relationship between cosmopolitanism and product evaluation. Additionally, congruity of a product with the expected product ethnicity influences the effect of authenticity on consumer evaluations, particularly in the case of experience products, relative to search products.

As “citizens of the world,” cosmopolitans possess a greater desire to consume products, brands, and ideas of high quality. Additionally, cosmopolitans seek out products which are authentic to a particular culture. Cannon and Yaprak (2002) suggest cosmopolitan individuals may forego the functional benefits afforded by a product in order to gain the symbolic benefits of a more authentic product or experience. A classic example of the importance of symbolic benefits describes Westerners who eat Asian food using chopsticks despite their heightened dexterity with knife and fork. Chopsticks make the experience more real – more authentic. Cosmopolitans are more likely to seek out and consumer products for these symbolic benefits. From this, it can be posited that higher levels of cosmopolitanism are associated with products rated more authentic by the consumer.

Among other dimensions, consumers judge authenticity based upon an object’s heritage and pedigree, stylistic consistency, quality commitments, and, most importantly for the purposes of this study, by the object’s relationship to place (Beverland 2005; Grayson and Martinec 2004). As a result, spatial origin for a product confer a perception of authenticity to the brand, increasing the importance of country of origin (COO) to products with a strong product ethnicity. The most widely written stream in international marketing literature is the effects of country of origin on product evaluations and purchase intentions. A product’s COO acts as both an implicit and explicit cue which influences consumers’ judgments and behavior intentions through halo and summary effects.

Research indicates that congruity between the product category and product ethnicity influences consumer perceptions and purchase intentions for the brand or product (Usunier and Cestre 2007). Furthermore, consumers’ misclassification of the product with the correct COO and the inability to associate the brand with any COO results in lower evaluations of brand image when compared to accurate brand-country classifications (Balabanis and Diamantopoulos 2011). However, researchers debate exists the importance of correctly associating a product with its COO. Samiee, Shimp, and Sharma (2005) challenge the diagnosticity of COO effects in consumer judgments and purchase intentions. In their study of American students, brand origin recognition accuracy was successful for about one-third of the 84 brands tested, suggest low diagnosticity for this attribute.

Past research on product ethnicity and authenticity in the international setting do not differentiate between how these constructs affect experience and search goods. Nelson (1970, 1974) has been credited with defining the distinction between experience and search goods based upon the availability of diagnostic information on a product’s attributes. As opposed to search goods, experience goods are dominated with attributes which cannot be assessed prior to purchase and consumption of the product. Information gathering becomes a vital task undertaken by consumers to overcome the uncertainty of product quality inherent in experience goods (Huang, Lurie, and Mitra 2009; Neelamegham and Jain 1999; Weathers, Sharma, and Wood 2007). Given the importance of explicit and implicit information cues to overcoming information asymmetry associated with experience goods, the relationship of authenticity and product ethnicity on brand image and purchase intentions should be more significant than for search products. Therefore, it can be posited that a product’s authenticity and its congruity with the stereotypical prod-
uct ethnicity of its category interact with experience goods to positively influence product image and purchase intention.

Respondents were recruited to take an online survey through an invitation broadcast using online social networks (i.e., Facebook and Twitter). A snowball technique requested them to pass along the survey to others. A total of 126 surveys were started; 6 were deleted for missing values, yielding a total of 120 responses. The survey first exposed the respondent to a two-sentence product concept (search or experience good) with a defined COO (matched or mismatched). After reading the concept, the respondents rated the concept in terms of its authenticity as well as personal evaluations of the product image, and purchase intention. The respondents then answered questions related to cosmopolitanism and key demographics (gender, age, income, education, birth country).

Multiple regression analyses tested the hypotheses in the conceptual model. A regression of cosmopolitanism (COS) on Authenticity (AUTH) shows a statistically significant relationship. The mediating role of AUTH in the relationship between COS and brand evaluations (IMAGE and PURCH). Using the tests outlined by Baron and Kenney (1986), regressions were run for COS on IMAGE and PURCH and the full model with both COS and AUTH as independent variables. The relationships between COS with IMAGE hold a weak significance, while a significant relationship shown between COS and PURCH. The results show strong significance in the relationship between AUTH with IMAGE and PURCH. Full models with both COS and AUTH as independent variables show significant relationships with IMAGE and PURCH. However, COS is not significant in these models, suggesting full mediation by AUTH on IMAGE and PURCH.

The study posits AUTH interacts with product ethnicity (MATCH) and experience or search goods (TYPE) to moderate brand evaluations (IMAGE and PURCH, respectively). The three-way interaction of AUTH*MATCH*TYPE offers no significance on IMAGE, despite the significance of the model and AUTH. When analyzing the model for PURCH, not only is the model significant, but both AUTH and the three-way interaction are as well. This suggests that purchase intention differs based on whether product is an experience or search good, the product ethnicity matches stereotypical associations, and the level of authenticity.

This paper makes three important contributions to the study of COO effects. First, the author suggests cosmopolitanism as an antecedent to perceived product authenticity. Second, it extends research on product ethnicity and its influence on brand evaluations by explicating the mediating role of authenticity. Finally, the article extends literature on COO effects by discussing the importance of product ethnicity in the context of experience goods relative to search goods. Product ethnicity, as an explicit cue, interacts with iconic authenticity of brands possessing a stereotypical product-country association which in turn activates the symbolic benefits of the brands. References are available upon request.

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THE HOFSTEDE PARADOX: FACT OR FICTION?

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SUMMARY

The marketing and business literatures seem to be generally beset by two opposing errors in regards to their conceptualizations and handling of the culture concept. On the one hand, it is treated anecdotally. On the other hand, culture is represented in terms of a fixed number of “dimensions.” These dimensions are usually theory-based measures of indices for which methodological rigor is stressed. Each culture characterized by such dimensions is represented by a unique configuration of the indices. These configurations are then interpreted as having implications for strategic and/or consumer behavior. The most widely used characterization of culture of this type is Hofstede’s familiar five dimensions.

At first glance, the anecdotal approach to culture seems weaker and unsupportable, while the dimensional approach appears stronger. In fact, both approaches may be equally inadequate – the anecdotal because it tends to produce a subjective and unrepresentative picture of the culture in question, the dimensional approach because it is theoretically thin and overly abstract. Moreover, the dimensional approach can be misleading insofar as it insinuates confidence, not on the basis of theoretical validity, but methodological rigor—that is to say because it produces numbers.

The paper aims to provide a state-of-the-art review of the culture concept as characterized in the anthropology literature in the hope of stimulating discussion and balance with regards to our own handling of the concept. The paper highlights the anthropologist’s conceptualizations of culture from different schools of thought by introducing and illustrating some core concepts widely used in anthropology but which have not yet been integrated into the theoretical language of marketing discipline. It further discusses the methodological issues and problems, specifically the progress in understanding cultural differences will be hampered if the field continues to rely dominantly on Hofstede’s (1980; 2001) benchmark data or anecdotal approach. References are available upon request.

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ETHNOCENTRISM, CONSUMER ETHNOCENTRISM, RELIGION AND RELIGIOSITY: A CONCEPTUAL REFORMATION

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SUMMARY

In the context of ethnocentrism and consumer ethnocentrism (CET), we reflect in this paper on the paucity of attention given to the religiosity of consumers in marketing literature, considering the extent to which large populations of the world consider religion an important part of every day life. To the extent that consumers in various countries see life through various religious lenses, an important part of consumer decision-making may be missing from our body of knowledge as marketers.

We review the history of ethnocentrism in general, as a subject of mild interest to scholars until the period immediately following the Second World War and the Holocaust, when the construct went through something of a Cambrian explosion, to the point where nearly 2000 articles appeared in journals in the last decade of the 20th century.

We then discuss CET, a construct introduced in the 1980s to describe a sense among American consumers that there was something inherently immoral or unpatriotic about purchasing “foreign” products when American products were available (Shimp & Sharma 1987). Though in their seminal article Shimp & Sharma distinguished CET from ethnocentrism, several times in the same article they referred to the ethnocentrism of consumers. We considered it necessary, therefore, to make a clear distinction in our paper between the two concepts.

In 2006 Shankarmahesh published a wide-ranging literature review of CET’s antecedents and consequences. Shankarmahesh refers to religious intolerance as an extreme form of conservatism (per Sharma, Shimp & Shin 1995). His review reveals, almost by omission, that scant attention has been given to the religiosity of consumers with regard to CET. Generally, religiosity gets mention in the context of prejudice; it does not appear in neutral or positive terms. It may reflect something of an academic ethnocentrism that people around the world who take their religious perspectives seriously in forming their worldviews do not get serious consideration as consumers, except in denigration.

We propose that ethnocentrism and CET are separate constructs, and that religiosity, but not a person’s specific religion (Buddhist, Christian, Hindu, Muslim, etc.), will influence CET and buying behavior. For this opening of our research stream we have restricted our proposed investigation to Christian and Muslim populations, and hope to extend our studies further to include Hindu and other theistic and non-theistic worldviews.

We expect to find two inverted U-shaped curves, where CET and willingness to purchase foreign products increase as a population moves from low to moderate levels of religiosity, and then decline at higher levels of religiosity. We further expect that the effect of religiosity on willingness to purchase foreign products to be partly mediated by consumer ethnocentrism.

We have proposed four studies to investigate our proposals. The first surveys students in an American university, where the population is quite diverse, using Shimp & Sharma’s (1987) CETSCALE and the Religious Commitment Inventory-10 developed by Worthington and his colleagues (1988, 2003).

As the first study is designed to demonstrate correlational relationships, we have designed an experiment with US university students where religiosity and CET are primed for one group of students and not for another. A third study replicates and extends the first, using an online panel survey of consumers in the US, rather than focusing on students. A second replication using university students in other countries extends the investigation internationally.

We expect to follow up our study by examining religiosity, CET and purchase intent among consumers in countries where different religions, e.g., Buddhism, Hinduism, Judaism, are dominant, where religions compete in the public square, and where the population is predominantly secular. References are available upon request.
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CONSUMERS’ GLOBAL IDENTITY AND NATIONAL IDENTITY: AN EMPIRICAL STUDY

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SUMMARY

With the advent of globalization we are seeing more interconnectedness of economies, interdependencies of political and economic systems, and diffusion and knowledge of world cultures (Cleveland, Laroche, and Papadopoulos 2009). This interconnected world has led to the process of cultural homogenization and cultural heterogenization creating a system of global interactions that are triumphantly universal and resiliently particular. In other words we are seeing not only the emergence of global consumer culture but also a resurgence of interest and identification with national cultures (Arnould et al. 2004; Keillor et al. 2001). The goal of this study is to explore how this heightened awareness of global culture and national culture impacts consumer’s global and national identity and its impact on global consumer segmentation. In this paper, we discuss four segments based on interaction of global and national identity.

Low Global and High National Identity (LGHN): At the particularistic end of Robertson’s (1997) global processes framework are individuals belonging to “national societies.” They have high awareness of their inherent cultural particularism clearly safe and thriving in the form of national societies or national cultures.

Low Global and Low National Identity (LGLN): Subjects low on both, global and national identity can be classified under the ‘individuals’ element of Robertson’s (1997) framework, which refers to a condition of extreme particularism. Subjects in this segment have no clear affinity to any particular cultural values or concepts.

High Global and High National Identity (HGHN): Based on Robertson’s (1997) global processes framework, individuals high on both global and national identity can be classified under the element “world system of societies.” Such individuals not only incline toward universalism but also acknowledge the world being diversified in cultural values and feel belongingness to both orientations of global and national cultural identity. Thus, while having a vision and acceptance of universalism, they also acknowledge and adhere to the particularism inherent at the national cultural level.

High Global and Low National Identity (HGLN): According to Robertson’s (1997) framework the “human-kind” element refers to a universalistic vision of the world and global human values. Consumers in this segment best represent global consumer culture which in essence is akin to “universalism,” which captures the concept of global consciousness or the awareness of the compression of the world and the intensification of global interdependence (Friedman 1994; Robertson 1992).

Consumer samples from the United States and China are collected to assess the presence of the four segments. Global and national identities are measured by 7-point scales from Der-Karabetian and Ruiz (1997). We use a cluster analysis to see if respondents fall into different groups based on their global and national identity scores. Three of the four segments – HGHN, LGHN, and LGLN are clearly present. The global and national identities of the remain cluster, however, are in the mid-range of the 7-point scale, and are thus not conforming to the pattern specified earlier for a HGLN segment.

The findings of this study, collectively, provide strong evidence that consumers in today’s world possess complex identity orientations. The first finding, that global identity and national identity are not negatively correlated, both in the combined sample and the three individual samples, indicates that we should not view today’s consumers through simplified lenses. In other words, being high on the former does not lead to being low on the latter. Global identity and national identity do not necessarily move in different directions. References are available upon request.

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THE EFFECT OF BLOG INTERACTIVITY AND PERCEIVED TRUST ON VISITOR RESPONSE: THE MODERATING ROLE OF BLOGGER EXPERTISE AND CONSUMER INVOLVEMENT

Yueming Zou, Old Dominion University, Norfolk
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SUMMARY

As the Internet has exploded, the web has created opportunities for electronic word-of-mouth (eWOM) communication through electronic media, such as online discussion forums, bulletin board systems, blogs, and social networking sites (Goldsmith and Wu 2006). According to the “state of blogosphere 2011” report, bloggers are increasingly having influence over readers and other bloggers (emarketer.com 2011). These statistics indicate that the manner in which the blogger communicates determines the extent to which their point of view and recommendations are accepted. Thus, blog interactivity potentially impacts the influence of blogger opinions and recommendations on the consumers’ decision process. Our study focuses on the effect of blog interactivity on consumer’s response in terms of attitude toward the blog (Att_blog), attitude toward the brand (Att_brand), and purchase intention (PI). It identifies the process by which blog interactivity impacts consumer response by identifying trust in the blog as the mediating variable. Moreover, it also proposes that the effects of blog interactivity on trust, and trust on consumer response both depend upon blogger and consumer characteristics, specifically blogger expertise and consumer involvement.

A highly interactive online experience responds quickly to visitors’ actions and requests, treats visitors as active participants in the communication, and ensures that their questions are answered in a timely manner. This experience reduces the frustration associated with waiting and feeling ignored and manipulated by the blogger, and potentially results in a more satisfactory communication experience. Trust reduces uncertainty by ruling out undesirable future actions of other parties. In the online environment, trust is an important mechanism for reducing customers’ uncertainty, and, therefore, influences their transaction intentions. Thus, we hypothesize that blog interactivity has positive impact on consumers’ response. Also, consumers’ trust in the blog mediates the relationship between interactivity and consumers’ responses.

Bloggers who are seen as having more expertise as a result of their education, background, and experience are likely to be seen as more trustworthy than those who do not have the relevant background. The beneficial effect of blog interactivity on perceived trust is, therefore, enhanced by the expertise of the blogger. Highly involved consumers tend to process product related information a lot more than less involved consumers. As a result, they like to consider many sources of information and different types of information in their decision making process. Thus, the involved consumers are likely to be more demanding, and find the blogger to be trustworthy when the blog is interactive. Thus, we hypothesize that blogger expertise and consumers’ involvement will moderate the relationship between blog interactivity and consumers’ trust, and also moderate the relationship between consumers’ trust and consumers’ response.

To test these hypotheses, we gathered data using a scenario based experimental design. A 2 (interactivity: high vs. low) × 2 (expertise: expert vs. non-expert) × 2 (involvement: high vs. low) between subjects factorial experiment was used, with interactivity and perceived blogger expertise being manipulated and consumer involvement being measured. In the scenario, the respondents were asked to assume that they want to buy a new music player and that they are searching online for information and others’ suggestions. They visit several blogs to find information that will help them select the right brand. One of the blogs they visit is Sarah Johnson’s, which they are familiar with.

The mediating role played by trust in the effect of interactivity on PI, Att_brand, Att_blog was tested using procedures recommended by Baron and Kenny (1986). The effects of blog interactivity on PI and Att_brand are both completely mediated by consumers’ trust. The effect of blog interactivity on Att_blog is partially mediated by consumers’ trust.

We used ANOVA to test the main effect of blog interactivity and the moderating effects of blogger expertise and involvement. In evaluating the moderating effects of blogger expertise, we find that the effect of the interaction between blog interactivity and expertise on consumers’ trust is significant. Even though the effect of the interaction between consumers’ trust and expertise on PI and consumers’ Att_blog are not significant, consumers’ Att_blog is influenced by consumers’ trust to a greater extent for experts than for non-experts. With regard to the moderating effect of involvement, the interaction between blog interactivity and consumers’ involvement on their trust is significant. Neither the effects of interac-
The present research provides some interesting theoretical findings. First, trust in the blogger is central to the effectiveness of a blog. Second, the perceived blogger expertise and consumer involvement are factors that moderate this process. The findings of this research indicate that making a blog interactive increases the trust that visitors will have in the blogger, which improves the attitude in the brand being recommended by the blogger. Compared to blogs by experts, this effect is stronger when the blogger is perceived to have less expertise. Also, involved consumers reward interactivity more than less involved consumers. As involved consumers likely use a variety of information sources, it does not change their Att_{brand} and PI; however, it improves the Att_{blog}, which is likely to result in repeat visits.

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HOW QUALITY OF LIFE AFFECTS SOCIAL NETWORKING SITE USE INTENTION: ROLE OF PERCEIVED SELF DISCLOSURE AND SOCIAL TIE QUALITY

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SUMMARY

Online social interaction has become the primary use of home computers upon searching in terms of using time (Hamburger and Artzi 2003; Morahan-Martin and Schumacher 2003). In the midst of all this social activity, people are managing relationships on the Internet with those whom they originally met in real life. Internet-based community has become an important medium changing people’s everyday life. In 2008, Facebook started its service in Taiwan. In December 2009, just one year after Facebook debuted in Taiwan, its registered users in Taiwan have surpassed Taiwan’s leading social networking site Wretch (insightxplorer.com, 2009), with 9,932,740 Facebook users on June 30, 2011, penetration is about 43.1 percent (Internet World Stats 2011).

Our research investigates what factors affecting consumers’ acceptance of social networking site (SNS) and the impact of perceived self disclosure and social ties on their attitude and intention toward using the social networking service. Our research model integrates constructs from social psychology, technology acceptance model and social capital theory. Tie strength is presumed has moderating effect on user’s attitude toward using online social networking site. The scales were either based on previous research, or developed according to Churchill’s(1979) recommendations. Seven-point scales, from “strongly disagree” to “strongly agree,” were used throughout the questionnaire, except life dissatisfaction will be measured by using scales from terrible to delighted. To ensure the weblog and community that respondents’ thinking are appropriate for the study context while answering each group of items, we solicit respondents to recall the microblogging site that they most use in the beginning of the questionnaire. The model was tested using the two-step structural equation procedure (Anderson and Gerbing 1988). First, a Confirmatory Factor Analysis (CFA) was employed to evaluate construct validity in the measurement model. A full SEM model was performed to test the hypothesized relationships after CFA obtains an appropriate model fit that indicating the model has good validity. Respondents were divided into either strong or weak group by the scores of social tie quality scales.

Results show that perceived self disclosure and pressure reducing play a mediating role in the relationship from loneliness and life dissatisfaction to attitude toward using SNS, which in turn affects intention to continually use SNS. Social tie strength has moderating role in determining whether users use SNS when they are willing to tell other about their mind via SNS. Finally, the article concludes with implications for web-based service providers. Future research suggestions relevant to the online social capital and consumer loyalty are also provided. References are available upon request.

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FACTORS AFFECTING ONLINE TRUST IN ONLINE SHOPPING: THE ROLE OF NETWORK EXTERNALITY AND INTERNET SKILL

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ABSTRACT

Recent research has focused on online trust. Still, few researchers have applied the “network effect” that exists in online shopping. Furthermore, the perception of online trust and network externality depends on Internet ability. The authors show the relationship between Internet skill, network externality and online trust in online shopping.

INTRODUCTION

In this paper, we examine the relationship between network externality, online trust and Internet skill in online shopping. First, we focus on online trust in shopping sites, which influences the likelihood of purchase. In online shopping, the consumer perceives the various risks fairly. The perception of these risks is likely to decrease through online trust on a shopping site. However, unlike offline trust, online trust itself is less common and not as obvious. We propose that trustworthiness online is based on perception of network externality.

Second, we extend network externality to research the field of online shopping. Little research has been conducted on the relationship between network externality and online trust. Due to uncertain information on shopping sites, the source of “word of mouth” recommendations is uncertain and often lacking in credibility. Instead of the credibility of each recommendation, we indicate that network externality, which is caused by an effective and broad range of information from a large number of participants, affects online trust, and accordingly, purchase intention.

Third, Internet skill also influences the perception of network externality and online trust, playing an important role in users’ attitudes. There is a large amount of uncertain information on the web. Without Internet skill, consumers cannot search for the information they require and confirm the authenticity – necessary to maintain their trust in shopping sites – or perceive that the variety and number of comments shown are useful as indicative of network effects.

LITERATURE REVIEW

Online Shopping and Online Trust

Online shopping is likely to be risky, compared with traditional store shopping (Forsythe et al. 2006).

First, greater information asymmetry between seller and buyer through spatial and temporal separation leads to the perception of higher risk in consumers (Pavlou 2003; Zhou, Dai, and Zhang 2007). The lack of deeper product information in purchases and the possibility of the product not being delivered causes the buyer to perceive product and financial risk.

Second, problems associated with security and privacy are also likely to increase the perception of risk (Belanger, Hiller, and Smith 2002; Yoon 2002). Anxiety about exposure and misuse of personal information inhibits consumers from making online shopping purchases. The open nature of online transactions globally creates uncertainty for consumers (Pavlou 2003). Therefore, the role of trust, which reduces the perception of risk in purchases, is a crucial factor in e-commerce. Thus, recent studies have been investigating the issue of online trust (Hoffman, Novak, and Peritus 1999; Yoon 2002; Belanger, Hiller, and Smith 2002; Anderson and Srinivasan 2003; Bart et al. 2005; Ling, Chai, and Piew 2010).

As for trust itself, Morgan and Hunt (1994) defined trust as confidence in the exchange partner’s reliability and integrity. Doney and Cannon (1997) defined trust as the perceived credibility and benevolence of a target. Requiring integrity and benevolence, there is vulnerability and uncertainty in exchange and transactions. Trust can decrease the various risks regarding transactions (Coleman 1990; Moorman, Deshpandé, and Zaltman 1993). More so than offline transactions, e-commerce transactions are accompanied by uncertainty and vulnerability due to the spatial and temporal separation and openness that are inherent characteristics of e-commerce. Online trust reduces consumer uncertainty significantly (Yoon 2002; Pavlou 2003; Chen, Griffith, and Shen 2005; Ling, Chai, and Piew 2010).

In addition, online trust is necessary to reduce the effort to find additional information. If consumers consider a shopping site to be trustworthy, they may stick to that site. Thus, online trust reduces the demand for new information (Yoon 2002).

Network Externality As a Source of Trust

Network externality is present when the value of a network increases as the number of users of the network increases. For example, the value of a telephone network
depends on the number of people with access to that network (Katz and Shapiro 1985; Shanker and Bayus 2004; Song, Parry, and Kawakami 2009). Examples of product success are Microsoft’s MS-DOS operating system and the QWERTY keyboard. Network externality theory has been used to explain technology adoption decisions (Song and Walden 2007). That concept has been applied to research on digital products, including VCRs (e.g., Redmond 1991), home video games (e.g., Shankar and Bayus 2002), and MD players (e.g., Song, Parry, and Kawakami 2009). Also, network externality is applied to research on information services (e.g., Song and Walden 2007). We will examine the importance of network externality vis-à-vis online shopping sites. The reasoning is as follows:

First, network externality works with social interaction, including WOM and observational learning (Chen, Wang, and Xie 2011). Through WOM recommendations, people acquire the necessary knowledge for decision making (Redmond 1991). In addition, network externality is effective in virtual communities through electronic WOM (Balasubramanian and Mahajan 2001; Shankar and Bayus 2004). On online shopping sites, there are usually a huge number of user comments, which might influence other consumers’ purchase choices. Consumers might assign importance to the variety and range of user comments, because that enables them to acquire various and detailed information.

Moreover, online shopping sites report data on the purchase actions of others, such as sales rankings, to facilitate consumer observational learning. Amazon.com recommends products bought by other customers with similar purchase records. Online shopping sites thus help consumers make purchases by displaying a variety of consumer data in a timely manner. If the data is based on a large number of participants, the data is perceived to be more accurate and user trust is increased.

Second, network externality includes a psychological effect. Consumers speculate about product and service quality from the number of adopters. Consumers infer that products and services that are bought by a large number of consumers are of reliable quality. As a result, they are able to reduce some risk in making the purchase (Padmanabhan, Rajiv, and Srinivasan 1997; Song, Parry, and Kawakami 2009). In online shopping, in which the consumer has difficulty obtaining exact and certain information compared with store shopping, network externality might be a powerful tool with which to increase trustworthiness. We will examine the relationship between network externality and online trust.

**Internet Ability**

Ability is one of the factors that determines the degree to which individuals process information (MacInnis and Jaworski 1989; Gruen, Osmonbekov, and Czapelewski 2006). In particular, the Internet leads to information asymmetry between individuals. On the web, it is necessary for consumers to have some skills such as being able to search and make decisions on whether the information they find is correct. Without such skills, an individual might not acquire the information they require, despite having searched for it.

In addition, Internet ability might influence the perception of the user (Hoffman and Novak 1996; Novak, Hoffman, and Yung 2000). Zhou and Bao (2002) indicate that people with high level skill extract important information from web advertising. The perception of users in interpreting web pages varies even when exposed to the same page, and depends on their Internet ability. Thus, Internet ability facilitates the finding of information and the acquisition of important and appropriate information. We will examine Internet ability and how it relates to online trust and the perception of network externality.

**THEORETICAL MODEL AND HYPOTHESES**

In this section, we describe our research hypotheses, which concern the relationships between online trust, network externality and Internet ability.

As for online shopping sites, user comments which show their trial and usage of products and services help consumers to make purchases. In other words, consumers can reduce their uncertainty by referring to eWOM information (Park and Lee 2009). In an online community, those with an interest in specific brands and product categories share their knowledge regarding product advice and usage (Kozinet 1999; Brown, Broderick, and Lee 2007). In particular, when consumer judgmental criteria are ambiguous, WOM affects consumer choice (Bone 1995). As opposed to conventional word of mouth, eWOM lacks vivid, deeper information and the opportunity for interaction. On the other hand, there is various information in eWOM. In addition, online consumers can freely select eWOM based on their needs (Chu and Kim 2011). Therefore, they seek shopping sites featuring huge amounts of, and diverse, eWOM, from among which they are able to find eWOM comments to match their needs.

Moreover, a greater number of participants result in a more accurate database for promoting observational learning. A consumer also might seek product information and make a purchase referring to the sales ranking and recommendations of the online shopping site, especially to reduce search effort. The accuracy or degree of perfection, which might influence consumer trust, depends on the number of participants. Thus, online trust might be influenced by the quantity of information gathered during the online experience (Smith, Menon, and Sivakumar 2005). The perception of the network externality effect –
which is led by the existence of a large amount of recommendable eWOM and observational learning – might increase trust in the shopping site itself. In addition, if a user observes a large number of participants, the user’s perception of the trustworthiness of the site is likely to increase, thereby relieving the user’s anxiety, and increasing the likelihood of purchase based on trust.

H1: Perception of network externality is positively associated with online trust.

H2: Perception of network externality is positively associated with purchase intention.

H3: Perception of trust is positively associated with online purchase intention.

In the e-commerce context, consumers need to make the decision to buy a product or service from a huge amount of information and comments, in a state of uncertainty. Those with high level skill are probably familiar with the Internet. They are able to find out specific and required information, confirm the authenticity and refer to the online shopping data effectively, while those with low level skill may be unfamiliar with the Internet and as a result may be unable to use the Internet effectively (Gruen, Osmonbekov, and Czaplewski 2006). Furthermore, when users conduct beyond their skill, they are in a state of anxiety (Mathwick and Rigdon 2004), led to losing online trust. Thus, their trust in online shopping is not maintained.

Moreover, the perception of network externality might be influenced by Internet skill. Through Internet skill, consumers can recognize and infer diverse and broad ranges of participants in online shopping. They recognize the benefits deriving from the network effect. On the other hand, those with low level skill cannot find out the required information and grasp the exact meaning from eWOM, and misuse marketing tools such as observational learning. Therefore, they do not recognize the network effect.

H4: Internet Skill is positively associated with the perception of online trust.

H5: Internet Skill is positively associated with the perception of network externality.

Scale Development and Data Collection

To test our hypotheses, we asked which shopping sites respondents used the most frequently. Regarding the sites they selected, respondents were asked to give answers regarding Network Externality, Online Trust and their Purchase Intentions. The concept and measures of this study are reported in the Appendix. A translation/back-translation process was used to ensure equivalence in the meaning of all parts of the Japanese and English versions of the questions (Douglas and Craig 1983).

Questions and five-point rating scales (Strongly Disagree (1)-Disagree-Neutral-Agree-Strongly Agree (5)) were selected, as in previous studies. To measure online trust, four items were adopted from Anderson and Srinivasan (2003). To measure perceived network externality, three items were adopted from Sony and Walden.
To measure purchase intention, three items were adopted from Hausman and Siekpe (2008). And finally, to measure Internet skill, four items were adopted from Novak, Hoffman, and Yung (2000). Measurements of perceived network externality were adjusted in the context of online shopping.

We included the control variables of Age and Gender for purchase intention in our analysis. Gender was used as a dummy variable in which “male” was assigned the value of 1 and “female” the value of 2. Only gender was positively significantly related to purchase intention. The online questionnaire survey was conducted in March 2008 with the help of a marketing research company. The age and gender of the participants are summarized in Table 1. The size of the sample was 1191, comprising 599 males and 592 females. The daily average viewing time of participants in the week prior to the survey was 4.7 hours. The number of online purchases per month was 5.44.

Measurement Model

We evaluated our measurement model following the two-step approach recommended by Anderson and Gerbing (1988). The result of a confirmatory factor analysis yielded a satisfactory result (Chi-square = 427.829, d.f. = 71 p > 0.001, CFI = 0.96, IFI = 0.96, ROSEA = 0.06). All loading items were found to be more than 0.6. Composite reliabilities for the items of each construct ranged from 0.80 to 0.95. We also reported the square root of the Average Variance Explained (AVE). To evaluate discriminant validity, the AVE of each construct is required to be greater than 0.50 and the construct’s largest correlation with other constructs (Fornell and Larcker 1981). The AVE satisfies those criteria. Table 2 shows the correlation, composite reliabilities and the AVE.

**Hypotheses Testing**

We used structural equation modeling to test our hypotheses (Anderson and Gerbin 1988). The results are summarized in Table 3. The fit statistics indicated that our model fit the data well (Chi-square = 608.973, d.f. = 99 p > 0.001, CFI = 0.95, IFI = 0.955, ROSEA = 0.06). With regard to our hypotheses, the perception of Network Externality was positively and significantly related to Online Trust ($\beta = 0.57$ p > 0.001) and Purchase Intention ($\beta = 0.22$ p > 0.001). Online Trust was positively and significantly related to Purchase Intention ($\beta = 0.58$ p > 0.001). H1, H2, H3, are thus supported.

With regard to the Internet Skill variable hypotheses, Internet Skill was positively and significantly related to perception of Network Externality ($\beta = 0.34$ p > 0.001) and Online Trust ($\beta = 0.09$ p > 0.001). These results provide support for H4.

**Discussion**

We examined the impact of network externality on online trust and purchase intention, and Internet skill on

| TABLE 1  
| Sample of Age and Gender |
|---------|-----|-----|-----|
| Male | Female |
| 10s | 94 | 95 |
| 20s | 100 | 101 |
| 30s | 100 | 101 |
| 40s | 103 | 102 |
| 50s | 100 | 98 |
| 60s | 102 | 95 |

| TABLE 2  
| Correlation, Cronbach’s Alpha, Composite Reliabilities, and the Average Variance Explained |
|---------|-----|-----|-----|-----|-----|-----|-----|-----|
| Mean | S.D. | a | b | c | d | $\alpha$ | CR | AVE |
| Perceived N. E. (a) | 3.81 | 0.67 | | | | 0.75 | 0.82 | 0.74 |
| Online Trust(b) | 3.95 | 0.65 | 0.20* | | | | 0.91 | 0.92 | 0.86 |
| Purchase Intention(c) | 4.02 | 0.73 | 0.20* | 0.25* | | | 0.91 | 0.94 | 0.89 |
| Internet Skill(d) | 3.61 | 0.76 | 0.09* | 0.08* | 0.07* | | | | **0.79*** |

p > 0.001
the perception of network externality and online trust. The findings extend the research area of online trust and network externality in several ways.

First, online trust is influenced by network externality. So far, studies about online trust have simply focused on relationships regarding the various risks and experiences in online shopping (Zhou, Dai, and Zhang 2007). However, online trust works with network externalities. The results are determined by the characteristics of eWOM, which is shallow and less certain due to the lack of observable and contextual information. Instead, a consumer might make a decision from a broad range of information and an inference that there are a large number of participants. This is supported by the example of the long tail phenomenon. Sites with large numbers of participants are successful at competing.

Second, perceptions of network externality and online trust are mediated by Internet skill. That fact causes researchers to examine context of trust in their studies. So far studies conclude that integrity and benevolence are requisite for maintaining trust. That presumes the characteristics of the relationship are stable and the possibility of monitoring partner’s intention and behavior exist. In contrast, a relationship on the web is unstable and information brought from that relationship is shallow and uncertain. Therefore, Internet skill that includes the ability to search and make accurate evaluations is necessary.

LIMITATIONS AND DIRECTION OF FUTURE RESEARCH

Little is known about the relationship between network externality and online trust. We examined this relationship in our research; however, our model is being developed and should be tested in future research.

First, we posit that the eWOM effect and observational learning mediate the network externality variable and online trust variable, followed by purchase intention. We did not measure these variables. The eWOM and observational learning should be identified in future research. We will examine the relationships between the eWOM, observational learning and network externality variables.

Second, online trust will be examined theoretically and empirically. For instance, strength of the relationship of Internet skill and online trust might be dependent on the diffusion of Internet usage and Internet shopping.

Third, as we collect data in Japan, we can consider the relationship between the perceptions of network externality and online trust as reflecting the uniqueness of Japanese culture. Japan is regarded as a collective culture (Triandis 1995), And thus cultural variables might influence this relationship. In the future, to extend that model, the analysis of national comparisons should be researched.
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REFERENCES


**APPENDIX**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Measure</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perceived N.E.</strong></td>
<td>I believe that I could rely on this online shopping site to reduce time and effort for information because of many users</td>
<td>Song and Walden (2007)</td>
</tr>
<tr>
<td></td>
<td>I believe that this online shopping site will be dominant among all the shopping sites</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I believe that I could benefit by this online shopping site</td>
<td></td>
</tr>
<tr>
<td><strong>Online Trust</strong></td>
<td>The performance of this shopping site meets my expectations</td>
<td>Anderson and Srinivasan (2003)</td>
</tr>
<tr>
<td></td>
<td>This online shopping site can be counted on to successfully complete the transaction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I can trust the performance of this online shopping site to be good</td>
<td></td>
</tr>
<tr>
<td></td>
<td>This online shopping site is reliable for online shopping</td>
<td></td>
</tr>
<tr>
<td><strong>Purchase Intention</strong></td>
<td>I will definitely buy products from this online shopping site in the near future</td>
<td>Hausman and Siekpe (2008)</td>
</tr>
<tr>
<td></td>
<td>I intend to purchase through this online shopping site in the near future</td>
<td></td>
</tr>
<tr>
<td></td>
<td>It is likely that I will purchase through this online shopping site in the near future</td>
<td></td>
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</tbody>
</table>
## APPENDIX (CONTINUED)

<table>
<thead>
<tr>
<th>Construct</th>
<th>Measure</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Skill</td>
<td>I am extremely skilled at using the Web</td>
<td>Novak, Hoffman and Yung (2000)</td>
</tr>
<tr>
<td></td>
<td>I consider myself knowledgeable about good search techniques on the Web</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I know somewhat less than most users about using the Web (R)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I know how to find what I am looking for on the web</td>
<td></td>
</tr>
</tbody>
</table>

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EFFECTS OF PERSONALIZED E-MAIL MESSAGES ON PERCEIVED RISK: MODERATING ROLES OF CONTROL AND INTIMACY

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SUMMARY

Technological advances have dramatically transformed the way people communicate. For example, the Internet and mobile devices have become an increasingly important part of communication between firms and their customers. New communication platforms have enabled firms to provide their customers with more personalized services by allowing for the collection of personal data on their customers. However, some researchers have noted that such personalized services may entail an invasion of privacy. Here, we examined the effects of personalization in computer-mediated communication on risk perceptions. In particular, we investigated the moderating roles of control and message intimacy in the relationship between personalization and risk perceptions.

Individuals’ perceived risk varies according to the level of personalization. An increase in the level of personalization may reduce consumers’ risk perceptions, and when the level of personalization exceeds the “optimum” level, consumers may be uncertain about personalized services (i.e., an increase in the level of perceived risk). The present study considers three levels of personalization (low, moderate, and high) and assumes that consumers are most certain when they receive moderately personalized services. In this regard, we propose the following hypothesis:

H1: The relationship between the level of personalization (from a low to a high level) and perceived risk is quadratic, that is, a U-shaped relationship.

According to cognitive control theory, under stressful situations, consumers may perceive their circumstances to be more controllable when they receive more information on their situation. That is, consumers reevaluate stressful situations when they have more information. Therefore, when consumers are exposed to some risk through highly personalized messages, their level of risk may be reduced if they have more information on (i.e., more control over) the use of their personal information. In this regard, we propose the following hypothesis:

H2: The effect of a personalized e-mail on perceived risk is moderated by control over personal information.

That is, when consumers have the ability to control personal information on their e-mails, there is no difference in their risk perception between e-mail messages reflecting a low level of personalization and those reflecting a high level of personalization.

Another moderating variable that can reduce consumers’ risk perception concerning highly personalized messages is the use of intimacy in personalized services. A highly personalized message reflecting a high level of intimacy (e.g., the use of a natural language, the identification of the sender’s personal information) may reduce consumers’ perceived risk concerning the message. By contrast, when consumers receive a message reflecting a lower level of personalization, intimacy may not have a significant effect on their perceived risk. In this regard, we propose the following hypothesis:

H3: The effect of a personalized e-mail message on perceived risk is moderated by the message’s level of intimacy. That is, when consumers get e-mail messages reflecting a high level of intimacy, there is no difference in their risk perception between e-mail messages reflecting a low level of personalization and those reflecting a high level of personalization.

To test the proposed relationships, we consider an e-mail marketing campaign in which a bank sends e-mails to their target customers to promote their financial products. Three lab experiments were conducted. In the first experiment, we found that there was no significant difference in perceived risk between minimally personalized e-mail messages and moderately personalized ones, but perceived risk increases from moderately personalized e-mail messages to highly personalized ones. Thus, these results provide support for H1 between moderate and high levels of personalization but not between low and medium levels of personalization. The results of the second experiment indicate that control over personal information reduced the negative effects of a high level of personalization on perceived risk, supporting for H2. Third, intimacy in e-mail messages regulated the effects of personalization on perceived risk, supporting for H3.

The results have important theoretical implications. We considered three levels of personalization, which should be useful for manipulating personalization. In
addition, we verified that optimal stimulation level theory, cognitive control theory, and social presence theory are useful for examining computer-mediated communication phenomena. The results have important practical implications. If customers are given some control over their personal information maintained by service providers and/or if personalized services are delivered in a more intimate manner, then firms can maximize the effects of personalized services. References are available upon request.

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LINKING THE VIRTUAL WORLD WITH THE REAL WORLD: HOW TO BUILD ONLINE RELATIONSHIPS THAT LEAD TO OFFLINE INTERACTIONS

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SUMMARY

Prior research has investigated the relationships between users of networking platforms in the online world. This paper focuses on using online communities to link the virtual world to the real world and how online communities serve the purpose to develop an offline relationship to a stranger. We developed a framework based on cue utilization theory, social balance theory, and uncertainty reduction theory and tested it in a field experiment with members of a travel community website. We show that the community reputation, the online communication, and the perceived similarity between the counterparts play a significant role for a potential offline relationship. Further, trust and sympathy are important mediators for this decision process. Theoretical and managerial implications are also discussed in the paper.

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SUMMARY

Marketers allocate a substantial amount of their resources to word-of-mouth (WOM) communication. A sizeable amount of this spending is being diverted to social networks and online communities due to their increasing popularity, reach and potential impact on marketing outcomes. WOM marketing is considered to be a powerful and effective marketing strategy that is replacing and augmenting traditional media communications.

Social media sites have accelerated WOM communication via various social plugins (e.g., Likes, YouTube, Tweet). The Facebook Likes plugin is the most adopted social plugin in the social media space. While researchers have considered the hardware (devices) and software (social plugins) technology advances that have accelerated the use of WOM on social sites, less attention has been given to understanding the message strategies that actually influence online WOM effectiveness.

Building on the network coproduction model, this research attempts to address such gaps by exploring the relationship between message strategies and the “liking” of company Facebook communications (Facebook wallposts) so that marketers can determine how to communicate and advertise effectively on social media sites. We refer to the act of liking content and subsequently spreading likes through customer networks as word of likes (WOL). The network coproduction model takes into account the new dynamics of online WOM marketing by recognizing that marketers use tactics and metrics that target and influence consumers and opinion leaders. Further, it suggests that consumers are active co-producers of value where communications and meanings are exchanged among members of the consumer network.

In this research, we attempt to determine the message strategies most likely to promote liking of messages on Facebook and how these message strategies vary based on market and offering characteristics. Various markets (B2B/ B2C) and offerings (product/service) use different branding strategies and message appeals in their marketing communications. Accordingly, we classify Facebook accounts as B2B or B2C accounts, and classify company offerings as either product or service offerings. Three types of message strategies used in message posts are evaluated: (1) the use of corporate brand names, (2) the use of emotional appeals, and (3) the use of direct calls to purchase. Corporate brand names are present when a social media message has a corporate brand name mentioned in the message. Emotional appeals attempt to stir up either negative or positive emotions. Direct calls to purchase message strategies involve explicit statements or cues that encourage immediate purchase (e.g., “sale,” “buy now”). We examine the effectiveness of these message strategies by analyzing Facebook messages posted by Fortune 500 Facebook accounts.

We hypothesize that the effectiveness of these message strategies differs by the market context (i.e., B2B and B2C) and whether a product or service offering is being promoted. Use of emotional appeals and direct calls to purchase in social media messages is likely to generate more WOL for B2C Facebook accounts than for B2B accounts. Furthermore, using corporate brand names in messages is likely to generate more WOL for B2B accounts than for B2C accounts. Service Facebook accounts when using corporate brand names and emotional appeals in messages are likely to generate more WOL than product accounts.

Method and Results

We conducted a content analysis of 1,146 wallposts from 195 Facebook accounts. To test our model, we used a random coefficient level 2 HLM model with messages (Level 1) nested in Facebook accounts (Level 2). The dependent variable for our analysis was the number of likes for a message. The total number of fans for the Facebook company page and message time, time when the message was sent out to the time when it was archived, was added as control variables. Four of our six hypotheses were supported. More specifically, our findings suggest that B2B Facebook accounts should include their corporate brand names and avoid direct calls to purchase message strategies. Furthermore, results suggest that service Facebook accounts should use emotional appeals in their messages.

General Discussion

Depending on whether an account is B2B/B2C or product/service, the effectiveness of Facebook message
strategies (in terms of increasing WOL) differ. Our analysis reveals that the use of a corporate brand name strategy effectively promotes WOL in B2B Facebook company accounts compared with B2C company accounts. Furthermore, the use of direct calls to purchase in a message is less effective in B2B Facebook company accounts than in B2C company accounts. The use of emotional appeals in a message promoted more likes in service Facebook company accounts than in product company accounts.

This study contributes to the marketing communications and WOM/online WOM literature in the following ways. First, it suggests factors that influence WOL strategies in the B2B and B2C environments and when marketing product and service offerings. Second, it explores the influence of new technology in the form of social media sharing as it relates to online WOM and therefore advances our knowledge of online WOM. Third, it presents a novel technique for observing online WOM activity. References are available upon request.

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DOES SOCIAL MEDIA MATTER FOR MARKETING? THE EFFECTS OF SOCIAL MEDIA ENGAGEMENT ON THE CONSUMER-BRAND RELATIONSHIP

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SUMMARY

Social media has radically changed consumer behavior over the last few years. Brand pages on channels like Facebook, Twitter, or YouTube are getting more and more popular. Customer engagement on such channels also changes the idea of relationship marketing. Today, businesses are trying to get in contact and engage with existing and potential customers by means of brand pages on social media platforms. Social Media Engagement has become an important goal for many companies. But how relevant is consumer engagement on social media for successful branding? Many managers are still asking: Is it worthwhile putting more effort and investment into the social media phenomenon, and does it pay off? Despite the importance of this question, a conceptual framing and understanding of social media engagement and its effects is still missing.

Therefore this study develops a framework of social media engagement and analyzes how consumer engagement on social media sites affects the consumer-brand relationship. The proposed framework is based on classical concepts of customer engagement and brand attachment theory. The basic idea of the framework is that passive and active brand page participation should lead to higher brand attachment, which should in turn lead to brand word-of-mouth and loyalty. To test our framework, we applied a multi-step approach incorporating a series of qualitative and quantitative analyses. First, we executed focus groups and a diary study. Next, we executed a survey on Facebook (n=910) and tested the proposed framework using a structural equation model. Finally we executed a longitudinal field experiment with Facebook users (n = 100) in a pre-post within-subject design. In different analyses we can show a significant influence from passive and active brand page participation on word-of-mouth and loyalty, mediated by brand attachment.

This study contributes in several ways to the research and management of social media platforms. First, we show a reliable effect of social media engagement on brand pages for the customer-relationship management of companies. Second, we don’t just show an effect, but detect with passive and active participation two drivers with different relevance for the success of brand pages. Third, we show the exposure pathway of social media engagement over the customer relationship and prove the causal direction of the effect in a longitudinal field experiment.

Based on the results, we can infer multiple implications for the management of social media activities in general and especially for brand pages on social networking sites. In general we can conclude that brand pages are an excellent tool for brand management. The results show social media engagement as a successful strategy for retaining and maintaining relationships, but also for attracting new fans. Ideally, fans would see brands as real “friends” in their social networks, which play an important part in their everyday lives. In this case, brand communication is no longer automatically perceived as disturbing advertising but as interesting and reasonable conversation among friends. References are available upon request.

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SUMMARY

People with prior knowledge about an artist might employ a different evaluation process than those unfamiliar with the artist. These differences can lead to variances in how an electronic word-of-mouth (eWOM) message might be communicated. How senders and receivers of eWOM evaluate subject matter is an important element in understanding the ways in which messages and content spread throughout a social network (Kozinets et al. 2010). When evaluating music content there is a process of authentication, which includes three dimensions — sincerity, expertise, and dependability (Barretta 2012). Examining familiarity involves two important areas of research: perceived authenticity and word-of-mouth.

Music, regardless of genre, has been found to be a way of expressing one’s identity (Bennett 1999; Cateforis and Humphreys 1997; Gardikiotis and Baltzis 2011; Hesmondhalgh 2008; Jackson 2002; Miklas and Arnold 1999; Nuttall 2008b), and a means to developing interpersonal relationships (Arnett 1993; Boer and Fischer 2011; Larsen et al. 2009; Nuttall 2008a; Nuttall and Tinson 2008; Packer and Ballantyne 2010; Roy and Dowd 2010). It is not surprising that social networking sites like Facebook have exploded as a platform for musicians and fans to share music (Peoples 2011; Sargent 2009). Based on the notion that eWOM in contemporary society involves coproduced (Kozinets et al. 2010), cumulatively constructed and shared messages (Trusov et al. 2009), it is important to both theory and practice that we explore how consumers assess shared music. By developing our understanding of how music is assessed on a social networking platform, marketers can aim for strategies and content that will be most effective in reaching the desired target market.

Prior literature on eWOM and exploratory qualitative research led to the following hypotheses:

H1: Receivers of shared music will evaluate the content based on three dimensions of perceived authenticity: Sincerity, Expertise, and Dependability.

H2a: Consumers unfamiliar with the source (musician/band) will rely upon perceptions of skill level (expertise), but not on pre-existing perceptions of the artist (sincerity).

H2b: Consumers with high familiarity will rely more heavily on pre-existing perceptions of the artist (Sincerity) than on Skill level (Expertise).

Three factors mentioned in H1 (alpha = .91/.88/.83) explained dependent variable “overall evaluation” with an effect size (R²) of .568, explaining 57% of the variance in overall evaluation (n = 310). This result supports Hypothesis 1.

To test hypotheses 2a and 2b, the same independent and dependent variables were used to perform multiple linear regression analysis for each group of reported familiarity with the band performing the music:

- For participants who had never heard of the band before, Expertise and Reliability were significant predictors of evaluation (p<.001), but Sincerity was not a significant predictor. The independent variables explained 63% of the variance in overall evaluation (n = 120).

- For participants who were vaguely familiar with the band, Expertise and Sincerity were significant predictors of evaluation (p < .001), but Reliability was not a significant predictor. The independent variables explained 42 percent of the variance in overall evaluation (n = 101).

- For participants who were very familiar with the band, only Sincerity was a significant predictor of evaluation (p < .001), neither Expertise nor Reliability was a significant predictor. The sole independent variable explained 51% of the variance in overall evaluation (n = 89).

These results indicate support for hypotheses 2a and 2b. When consumers evaluated the music performance clip of a band with whom they were not familiar, they relied upon their perceptions of the expertise and dependability of the band, which reflect the skills of the band. However, when pre-existing knowledge of a band is present, either good or bad, the evaluation was based only on how sincere they felt the band to be, not on expertise or dependability.

Our findings contribute to knowledge of how pre-existing familiarity influences two areas of research,
perceived music authenticity and eWOM. In the net-worked approach to eWOM, these two areas are related, so it is important to discuss the findings as they relate to each area, as well as in combination.

As the results relate to the authentication process, marketers can determine the best content for a target market based on that segment’s level of familiarity. For example, when marketing music by a band with the goal of expanding a fan base by reaching consumers not already familiar with them, content should emphasize the musicians’ skills. However, if the objective is to build support for an artist likely to be familiar to a target audience, either because it is an established artist expanding its fan base or building support with existing fans, then elements of sincerity should be reflected in the content. In terms of eWOM, level of familiarity with a band could influence what message is communicated to a person’s social network. Therefore, content that may be seeded should match the objectives of one’s target audience.

There is an unavoidable element of snowball recruitment that like-minded individuals will participate. On one hand, this is a positive aspect of the design because it mimics how eWOM content is spread. On the other hand, the content is primarily a survey, not a music file, and therefore may not follow the same path as a music clip that carries coproduced meanings as it spreads through the network. Of interest for future research is replication of the SED authentication process using the dimensions Sincerity, Expertise and Dependability. We are encouraged by the extension of scales from advertising literature that were used by Ohanian (1990) to define and measure perceived expertise, trustworthiness, and attractiveness of celebrity endorsers. References are available upon request.
SOCIAL NETWORKING SITES AND PLANNED BEHAVIOR

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SUMMARY

The rise of social media has not only changed the internet as we know it, but has dramatically changed the way people communicate and interact. Under the larger umbrella of social media, social networking sites (SNSs) such as Facebook, LinkedIn, Twitter and MySpace have had a particularly substantial impact. The ascension to mainstream popularity of SNSs has been nothing short of incredible considering that only ten years ago these websites did not even exist and now the estimate of the number of SNS users is over 750 million people (Facebook 2012; Shih 2010; Twitter 2012). Needless to say the dramatic rise in popularity of this new medium has created huge opportunities for marketers. If marketers can develop a more comprehensive awareness of consumer’s social networking site intentions and behavior they may be able to use these insights in the development and implementation of more effective SNS advertisements, business SNS pages and other marketing tools in order to better serve, attract and retain customers.

This research works toward developing a more thorough understanding of consumer social networking site usage by empirically exploring the antecedents of consumer intention and behavior in regards to three activities related to social networking sites: (1) general social networking site usage, (2) the joining of a business’s social networking site page and (3) clicking on an advertisement on a social networking site. These three types of activities represent some of the most common usage of SNS sites from a marketer’s perspective. To assist with this exploration we drew upon the decomposed theory of planned behavior (DTPB) as a theoretical lens.

The DTPB represents an extension of the theory of planned behavior (TPB) (Ajzen 1991). The TPB posits that intention is positively related to behavior, and there are three constructs that can be used to predict intention (attitude, subjective norms, and perceived behavioral control). In addition to predicting intention, perceived behavioral control is also said to predict behavior as well. The DTPB extends this line of thought by proposing antecedents to attitude (relative advantage, compatibility, and complexity), subjective norms (normative influences), and perceived behavioral control (self-efficacy and facilitating conditions) respectively. For an in depth review of the DTPB see Taylor and Todd (1995).

Data for this research was collected via a self-administered online survey from 467 subjects at a large urban university in the southeast United States. The measures utilized were all reflective indicators developed from Taylor and Todd (1995) as well as based on recommendations by Ajzen (2011) and adapted to fit the context of this study. Data analysis was carried out with LISREL 8.8 (Jöreskog and Sörbom 1996) using structural equation modeling (SEM) with maximum likelihood (ML) estimation analyzing a covariance matrix. In accordance with the two-step model building approach (Anderson and Gerbing 1988), a confirmatory factor analysis (CFA) measurement model was generated and analyzed for each one of the three distinct SNS behaviors prior to testing relationships between latent constructs. Following the CFA, structural path models with respect to each of the three SNS behaviors were also generated and analyzed. Each of the three measurement models as well as each of the three structural models demonstrated factor loadings, goodness-of-fit statistics and measurement scale reliabilities that were consistent with generally accepted thresholds.

Results of the structural model path analysis indicated that intention was significant and positively related to behavior for each of the three SNS activities examined. In addition, attitude exhibited the strongest relationship with intention, as a significant and positive relationship was found between attitude and intention for each of the three structural models tested. In terms of the antecedents to attitude, relative advantage and compatibility both respectively demonstrated a significant and positive relationship with attitude for each of the three SNS activities examined. Complexity however only demonstrated a significant (and as expected negative) relationship with attitude for the SNS behavior of joining a business’s social networking site page.

Normative influences showed a significant and positive relationship with subjective norms for each of the three SNS behaviors; however subjective norms only demonstrated a significant relationship with intention for the activity of clicking on an advertisement on a social networking site.

The construct of perceived behavioral control demonstrated a positive and significant relationship with both intention and behavior in terms of general social network-
ing site usage. However, these same relationships were not significant for the behavior of joining a business’s SNS site and were significant but negative for the behavior of clicking on an ad on a social networking site. For the expected antecedents to perceived behavioral control, facilitating conditions displayed a significant and positive relationship with perceived behavioral control for each of the three SNS activities. Furthermore, self-efficacy demonstrated a significant and positive relationship with perceived behavioral control for two out of the three activities; general SNS usage and joining a business’s social networking site page respectively. However, this relationship was significant but unexpectedly negative for the activity of clicking on an SNS ad.

In summary, this study contributes to a more thorough understanding of consumer social networking site usage and in the process provides several insights to both practitioners and researchers alike by discovering what is (and is not) related to consumers’ intention and behavior regarding three distinct social networking site activities. References are available upon request.

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WHAT CONSUMERS REALLY THINK OF TARGETED ONLINE ADVERTISING: A SEGMENTED APPROACH

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SUMMARY

The Internet has changed how we shop, communicate and gather information. This is particularly true for 18 to 34 year olds, who spend more time online than any other age group (IAB Canada 2009). This study examines young consumers’ attitudes and responses toward targeted online advertising, and the impact of different levels of social media use on their receptiveness to such messages. Such information can assist marketers to gain a clearer understanding of consumers’ attitudes and responses to online media and allow them to make better informed decisions about allocating promotion budgets and targeting consumers with tailored messages in the midst of a rapidly changing technological climate.

We began the study by running two focus groups with consumers between the ages of 18 and 30 to gain insight into social media behaviors and attitudes toward targeted online advertising. Each focus group was then followed by a “town hall” with an additional 60 individuals who had observed the focus groups and provided additional commentary to enhance our understanding of consumers’ interactions with digital media. We then designed and conducted a quantitative survey incorporating insights gathered from our qualitative stage as well as items from previous studies by Foster et al. (2010) and McDonald and Cranor (2010).

In total, 1037 business students enrolled in a large urban Canadian university completed the online survey. We employed SPSS (Version 19) for our analysis procedures which included exploratory factor analysis (EFA), cluster analysis and ANOVA. Confirmatory factor analysis (CFA) was performed using AMOS (Version 19).

Results of the CFA and cluster analysis revealed four SMUG segments (identified as Minimally Involveds, Socializers, Info Seekers and Social Media Technology (SMT) Mavens) which were then used as the independent variable for further analysis into consumer attitudes and behaviors about targeted online advertising.

In general, targeted online ads tended to be perceived as ineffective, both because they are not viewed as particularly interesting or relevant, and because they rarely lead to click-throughs and product purchases. However, closer examination of the four segments revealed subtle distinctions that offer potential targeting opportunities for marketers.

While all respondents displayed some degree of interest in personalized information (receiving personalized online materials such as ads, discount coupons and news items), the SMT Maven group was more interested than others in ads and news items. They were also significantly less disinterested in paying a small monthly fee to either receive or block targeted online ads, perhaps because they spend more time online than other segments and are therefore more particular about being able to customize their online experience.

Overall, respondents displayed mild privacy-related concerns by disagreeing with the statement “I don’t care if advertisers collect data about my search items” and agreeing that targeted online advertising is “creepy,” suggesting that the concept of online privacy is not well-developed among most users. Interestingly, the SMT Mavens were the most likely to be unconcerned about online privacy issues, while Socializers reported the strongest concerns, perhaps because Socializers tend to spend most of their time on sites such as Facebook which they perceive to be for private use. However, it appears that most respondents do not really understand the nature and implications of targeting, and therefore do not view it as a potential invasion of privacy. As targeting capabilities become more sophisticated and effective than respondents understand them to be, disinterest in protective action suggests either a worrisome (to privacy advocates) acceptance of the commercial use of information, or perhaps an expectation for government policy intervention, rather than individual action.

Info Seekers appeared to be the most accepting of the inevitability of online advertising, as they were significantly more likely to believe that online advertising is necessary for the Internet and putting up with it is the price they pay for having access to free sites. This is consistent with their use of the online environment as a research tool for information.

SMT Mavens were the most likely to agree that targeted ads feature products or services of interest to them, and that they actively seek out relevant advertising.
This group was also significantly more likely to believe that including an interactive component in online ads would be more attention-getting. This is consistent with their heavier involvement in the online environment and the diversity of activities in which they participate. Info Seekers, on the other hand, were the most likely to agree that random ads are more annoying than targeted ads, likely because random distractions would be more disruptive to their specific online search behaviors.

SMT Mavens were significantly more likely to ‘take action’ by clicking on links in online ads that come up next to search results or on Facebook, making an online purchase as a result of an e-mail advertisement or an online ad, and clicking on a link in an ad that comes up after an online purchase. This is not surprising given that this group is the most sophisticated in terms of range of online activities and frequency of use. They were also significantly more likely to use the available tools to control their online environment, such as clicking on “like” to access more information, clicking on “offensive” to stop targeted online advertising and changing their Facebook profile to avoid online advertising.

Currently, advertisers attempt to target users based on the profile information provided through social media sites and their history of websites visited. From a managerial perspective, the existence of distinct segments of online users both in terms of behavioral patterns and motivational triggers is significant for the development of online advertising strategies because it underlines the importance of customization to meet the needs of different segments. By creating a SMUG-based customized online experience, advertisers may be able to capture more attention from each of these consumer segments as well as possibly gain more positive response behaviors. The challenge moving forward is to incorporate design features and formats that address the unique needs of each segment without having a cluttered result that is confusing to all segments. References are available upon request.

ENDNOTE

1 The research on which this paper is based was funded by the Office of the Privacy Commissioner of Canada. We also thank our Research Assistants, Colin Rogers and Roman Cezar for their help.
ENGAGING THE FACEBOOK USER TO FOSTER SALES – DRIVERS OF ADVERTISING EFFECTIVENESS IN SOCIAL NETWORKS, INCORPORATING SYNERGIES AND TIME LAGS

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SUMMARY

With the growth of online advertisements (ads), numerous new, interactive ad channels have emerged attracting continuous attention of both researchers and practitioners. Among these new ad channels, social networks play an increasingly important role in today’s marketing mix (Forrester 2009). Due to their highly interactive character, these networks open up unprecedented possibilities and challenges for managers and researchers that can be used to market a product or service (Trusov et al. 2009). First research in this field based on surveys and experiments in small networks has indicated that engaging the customer in a social network can build customer loyalty (Bagozzi and Dholakia 2006). A customer can easily broadcast his or her opinion to a multitude of people with just one click and therefore function as a brand advocate to acquire new customers (Trusov et al. 2009). Acquisition is facilitated by the fact that these people often have similar needs and interests (Yang and Lin 2006). Combining social networks with other ad channels can further increase their effectiveness, although initial studies demonstrate a comparably low ad effectiveness (Mabry and Porter 2010).

However, unlike more traditional ad channels like TV, print or search ads (Naik and Peters 2009), these new ad channels still lack a profound proof of their sales impact based on real field data. In particular, little is known about what are the drivers of advertising success in a big social network like Facebook. We thus address four main research questions: (1) Which ad-related activities within a social network drive short-term sales (Winer 2009)? (2) How long do the ad effects triggered by those activities last (Osinga et al. 2010)? (3) Which activity has the strongest long-term sales effect (Wang et al. 2009)? (4) Are there synergies between the different activities (Rust et al. 2004)?

To analyze advertising effectiveness, advanced models have been developed that demonstrate that an ad effect can carry-over to the next day and beyond (time lags; cf., Naik and Raman 2003, who calculate a carry-over of 93 percent for TV and 37% for print ads) and that simultaneous use of different ads can increase their effectiveness (synergies; cf., Naik and Peters 2009, who find synergies for TV, print and search ads). We apply an integrated direct aggregation approach to account for time lags (Srinivasan and Weir 1988); Herrington and Dempsey 2005) and calculate interaction terms to model synergies (Green 1973; Völckner and Sattler 2006). For our analysis, we use aggregate-level, daily field data obtained from one of Germany’s top ten e-commerce retailers. This unique sample spans a period of 365 days from October 2010 to September 2011 and includes four ad-related activities on Facebook. Based on the established framework of Vakratsas and Ambler (1999), we derive our hypothesis on how advertising works:

- **Short-term**, we expect a positive sales impact which is comparably weak for stream impressions (H1a); weak to moderate for page views (H1b); moderate to strong for likes (H1c); and strong for contributions (H1d).

  We expect the carry-over to be comparably short for stream impressions (H2a); short to moderate for page views (H2b); moderate to high for likes (H2c); and high for contributions (H2d).

- **Long-term**, we expect positive sales effects that are comparably weak for stream impressions (H3a); weak to moderate for page views (H3b); moderate to high for likes (H3c); and high for contributions (H3d).

  We infer positive synergies and their sales impact to be comparably weak for stream impressions and page views (H4a); moderate for stream impressions and likes (H4b); moderate for stream impressions and contributions (H4c); moderate for page views and likes (H4d); moderate for page views and contributions (H4e); high for likes and contributions (H4f).

We find that all ad-related activities in our analysis, except for stream impressions (H1a rejected), positively affect sales. A like of a group’s content has the strongest short-term sales effect, followed by a contribution (partially confirming H1c-d) and a page view (confirming H1b). Active contributions followed by likes show a high, page views a medium carryover effect, as expected, verifying H2b-d. Long-term, active contributions have the strongest sales impact followed by likes and a rather weak effect for page views (hypotheses H3b-d supported). Out of our six hypotheses on synergies, three are fully sup-
ported (H4b, H4c, and H4f). Likes and contributions establish a strong synergistic effect and also show a moderate synergy with stream impressions as expected. Besides these effects, we do not find evidence for significant synergies among the other activities in our focus, leading to a rejection of H4a, H4d, and H4e.

For future research, our results underscore the importance of incorporating different time lags as well as synergies when modeling advertising effectiveness. Practitioners can use this approach to optimize their advertising as it is based on data that is readily available online through Facebook at no additional charges. Generalizing our empirical results, a marketer should use social networks for advertising to drive sales. In doing so, it is important to engage the user and generate both likes and contributions which mutually increase their strength to create a strong short- and especially long-term sales effect, the strength of Facebook as an ad channel. Moreover, stream impressions should be used as a trigger to motivate engagement with the group and consequently impact sales. We encourage more research in this field to gain a solid understanding of how to further increase ad effectiveness in a social network (e.g., through an analysis of different design elements like ad message content). References are available upon request.

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SOCIAL MEDIA MARKETING INTENSITY AND ITS IMPACT ON THE RELATION BETWEEN DYNAMIC CAPABILITIES AND BUSINESS PERFORMANCE

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SUMMARY

The rise of Online Social Networks (OSN) such as Facebook, Twitter, YouTube or LinkedIn, has changed the way that people communicate through the Internet. Firms have realized that their clients are part of the OSN, increasing the interest of marketers to explore it as a new marketing tool. However, its strategic importance still seems not clear given the novelty and the difficulty of measuring their impact on business performance. Our aim is to contribute with the crescent but still limited study of the use of Social Media Marketing (SMM), taking the intensity of use of SMM as a moderating variable between the dynamic capabilities of market orientation (MO), entrepreneurial orientation (EO), and performance (PERF).

Dynamic capabilities such as MO and EO allow firms to integrate, build, and reconfigure competencies and align them to market changes to obtain a better performance (Teece, Pisano, and Shuen 1997). A strong MO characterizes an organization’s disposition to deliver superior value to its customers (Slater and Narver 1994); and, an EO determines how firms identify new opportunities and respond to changes in the environment to achieve successful results. Several studies have considered the relation MO-PERF, and EO-PERF. Also, some authors argue that the interaction MO-EO is synergistic, as they have complementary approaches. The relationship MO-PERF, and EO-PERF as well as being direct, may be mediated by many control variables (Jaworski and Kohli 1993). A conceptual model is proposed suggesting that the intensity of use of SMM moderate the relation between MO, EO, and PERF.

Through LinkedIn, we invited Spanish marketing chief officers, digital marketing directors and community managers to be part of a network, between February and October 2011. To be eligible, firms must have used at least one OSN as a marketing tool. Seven hundred eighty-four contacts were linked, making possible to communicate directly, avoiding non appropriate responders, achieving 191 complete responses (24.3%) for the analysis. For measuring MO we used an adaption of the MKATOR scale by Narver and Slater (1990), which consists of three subscales reflecting the behavioral components of customer and competitor orientation, and inter-functional coordination. For EO we used the Covin and Slevin (1989) scale, measuring firm innovativeness, proactiveness and risk taking. To measure PERF, we adopted the construct proposed by Hooley, Greenley, Cadogan, and Fahy (2005), which consists of subscales for customer, market and financial results.

SMM intensity was calculated using information about: number of Facebook fans and Twitter followers; number of YouTube videos; frequency of SMM activities; SMM team size; among others. Some variables were re-coded using quartiles, to generate five groups of classification in order to use it all in a Multi Correspondence Analysis. Using the most discriminative ones, three categories were created for SMM intensity. This new variable allows doing a multi group analysis using Structural Equations Modeling (SEM).

To refine the measures and assesses the reliability and validity of constructs we used an exploratory factor analysis. Cronbach’s alpha was calculated, obtaining satisfactory results for all construct internal consistency. A Confirmatory Factor Analysis (CFA) using AMOS v.18 was conducted and confirms these results. Using SEM, we estimated a model including MO, EO and PERF. The overall fitness indices of the model suggest a good fit for the construct model. \( \chi^2 = 417.370 \quad (p < .001); \chi^2/df = 1.355. \) In our case 1.355, shows a good model fit. The CFI index of 0.956 indicates again a good model fit, because when these values are close to 1 data validate the theoretical model. RMSEA is 0.043, below the acceptable level of 0.05, which indicates a close fit of the model in relation to the degrees of freedom.

The results shows: (i) the positive and direct effect of MO on PERF, supporting the notion about this relation; (ii) the positive and direct effect of MO on EO, according previous studies; and iii) there is no evidence for supporting the direct effect of EO on PERF, which is indirect through other variables. One of these variables could be
the MO itself, because firms that combine EO and MO show higher performance than firms that only develop one orientation. To test our hypotheses we applied a multiple group technique. Data were divided considering the “Intensity” variable. SEM estimates were calculated for each group. To check if there are differences between the groups we used a tool developed by Gaskin (2011), which evaluates the differences by the critical ratios method. Results show that H1 is confirmed: the intensity of use of SMM moderates the relationship MO-PERF. There is a significant difference between Medium and High intensity. However, there is no significant difference between Low and Medium. H2 is also confirmed: the intensity moderates the relation MO-EO, but only comparing Medium and High. No significant differences were found for Low and Medium. Finally, H3 is not confirmed: the intensity does not moderate the relation EO-PERF.

Several findings emerged from our study. First, the results confirm for Spanish firms that use SMM the previous findings about the direct and positive relation MO-PERF; and MO-EO. Our results agree with previous studies that did not find evidence for supporting the direct effect of EO on PERF. Second, the results show that firms must use OSN in an intensive way to potentiate the relation MO-PERF. Just if firms participate actively in OSN, really develop a SMM strategy, invest in SMM and have a community manager or a digital marketing agency; they could take profit of the potential of OSN as a marketing tool. Results show that there is not enough with having some OSN profiles and do some basic SMM actions. A dedicated and strong effort in SMM is needed to observe a real impact in performance. Third, the results prove that firms must use OSN in an intensive way to moderate the relation between MO and EO. Fourthly, there is no evidence to support that a higher intensity in the use of the SMM moderates the EO–PERF relation. Probably it is not enough of being innovative, proactive and to take risks with SMM to impact on business performance.

Summarizing, only a high intensity in the use of SMM could help to moderate the MO effect over business performance, and the MO effect over EO. It is not enough to be a SMM amateur; firms must be professionals to take profit of this emerging and growing marketing tool. This study is limited by several factors that should be addressed in future research. Implications for managers, policy makers and academia are discussed.

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NETNOGRAPHY AND METAPHYSICAL BRANDING

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SUMMARY

The current study examines online forum evaluation and introduces the concept of metaphysical branding, considering how it contributes to the success of the best-selling album in jazz history (*Kind of Blue* by Miles Davis). Analysis of *Kind of Blue* postings draws on a music rating website publishing authors’ personal thoughts and opinions in a diary-like format. Such online word-of-mouth communication involves a networked co-production of narratives with the potential to alter marketing meanings (Kozinets et al. 2010). While online communication epitomizes the modernity of the digital age, the current paper considers how such communication may paradoxically reflect an innate metaphysical yearning that rejects technology in favor of mythology and spirituality. Text on the *Kind of Blue* CD cover communicates the metaphysical by depicting a spiritually uplifting experience in listening to the album. For example, the liner notes state: “If you’re going to heaven, you might as well go first class all the way.” While the concept of “heaven on earth” pulses through many marketing campaigns such as those for Hawaiian holidays (Borgerson and Schroeder 2002), the concept of metaphysical branding is broader than this. It identifies how purchase and consumption of the branded product potentially provide an access point for consumers seeking to move along a pathway of self-improvement. Online word-of-mouth communication is an important part of this process since any critical comments regarding the sacred product may be infallibly regarded by the online community of devotees as sacrilegious or heretical. However, metaphysical branding also underlines the cognitive effort required of the uninitiated consumer in contributing toward self-improvement.

Netnography “adapts ethnographic research techniques to the study of cultures and communities emerging through computer-mediated communications and uses information publicly available in online forums” (Kozinets 2006, p. 130). The current study uses a netnographic approach based on analysis of online textual discourse posted on a music rating website involving posting of comments regarding music that allows others to reply. Kozinets identifies boards as valuable forums for communities of consumption that ‘offer one of the best places to find consumption-related topics’ (2006, p. 131), providing a counterbalance to corporate communication. In consumers’ stories, brands are frequently related to religious devotion and provide netnographic understanding that is useful in terms of branding strategy and positioning (Kozinets 2006). Netnography is used to gather online data from consumers who have purchased *Kind of Blue*, and is particularly appropriate in this context since it can provide information on the metaphorical meanings, symbolism and consumption patterns of online music consumer groups (Kozinets 2002). One hundred seventy-five pages of *Kind of Blue* postings are identified and analyzed from the music rating website: http://rateyourmusic.com/release/album/miles_davis/kind_of_blue/

Postings commenced in January 2002 and were accessed by the researchers on 19th July 2011. After each researcher had read all postings, agreement was reached on a preliminary list of metaphysically themed categories: Rite of passage, sacred and profane consumption, and self-improvement.

**Rite of passage:** Numerous users indicate this was their first jazz album, suggesting it is a rite of passage entry level album for novices seeking access to the art form. It marks an aspirational pathway toward spiritual and aesthetic enlightenment. The album symbolically gives birth to appreciation of the genre. The current data frequently refers to a metaphysical doorway for the novice listener: 

> Hearing this album, my first jazz album, was an open door into this hallway of the universe (October 20, 2009).

Sacred and profane consumption: The concept of sacred consumption and references to a heavenly listening experience occur regularly throughout the data. However, frustrated listeners unable to enjoy the music may respond with blasphemy:

> I’m blaspheming here, since Miles Davis is a legend and this album in particular is hailed as such an amazing classic, but I honestly don’t get it (August 2, 2009).

Questioning the unquestionable quality of the album is acknowledged as heretical:

> I’m a heretic. Why? Because, simply, I can name a dozen jazz albums I prefer to this one (December 10, 2006).
The metaphor of music as heavenly reward is stated by numerous users and scores of postings convey evangelic online recommendations of the music:

*A holy relic that I also happen to love* (May 2, 2010).

Myths surround the sacred recording to document its status:

*A hallowed monument in the history of jazz* (December 1, 2008).

The evidence highlights consumers' deep-seated need for the mystical:

*One of the most influential jazz albums ever made-the Holy Grail* (February 19, 2005).

Self-improvement: Diligent attempts at aesthetic self-improvement are reported in the postings, some of which lead to success, others to failure. A quasi-spiritual search for faith and enlightenment is evident. For some listeners, patience and perseverance eventually lead to revelation:

*After its umpteenth-millionth repeated listen – I finally get Kind of Blue* (December 30, 2010).

Some comments convey the dedication of religious asceticism:

*You might feel like just giving up and walking away. Still, if you keep on trying, and you keep at it, then you’ll come out feeling renewed* (April 14, 2007).

Metaphysical branding is identified as an overarching concept binding together discrete themes in the data and is likely to be of value in marketing various creative arts. While spiritual discourse in *Kind of Blue* may have a marketing origin, the metaphysical mythology is eagerly perpetuated by users who incorporate extensive religious metaphor into their comments. Postings indicate that the consumers are not just passively responding to marketing communications, but are actively sacralizing Miles Davis and *Kind of Blue*, thus reverencing the metaphysical by co-creating transcendent meaning in their lives. Sacralization of the secular enables them to experience the kind of extraordinary meaning previously attained primarily through religion (Belk et al., 1989). The current research reveals how dissemination of brand related religious discourse is particularly suited to confessional online forums. Due to their anonymity, such forums avoid the fear of embarrassment of discussing metaphysical concepts using traditional word-of-mouth communications. Web-based forums therefore create unique marketing opportunities to harness and disseminate metaphysical brand linkages. An important managerial implication of the current study is that religious and mythical motifs have invested *Kind of Blue* with self-perpetuating, life cycle extending meanings. The concept of metaphysical branding could be developed by examining its application in the marketing of successful CD’s and performers in various musical genres including the charismatic deities of pop and rock music. Metaphysical branding research is also valuable when considering the global marketing of sports teams which typically engenders quasi-religious, worshipful devotion and unquestioning, lifelong brand loyalty in its fan base. References are available upon request.

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INTEGRATION VS. REGULATION: WHAT REALLY DRIVES USER-GENERATED CONTENT IN SOCIAL MEDIA CHANNELS?

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SUMMARY

Brand related user-generated content (UGC) plays a vital role in social media channels. Seminal studies show that UGC provides valuable opportunities to influence buying behavior and to enhance sales revenue (Dhar and Chang 2009; Zhu and Zhang 2010), brand equity (Christodoulides, Jevons, and Bonhomme 2012) and stock market performance (Tirunillai and Tellis 2012). However, UGC also represents a potential threat for brands because proactive consumers cannot only advocate a brand but they can also easily inflict damage on it. This conflict is fueled by the tremendous rise in UGC creation because consumers are wrenching significant control over brand communications from brand managers (Willems 2011).

Consequently, managers are getting increasingly interested in identifying consumers’ motives for engaging in UGC. However, research that picks up on this issue is in its infancy. It has been shown that consumers’ integration motives, such as the desire to participate and collaborate in a community, drive UGC creation (Christodoulides et al. 2012; Sheldon, Abad, and Hinsch 2011). At the same time, regulation motives, such as seeking for economic rewards, may motivate consumers to produce UGC (Hennig-Thurau et al. 2004; Ghose and Sang Pil 2011). However, these findings focus on the isolated effects of integration and regulation. But how is UGC creation affected once external regulation and integration motives coincide? On the one hand, preliminary findings in UGC research suggest that integration and regulation motives may complement each other in their effect on UGC creation (Hennig-Thurau et al. 2004). On the other hand, literature on behavior control suggests that the outcomes of internal motives may be contingent on external reward and governance structures (Hernandez 2008). Specifically, external regulation might undermine the impact of integration motives on UGC creation due to a motivation conflict. Thus, we examine whether and how integration and regulation motives interact and what consequences such a potential interaction has for UGC creation and UGC management.

In answering these questions, we make several contributions. First, consistent with prior findings, we show that both integration and regulation have a direct and positive effect on UGC creation. By considering these two motivational extremes, we present a framework that comprises the range of motivations that should be considered by managers who desire to enhance UGC.

Further, we contribute by considering the interplay between integration and regulation. Self-determination theory postulates that motivational conflicts affect task performance (Ryan and Deci 2000). Thus, we propose that regulations make users feel forced into action which blocks integration motives and ultimately results in a decrease of UGC creation. Critical for managers, our results show that regulation has a negative moderating effect on the impact of integration on UGC creation.

Because managers address regulation motives much easier than integration motives, this finding leads to a control dilemma for brand managers.

Finally, we examine the role user’s consumption level of firm-generated content (FGC) for the aforementioned dilemma. As a high consumption of FGC fosters feelings of relatedness to a brand, a user internalizes the external goal. Thus, the activity is rather perceived as self-determined than other-determined. In line with this argumentation, our findings indicate that besides having a positive impact on UGC, FGC consumption alleviates the aforementioned dilemma by mitigating the undermining effect of regulations on the impact of integration motives.

This result does not only demonstrate that managers can enhance UGC creation by providing FGC. It also implies that FGC is a necessary prerequisite for regulation motives (i.e., providing incentives for UGC) to complement rather than cannibalize the role of integration motives for enhancing UGC.

In sum, this study improves the understanding of UGC drivers. Using blogger data, we demonstrate that both integration and regulation are important motivations of UGC creation. Users create content because they desire social interaction as well as economic incentives. However, the results indicate that the regulation motive, which is addressed by incentive strategies, undermines the positive relationship between the integration motive and UGC. Moreover, this undermining effect is alleviated for users who show high consumption of FGC. Thus, firms should target incentives on heavy consumers of FGC in order to avoid undesired results. References are available upon request.
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IS THERE A DARK SIDE TO CUSTOMER CO-CREATION? EXPLORING CONSEQUENCES OF FAILED CO-CREATED SERVICES

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SUMMARY

Recently innovative, technology-based services like mobile apps are on the rise (Hoyer et al. 2010; Ostrom et al. 2010). Such technology-based services (TBS) require the customer to co-create the service by actively engaging in the service provision and consumption (Grönroos 2011, forthcoming; Witell et al. 2011). Therefore, it is no surprise that, customer co-creation has become one of the dominant research topics in recent years. However, despite the theoretical and practical relevance, empirical results on customer co-creation, especially for TBS are scarce (Bolton and Saxena-Iyer 2009; Dong et al. 2008; Meuter et al. 2005). Furthermore, no one has yet examined the downsides of customer co-creation. More specifically, no one has examined the ramifications of failed co-created TBS. Thus, the present paper examines how the degree of co-creation (high vs. low) will affect customer satisfaction in case of successful and failed TBS. Additionally, we test the effectiveness of proactive and reactive service recovery to counteract the possible negative consequences of service failures for TBS.

Drawing on equity theory we argue that the fairness of every transaction is based on a customer’s overall evaluation of investment (provided input) and reward (received output; Adams 1963). If a customer’s input/output ratio is smaller than the input/output ratio of the service provider, e.g., because a service failure occurred, the customer feels unfairly treated (de Ruyter and Wetzels 2000; Homans 1968). Stated differently, if the customer has provided his/her input (e.g., paid the price and invested time), but did not receive the expected output (the customer received a failed service) he/she is dissatisfied (Lapidus and Pinkerton 1995).

Based on a thorough literature review, we find that for highly co-created TBS customers have to invest a considerable amount of time, effort and share information compared to the same service low on co-creation (Chan et al. 2010; Etgar 2008; Hoyer et al. 2010). Consequently, in the event of a service failure the input/output ratio is larger for highly co-created TBS than for low co-created ones. Thus, customers who experience a service failure using highly co-created TBS are more dissatisfied than customers using failed, low co-created TBS.

Furthermore, and also in line with equity theory, we propose that the type of service recovery depends on the co-creation level. Customers using a TBS low on co-creation prefer a proactive service recovery as they do not want to provide the same amount of input in the service process as customers using high co-creation TBS (Bitner et al. 1997). Thus, these customers prefer an effortless service recovery, in this case a proactive service recovery which is initiated and managed by the company (Smith et al. 1999). In contrast as customers using a high co-creation TBS have invested a considerable amount of inputs (Etgar 2008; Hoyer et al. 2010) they are more dissatisfied when a service failure occurs. Thus, these customers feel the urge to complain to the service provider and “blow of some steam” (Goodwin and Ross 1990; Grégoire et al. 2009). Consequently, they spread negative word-of-mouth or they directly complain to the service provider. Complaining or spreading NWOM represents viable customer reactions which help to restore equity not only by changing a customer’s input/output ratio, but also by altering the input/output ratio of the service provider (Alexander 2002; de Ruyter and Wetzels 2000). Thus, by complaining or spreading NWOM a customer harms the reputation of the company (Fullerton and Punj 1997) which subjectively decreases a company’s output and finally its input/output ratio thereby restoring equity and reducing customer dissatisfaction (de Ruyter and Wetzels 2000; Lapidus and Pinkerton 1995; Szymanski and Henard 2001). Knowing this, it seems reasonable that an effective service recovery for a high co-creation technology-based service has to provide the customer with the opportunity to complain. Thus, in line with equity theory, we suspect that for customer using high co-creation TBS a reactive service recovery is more effective in restoring customer satisfaction.

To test our two hypotheses we conducted a scenario-based online experiment (n = 288) describing the use of two different mobile apps (an app to buy a train ticket and an app to book a flight). We used analysis of variance to test our hypotheses. We chose mobile apps as research context as they represent an innovative and representative type of technology-based service which allows for variation in co-creation (Ding and Ng 2011; van Beuningen et al. 2009). We especially picked ticketing mobile apps, as these apps are used worldwide by 230 million people today and are expected to be used by over 750 million today.
people by the year 2015 (Juniper Research 2011). Based on rankings within the commonly used app-stores (apple, android, OVI, blackberry) we selected the 10 most popular ticketing apps. Subsequently, we developed two product descriptions for each app, manipulating the level of co-creation as being low or high. We used expert judges to rate the descriptions with respect to wording, sequence, format and layout, difficulty and effectiveness of our co-creation manipulations (Ngo and O’Cass 2009). Finally, the judges chose two apps, one to book a flight and one to buy a train ticket as the manipulations of the level of customer co-creation were seen as most effective for these apps.

Our results show that customers using TBS high on co-creation will be more satisfied than customers using the same TBS low on co-creation, whereas in the event of a service failure customers with TBS low on co-creation will be less dissatisfied than the ones using high co-creation TBS. Furthermore, we find that for customers using failed low co-creation TBS a proactive service recovery is more effective in restoring customer satisfaction than a reactive service recovery. However, in case of failed high co-creation TBS, the situation is reversed, meaning that those customers react more positively to reactive service recovery than to proactive. Thus, both our hypotheses can be confirmed.

Our research not only extends current customer co-creation literature significantly, but also provides managers with valuable insights on how to deal with failed, co-created, technology-based services. First of all, managers have to be aware of the consequences when offering high co-creation TBS. As our results show, the volatility of customer satisfaction is much stronger for high co-creation than for low co-creation TBS. Thus, customer satisfaction can be either very high in case of a failure-free service or very low in the event of a failure. As customer satisfaction is linked to company profits (Anderson and Mittal 2000) managers should carefully consider which level of customer co-creation they want to allow within the service design process.

Second, according to our results managers have to choose the type of service recovery before they decide on the components of the recovery. The type of service recovery depends on the level of customer co-creation. Consequently, managers should advise their companies to offer reactive service recoveries for high co-creation TBS and proactive service recoveries for TBS low on co-creation. In the next step, they can decide on the components of the service recovery (e.g., price discounts, free add-on service, apology etc.). Thus, our second hypothesis provides managers with crucial information to effectively and efficiently plan their service recovery strategies.

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THE ROLE OF MORAL IDENTITY IN ONLINE CONSUMER REVIEW BEHAVIOR

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SUMMARY

Consumers’ online product reviews have been shown to have a profound influence on the market performance of products being reviewed (Pan and Zhang 2011). However, although a number of studies have delved into the consequences of online reviews on review readers’ consumption behaviors (e.g., Chevalier and Mayzlin 2006; Zhu and Zhang 2010; Pan and Zhang 2011), crucial gaps still remain in the marketing literature. For example, online product review research has yet to study how to motivate consumers to provide honest and unbiased reviews. The purpose of this study is to begin to identify socio-psychological factors (here, moral identity) that can motivate consumers to create online reviews, and subsequently, enhance reviewers’ behavioral loyalty. We develop and test a theory-based model of the value of moral identity in mobilizing online product reviews and ultimately, the reviewers’ behavioral loyalty.

The conceptual model for this study was developed by integrating the social psychology (e.g., Aquino et al. 2009) with the customer purchase behavior literature (e.g., De Wulf, Odeken-Schroder, and Iacabucci 2001). We propose that self-importance of moral identity (SIMI) leads to increased review intentions and review honesty, which in turn positively affects behavioral loyalty of the reviewers. Also, the influence of moral reviewing behavior on reviewers’ behavioral loyalty is moderated by review valence. Further, we propose that SIMI can be primed to increase moral review intentions and honesty.

Drawing on moral identity theory (MIT), this study argues that, SIMI promotes review intentions and moral reviewing behaviors such as increased review intention and review honesty. The key premise of MIT is that salient or self-important moral identity motivates consumers to engage in moral behaviors, which are perceived to be consistent with the high moral identity (Forehand, Deshpandé, and Reed 2002). As a reviewer post more frequently and honestly, his or her involvement with the product or brand being reviewed increases (Park, Lee, and Han 2007), which exerts greater commitment and behavioral loyalty to the product or brand (Howard and Sheth 1969; Iwasaki and Havits 1998; Tyebjee 1979). The effect of moral review behavior on reviewers’ behavioral loyalty will be stronger when review valence is positive versus negative. This is because online product reviewers encounter internal pressure to behave consistently with the opinions they express in reviews, whether positive or negative (Davidow 2003). Finally, SIMI can be primed to increase moral reviewing behaviors because people with moral identities that are primed to be salient are likely to take moral actions (Reed, Aquino, and Levy et al. 2007).

This study focuses on the moral identity of consumers in an online product reviews context. This study used two experimental studies to investigate the value of SIMI in increasing review intentions and review honesty, and subsequently, behavioral loyalty. In Study 1, we recruited 250 participants via Amazon’s MTurk service. This study was used to measure the following constructs: self-importance of moral identity, review intention, review honesty, and behavioral loyalty (i.e., share of wallet, frequency of purchase). Structural equation modeling was used to analyze the data.

As in study 1, 250 subjects were recruited from Amazon’s MTurk service in Study 2. The purpose of Study 2 is to investigate whether SIMI can be primed to influence review behaviors. The study contains three parts. Participants were randomly assigned to either the primed condition or the non-prime condition.

In summary, our results show that SIMI is a promising construct for eliciting individuals’ online review behaviors, which in turn, leads to behavioral loyalty. More importantly, an individual’s SIMI can be primed to increase his/her intentions to provide online reviews for products, in an honest manner. Contrary to our expectations, review honesty does not increase behavioral loyalty, and review valence does not moderate the effect of review behaviors on behavioral loyalty is not supported. These results suggest that review intention lead to reviewers’ behavioral loyalty regardless of the valence of review.

Our results imply that SIMI works as an essential mechanism that is related with accessibility of consumers’ willingness to be helpful and honest, and thus increases consumers review intention and review honesty. Also, when building an online review system, managers should recognize the window of opportunity where they can “prime” consumers’ SIMI (e.g., use moral appeals when inviting people to review a product online) in order to
increase moral review behaviors, which generate reviewers’ behavior loyalty. We recommend that, based on the continuous improvement of satisfaction, the leverage of SIMI should be utilized to enhance the effectiveness of the investment in building customer satisfaction, and to avoid the unnecessary loss caused by exaggerated reviews (e.g., exaggerated negative online reviews). References are available upon request.

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WHO CARES ABOUT CROWDSOURCING FROM A VIRTUAL BRAND COMMUNITY? THE CASE OF MARVEL.COM

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SUMMARY

This research asks whether or not crowdsourcing from a Virtual Brand Community (VBC) has an influence on consumer perception of a resulting innovation; if knowledge that ideas were crowd-sourced from a VBC affects brand attachment; and if so, is it the same for members as non-members? Theoretically, it tests one aspect of the VBC phenomenon -- the similarity or difference in perspective between members and non-members. Pragmatically, it provides direction to managers about how effective their VBC is as a source of innovation.

The present study empirically examines an assumption that ideas resulting from a social process of a VBC may have potential for commercialization by the brand owner (Franke and Shah 2003). Commercialization of ideas sourced from a VBC implies non-members would perceive the innovation the same as members. However, previous findings which show differences in brand commitment (Kim et al. 2008a) and word-of-mouth engagement (Woisetschläger et al. 2008; Yeh and Choi 2011) suggest members and non-members might have differences in perception of those ideas. Therefore:

Hypothesis 1a: Satisfaction with a brand’s product will be greater for members than for non-members.

Hypothesis 1b: Satisfaction with a brand’s product innovation that was sourced from a Virtual Brand Community will be greater for members, but not for non-members.

The notion that crowdsourcing from a VBC can be a tool to increase brand perception in general (both inside and outside the community) is challenged by measuring brand attachment, suggested to include brand prominence and brand connectedness by Park et al. (2010).

Hypothesis 2a: Brand Attitude will be greater for members than for non-members.

Hypothesis 2b: When innovation is sourced from a Virtual Brand Community, Brand Attitude will be greater for members, but not for non-members.

Hypothesis 3a: Brand Prominence will be greater for members than for non-members.

Hypothesis 3b: When innovation is sourced from a Virtual Brand Community, Brand Prominence will be greater for members, but not for non-members.

Hypothesis 4a: Brand Connectedness will be greater for members than for non-members.

Hypothesis 4b: When innovation is sourced from a Virtual Brand Community, Brand Connectedness will be greater for members, but not for non-members.

The context used to test the hypotheses was the web-based brand community Marvel.com. Product lines of this well-known brand are amenable to testing for perceptions of innovation. Comic book story lines represent discourse of social commentary (Stevens 2011); and characters exist in a world that “re-sets” to create new story lines (KustomKoolMedia 2010), such as the Civil War series. These re-sets are a form of innovation used to develop new products for both existing and new customers. After several points of contact with Marvel Entertainment, LLC, confirmation was obtained by telephone that the company is aware of the research and no attempts were made by the company to either disrupt or participate in the effort.

A web-based survey was distributed to fans of comic books and related products. Due to necessary deception, e-mail addresses were collected by holding a drawing for a gift certificate to the winner’s favorite comic retailer. After a sufficient number of responses were collected, each individual was contacted electronically to reveal the necessary deception. The online survey employed a scenario-based experiment to measure satisfaction, brand attachment, and brand attitude. The first page of the survey enabled respondents to self-select into community group membership by asking about their affiliation with the website Marvel.com. Respondents were then randomized using the web-based survey into three groups for source of innovation.

The scenarios manipulated readers’ perception of where the idea for Civil War was developed using necessary deception. In the community group, the first sentence of the scenario indicated that the idea for the new story lines came from members of the Marvel.com community. In the company group, the first sentence indicated that the
idea came from writers and editors of Marvel Comics. The control Group scenario did not indicate any source of innovation. Respondents were then asked questions about the Civil War series to record their evaluation of the innovation. These questions were followed by scales for Brand Attachment and Brand Attitude adapted from Park et al. (2010). Because data was gathered using on-line posting of the survey, a manipulation check question could not be included in the main survey. Instead, the same scenarios were used in a separate survey that asked five questions, one of which was a manipulation check for the source of innovation treatment. Fifty-seven usable surveys with equal numbers of respondents in each group revealed the manipulation was successful for 90% of respondents.

Evidence was found that Community Membership causes significant differences in all four dependent variables, finding support for Hypotheses 1a, 2a, 3a and 4a. No significant differences in means were found for the main effect treatment innovation source; however, there was a significant difference in means for the interaction effect of innovation source and community membership for brand prominence and brand connectedness, the two components of brand Attachment. Therefore, hypotheses 3b and 4b were supported.

Involving VBC members in product design is effective for bolstering brand attachment within the VBC, however, not necessarily for consumers who are not involved with the VBC. In addition, finding significant difference in the interaction for brand attachment, but not evaluation of product innovation, implies the greater brand attachment may be due to crowdsourcing from within the VBC, and not satisfaction with the product innovation itself. In the present study, the source of innovation was specifically indicated to be sourced from a web-based community, which is different from “enthusiastic” customers, the focus of a sample tested by Fuchs and Schreier (2011) which found opposing results. Taking these two findings together implies that consumers place a value on the input of enthusiastic consumers, but not necessarily when the source is from a virtual brand community. Therefore, perception of a web-based brand community may not be as strong as physical (or combination physical and virtual) brand communities, which have been found to include highly involved consumers (Algesheimer et al. 2005; Muniz, Jr. and O’Guinn 2001). References are available upon request.

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THE OMNICHANNEL LUXURY RETAIL EXPERIENCE: BUILDING MOBILE TRUST AND TECHNOLOGY ACCEPTANCE THROUGH SYMBOLIC SELF-COMPLETION

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SUMMARY

Luxury consumers typically are trendy, affluent and they tend to be early adopters of technology (Lamb 2012). As such, branded mobile apps, iPad catalogs and smartphone-optimized websites have become popular within the luxury goods sector. For example, Luxury Insider details ten “must-have” luxury apps, including a Cartier application that helps shoppers create custom pieces of jewelry and make appointments with personal shoppers (Quek 2011). Such technologies maintain customer relationships and keep luxury devotees connected to stores 24/7, thereby digitally expanding the merchandise selection and service offerings.

Custom quick response (QR) codes, therefore, may become important tools for integrating physical and digital luxury marketing channels. A QR code is a 2-D bar code that shoppers can scan with any camera-equipped cell phone and bar code scanning software. A custom QR code does not contain a generic black and white pattern, but a full-color brand logo is alternatively embossed into the code. By placing custom QR codes into store window displays, luxury retailers can unify the affectivity of luxury shopping with the technical aspects of QR code scanning. Hence, the visual appeal of a window display with a custom QR code may increase luxury consumers’ acceptance of the custom QR code and build trust in branded mobile apps or websites.

In the current study, we specifically examine how the cognitive and affective dimensions of luxury shoppers’ experiences with custom QR codes can relate to mobile trust and QR code scanning. Using Symbolic Self-Completion theory (Wicklund and Gollwitzer 1982), we hypothesize that consumers with hedonic luxury value perceptions (self-gratification, pleasure-seeking, and life enrichment) may use the visual appeal (experiential value) of window displays and custom QR codes as props for their self-symbolizing, thereby leading to increased mobile trust and QR code scanning. At the same time, we see whether the perceived ease of use (PEOU) and perceived usefulness (PU) of custom QR codes can enhance luxury consumers’ mobile trust and QR code scanning behaviors.

This study effectively contributes to luxury consumer research and the Technology Acceptance Model (Davis 1989). Luxury research has primarily been concerned with the symbolic, emotive and affective dimensions of luxury consumption (Dion and Arnould 2011; Okonkwo 2009). Previous studies have supported that aesthetic, affective and hedonic factors are central to m-commerce (Li et al. 2012; Davis 2010). Yet, as more luxury firms opt into m-commerce, it will be valuable to also understand how the technical and cognitive aspects of smartphone and tablet use may compliment the affective aspects of luxury shopping. Technology acceptance research has often emphasized the cognitive components of m-commerce (i.e., Wu and Wang 2005). As luxury firms develop creative digital marketing strategies, it will be equally important to know how this affectivity relates to technology acceptance, use and/or adoption.

In order to address these goals, we recruited a national sample of luxury shoppers (n = 100) from a reputable online market research panel. Ninety-four percent of the respondents earned $100,000 to $200,000 per year, 78 percent of the respondents had a college degree, and there were 51 female and 49 male respondents. An online survey instrument was used to assess hedonic luxury value perceptions, visual appeal (experiential value), PEOU, PU, mobile trust and BI toward scanning the custom QR code. Measurement items for hedonic luxury value perceptions were drawn from the hedonic dimension of the luxury value perceptions scale (Wiedmann et al. 2009). Mobile trust was adapted from online trust measurement items (Bart et al. 2005). The remaining items were drawn from established scales within the research literature (Mathwick et al. 2001; Davis 1989).

First, respondents were shown an image of a branded luxury storefront window that contained a custom QR code. Respondents were directed to use the image when answering the questions related to visual appeal (experiential value), PEOU, PU, and BI toward scanning the custom QR code. Then, respondents were shown a corresponding image of the branded mobile site and were told that it would appear when a shopper scanned the QR code. Respondents were instructed to use the image of the branded mobile site when answering the questions related to mobile trust.
Structural equation modeling (Amos 18.0) was used for the data analysis. In order to assess reliability and validity, a confirmatory factor analysis was performed on the data. The item reliability, construct reliability, and the average variance extracted reached satisfactory levels (item reliability: >.50; construct reliabilities: .88 to .95; AVE: ≥ .5). The AVE for each construct was greater than the corresponding squared interconstruct correlations (SIC), confirming convergent validity and discriminant validity (Kline, 1998). Overall, the fit of the CFA model was acceptable (CFI = .959; TLI = .946; RMSEA = .078; \( \chi^2 = 167.263, df = 104, p < .001 \)).

The SEM path analyses confirmed that the \( \chi^2 \) value of the proposed model was significant (\( \chi^2 = 179.094, df = 109, p < .001 \)) and that the model had an acceptable fit (CFI = .955, TLI = .943, RMSEA = .081). We found that hedonic luxury value perceptions were positively related to visual appeal (\( \beta = .56, p < .01 \)), PEOU (\( \beta = .30, p < .001 \)) and PU (\( \beta = .41, p < .001 \)). Findings also supported that visual appeal (\( \beta = .27, p < .01 \)) and PU (\( \beta = .51, p < .01 \)) were positively related to mobile trust. However, there was no significant relationship between PEOU and mobile trust (\( \beta = -.02, p = .897 \)). Lastly, visual appeal (\( \beta = .19, p < .05 \)) and PU (\( \beta = .64, p < .001 \)) were positively related to BI toward scanning the custom QR code. To the contrary, mobile trust was not significantly related to BI toward scanning the custom QR code (\( \beta = -.03, p = .758 \)).

Perceived usefulness and visual appeal both significantly contribute to mobile trust and the intention to scan custom QR codes within a luxury retail setting. Perceived usefulness, however, contributes more strongly to QR code scanning and mobile trust than visual appeal. Whereas affect and cognition appear to mutually enhance the technology acceptance and scanning of custom QR codes, these findings suggest that symbolic self-completion may play a lesser role in luxury consumers’ experiences with custom QR codes. Similarly, perceived usefulness is a key predictor of mobile trust beyond visual appeal. The managerial implications are that luxury firms should not only focus on creating visually appealing window displays and custom QR codes. In order to build mobile trust and QR code scanning, firms also need to ensure that luxury shoppers understand why QR codes may be useful. References are available upon request.

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CAN YOU HEAR ME NOW? HOW PRODUCT ATTRIBUTES INFLUENCE ONLINE PHONE REVIEWS

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SUMMARY

Prior to making a purchase, many consumers first seek additional information to aid their decision making process. One of the most trusted sources has traditionally been “word of mouth” information (Dierkes, Bichler, and Krishnan 2011). With the growth of the internet and online retailers such as Amazon.com, consumers are increasingly seeking product information through consumer reviews posted online (Li and Zhan 2011). Fifty-seven percent of respondents were found to consult online reviews prior to purchasing consumer electronics (Nielsen Company 2010). Understanding how consumers weigh attributes in their product judgments and recommendations is especially important in marketing because the information is readily available to other consumers.

We examined cell phone reviews on product websites in two studies to determine how the attributes of phones (Ease of use, Design, Features, etc.) were differently weighted in judgments about overall product ratings and recommendations to other consumers. In particular, we were interested in whether the weighting of attributes for one’s own judgments of product quality would differ from judgments when recommending the products to others. Product reviews often consist of both overall ratings representing one’s personal opinion of the product and a choice of, “Would you recommend this product to a friend?” One might expect a rating and the decision to recommend a product to be similar; however, different attribute weightings may be applied in judgments when consumers consider products for themselves vs. others.

Decisions for oneself vs. others have been found to vary in a variety of contexts (Kray and Gonzalez 1999; Beisswanger, Stone, Hupp, and Allgaier 2003; Zikmund-Fisher, Sarr, Fagerlin, and Ubel 2006). When making decisions for others, fewer attributes tend to be considered, and the focus tends to be on one prominent attribute. This difference does not appear to be a matter of lower effort, but rather a belief that another’s preferences will be different than one’s own (Kray 2000). When making a decision for oneself, attributes are more evenly weighted using a strategy of tradeoffs (Kray and Gonzalez 1999).

In two studies, we examined how the evaluation of a product changes depending upon whether a consumer is providing an overall rating vs. recommending a phone for others. Data were collected from public online reviews on commercial websites. For each consumer review, the data included an overall rating on a 1-5 scale, a choice of whether the reviewer would recommend the phone to a friend, and separate ratings for 5 product attributes: Design, Ease of Use, Features, Display, and Battery Life. We hypothesized individual attributes would have differing importance for ratings compared to recommendations. We predicted ratings would be most influenced by ease of use, as this attribute has been found to be a major post-use influence on product liking (Thompson, Hamilton, and Rust 2005). We expected that recommendations are more likely to be influenced by easily observable and thus justifiable attributes, such as design and features. We also expected ratings to be influenced by more attributes, while recommendations would focus more on one primary attribute. The framework of Brunswik’s Lens Model (Brunswik 1955) explains how cues are utilized as predictors of different judgment states, and we employ a variant using two dependent variables for our analyses.

In Study 1, reviews (n = 720) from 6 different models of non-smart phones were recorded. An analysis was performed using the SUR framework to account for the bias due to the correlation between observed ratings and recommendations. For ratings, all 5 attributes were significant predictors, \( p < .01 \). For recommendations, Features, Ease of Use, Battery, and Design were significant, \( p < .001 \), and Display was marginally significant (\( p = .061 \)) as predictors. Contrary to previous findings, recommendations did not rest on a focal feature, and were only marginally less likely to weight all of the attributes.

We also analyzed these data using a conditional tree algorithm that takes into account more complicated interactions between predictor variables, as well as the ordinal nature of the Likert scales and the binary recommendation variable. We used the algorithm by Hothorn, Hornik, and Zeileis (2006) as implemented in the R package “PARTY.” We included all 5 predictors and used a Bonferroni correction in order to construct a conservative conditional tree. The algorithm finds the optimal cut points for relevant predictors and indicates the cut points as labels on the branches.

For ratings, Ease of Use was a first cut variable, followed by Features and Design at the second level. The
model generated a total of 7 nodes using all 5 attributes. For recommendations, Design was the first cut predictor, followed by Ease of Use at the second level. This model generated 5 nodes using 3 predictors. These results indicate that consumers are applying a different set of rules and expectations depending upon whether they are rating a product for themselves or recommending it for others.

Study 2 replicated Study 1 using the new product domain of smart phones. One hundred and twenty reviews were recorded for each of 6 different models of phones. In this study, the SUR model analysis found all of the attributes were significant \( (p < .01) \) except for Display \( (p = .94 \text{ and } p = .21, \text{ respectively}) \) for both ratings and recommendations. The conditional tree analysis results demonstrated that for ratings, Features was the first cut variable, followed by Ease of Use. The model consisted of six nodes using 3 attributes. In the model for recommendations, Features was the first cut variable, followed by Design. The model consisted of 3 nodes and 3 attributes.

These results confirm our hypothesis that a different set of criteria was applied to recommendations for others compared to one’s personal rating of a product. Consistent with our hypothesis that ease of use would be more important for ratings, Ease of Use emerged as a more important predictor for ratings than for recommendations in both studies. Also consistent with our hypothesis that recommendations would focus on easily observable attributes, Design emerged as a more important predictor for recommendations compared to ratings. The model for recommendations was also simpler, with fewer cut points and fewer attributes in Study 1. This supports our prediction that recommendations would be based on fewer attributes. The product context (smartphones vs. cell phones) also influenced attribute importance, with Features more important for smartphones and Ease of Use more important for cell phones. This difference may reflect differing consumer demands in each product category.

Because the data were collected from a public product website, there was no attempt to control for differences among consumers who entered reviews for each product, though the demographics of gender and age were similar.

For marketers, there is significant value in understanding the differing ways that attributes can influence judgments, and how liking a product relates to recommending it to others. Given the increasing use of the internet and online retailers, consumers are increasingly receiving product information through consumer reviews posted online (Li and Zhan 2011). It is of practical import to understand how consumer ratings are determined, and its study also informs theories of human judgment. References are available upon request.

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DESIGN OF REWARD SYSTEMS IN CUSTOMER REFERRAL PROGRAMS

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ABSTRACT

Referral programs are a marketing instrument to use interpersonal communication to win new customers. The author reports the result of one experiment to analyze the influence of different referral reward system design elements on customer referral behavior. The implications of the findings for designing referral rewards systems are discussed.

INTRODUCTION

Sharing one’s own experiences with products or services with friends is a common phenomenon and a frequent element of personal communication. (Charlett and Garland 1995) This exchange of information about quality, performance and price of goods also plays an important role in consumers’ purchasing decisions (Price and Feick 1984; Walker 2001). The key reason for the importance of personal information sources is the fact that it is considered as more trustworthy, reliable and less driven by commercial motives (Dichter 1966; East, Hammond, and Wright 2007) than other information sources. In times when consumers are exposed to an ever increasing number of marketing messages (Derbaix and Vanhamme 2003) these circumstances positively distinguish personal communication from other sources of information about products or services in the eyes of consumers (Bone 1995). In recent years, marketers have become increasingly aware of this positive influence of personal communication on consumer decision processes. As a consequence, the use of personal communication is more and more considered as an alternative marketing instrument that requires to be managed proactively (Ryu and Feick 2007). Customer referral programs are the most widespread marketing instruments that are designed to make the advantages of personal communications accessible for corporate marketing efforts (Bayus 1985). Still, the interest of marketing researchers in understanding the key dependencies and relationships of these instruments has been fairly limited (Ryu and Feick 2007) despite the long trace of research concerning personal communication as such. Academic acknowledgment of the importance of personal communication can be traced back to the beginning of the 20th century (Gilly et al. 1998). In the 1950s and 60s the work from Katz and Lazardsfeld (Katz 1958) as well as Arndt (Arndt 1967) can be considered as the root for research into the field of personal communication. Over time numerous research papers have been developed shedding light on different aspects of the phenomenon of personal communication (Yale 1989). But until the present the use of personal communication in the context of customer referral programs has only been addressed by a limited number of authors (Ryu and Feick 2007). One topic that has only received limited attention in academic research endeavors is the design of the reward system in referral programs. While different authors have explored effects of the referral incentive design, e.g., (Biyalogorsky, Gerstner, and Libai 2001; Kornish and Qiuping Li 2010; Ryu and Feick 2007; Tuk et al. 2009; Xiao, Tang, and Wirtz 2011), the influence of key elements of the reward system on customer referral behavior such as the characteristics of the reward itself, the rules for receiving the reward or the requirements to be allowed to make a referral are still largely unknown from a marketing research perspective. It is the objective of our research to contribute to closing this research gap by analyzing the possible influence of different design elements of reward systems on customer referral behavior and to expand existing literature in this area. The scope of our research is limited to consumers located in Germany and the use of customer referrals for the sale of mobile telecommunication services.

DESIGN ELEMENTS OF REFERRAL REWARDS SYSTEMS IN CUSTOMER REFERRAL PROGRAMS

One of the prerequisites for analyzing the influence of the reward system’s design on customer referral behavior is an understanding of its functional elements, i.e., what design elements exist and how are they applied. We have used a dyadic approach to acquire this crucial information of our research. As a starting point, an extensive desk research was under-taken to identify key design elements of reward systems currently used in existing customer referral programs. Through analyzing available information about customer referral programs on the websites of 32 German telecommunication companies, a first comprehensive list of design elements was created. This list of design elements has then been discussed in ten expert interviews with responsible managers of seven telecommunication companies operating on the German market. Despite the limited number of expert interviews, we consider the obtained information to be a valid source since the companies represent about 70% of revenue and # of customers in the German market for telecommunication services. As a combined output of our desk research
exercise and the conducted expert interviews, we have been able to identify the following seven key design elements of reward systems.

These identified design elements of referral reward systems have been the basis for the derivation of our research model.

THEORETICAL BACKGROUND AND FOUNDATION

Following the concept of theoretical pluralism (Möller 2007) we have constructed our research model by referring to multiple theoretical frameworks. In view of the underlying logic of referral programs – making a referral in exchange for a reward – motivational theories, social exchange theories and utility theory were apparently applicable to our research topic. Motivational theories explain the action of human beings through the presence of personal motives, rewards for actions to achieve these motives and the likelihood that through actually engaging in these actions one’s motives are achieved (Pinder 1998). Theories of social exchange postulate that social interactions are driven by an assessment of possible incurred costs compared to achievable benefits and only if benefits are equal or greater than costs will the interaction occur (Gatignon and Robertson 1986). When applying these theories to referral behavior, making a recommendation needs to satisfy a personal motive, be initiated by a reward, have a high likelihood for achieving the motive and the benefits need to outweigh the incurred costs. Past research has identified different psychological motives for engaging in customer referrals. Talking about a product can be a means to overcome post-purchase anxiety, a contribution to manage one’s own perception in the social environment or an expression of care for others through helping them make better purchase decisions (Ryu and Feick 2007). Beyond these psychological motives referral programs apparently aim at stimulating referral behavior by appealing to financial motives via the rewards. With reference to utility theory (O’Donoghue and RABIN 1999) the reception of monetary rewards is assumed to create utility for the referring customer and can therefore act as an incentive to trigger referral behavior. This line of thought is the basis for the first hypothesis.

**H1:** Referral rewards positively influence customer referral behavior.

As it is a key objective of customer referral programs to benefit from personal relationships for selling products, giving out a reward implicitly assumes that even in one’s close personal environment, the so called strong ties (Granovetter 1983), rewards have a positive influence on sparking the desired referral behavior. Only appealing to the aforementioned psychological motives is not considered sufficient to trigger the intended referral behavior. Therefore, the key elements of motivational and social exchange theory, i.e., the appeal to motives to initiate an action and the equilibrium between cost and benefits for

### Key Design Elements of Referral Reward Systems

<table>
<thead>
<tr>
<th>Name</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reward reception</td>
<td>The customer who makes a successful referral receives a referral reward</td>
</tr>
<tr>
<td>Reward value</td>
<td>The reward for a successful referral has a certain monetary value for the referring customer</td>
</tr>
<tr>
<td>Scale of reward value</td>
<td>The value of the reward progressively scales with the number of successful referrals</td>
</tr>
<tr>
<td>Reward type</td>
<td>The reward for a successful referral can be a monetary reward (cash) or a cash equivalent in the form of a physical good</td>
</tr>
<tr>
<td>Reward recipient</td>
<td>The recipient of the reward can be the referring customer, the referred customer or a combination of both</td>
</tr>
<tr>
<td>Reward entitlement</td>
<td>The entitlement of the reward describes the relationship between the number of necessary referrals and the referral reward</td>
</tr>
<tr>
<td>Membership requirement</td>
<td>The right to make a referral is open to all customers or is subject to a membership in the customer referral program</td>
</tr>
</tbody>
</table>
to the hypothesis that based on equal monetary values, a direct financial reward should be a stronger incentive for referral behavior than a physical good.

**H5:** Customers prefer direct monetary rewards over cash equivalent physical goods.

So far, all discussed design elements primarily influence the motive for engaging in referral behavior through alterations of the reward characteristics. The remaining design elements primarily determine the likelihood to actually receive a reward and the possible risks associated with it. Concerning the actual reward recipient, three basic alternatives exist: giving a reward either to the referring customer alone, or to the referring customer and the new customer or only to the new customer. While the first alternative is fundamental to all referral programs and the third option is irrelevant based on our research, the influence of giving a reward also the referred customer deserves further attention. So far in our argumentation referral rewards have only been associated with positive effects on the recommendation behavior of a customer through their utility and the associated motivational influence. But rewards could also pose risks to the referring customer which in turn might weaken their function as an action-inducing incentive. A potential risk could for example arise in case a referred product fails to meet the expectations of the referred customer and the purchasing decision is regretted. The potential reproach of having made a referral primarily to obtain a monetary benefit could endanger a social relationship and thus be risk for the referring customer (Folkes 1984). With reference to social exchange theory, the cost from endangering a social relationship could then outweigh the reward benefits. Giving a reward to all participants could therefore be a means to reduce the perceived risk of the referring customer. In addition, the shared reward would also add utility to the purchasing decision for the referred customer so that the likelihood for a successful referral could increase.

**H6:** Customers prefer dyadic reward schemes where both involved parties receive a reward.

Next to the benefits from supporting product sales, referral rewards can also be an invitation for opportunistic customer behavior. If a customer’s purchasing decision has already been taken, obtaining the reward could be the only motive for the referral. In such a case, the reward still fulfills its function as a trigger for customer referral behavior. But from the perspective of the company that offers the referral program giving out the reward does not deliver on the originally intended objective of influencing a purchase decision. The situation is similar to what agency theory calls a principal and agent problem (Jensen and Meckling 1976). An agent – the referring customer – acts on behalf of the principal – the business – by making
a referral. But the principal does not know if the agent acts in the intended manner or if he pursues other motives (Pratt and Zeckhauser 1985). To reduce the risk of opportunistic behavior, agency theory suggests different instruments. The concept of signaling appears especially valid in the context of referral programs. In this case, the agent provides additional information—the signal—to the principal about his true intentions (Spence 1974). Applied to the identified design elements of reward programs, a customer’s acceptance of reward entitlement schemes greater than one—which means more than one successful referral is required to be entitled to receive a reward—and a required membership could be interpreted as signals as they both decrease the likelihood of obtaining the reward.

By changing the reward entitlement to a ratio greater than one, the customer is forced to make more than one successful referral to receive a reward. The reward loses some of its appeal as an incentive for opportunistic action since the likelihood for two successful referrals can be considered lower than for only one successful referral. From an exchange theory perspective, the benefits for engaging in the relationship decrease while the necessary efforts for the customer grow. On the other hand, the motivational effect of the reward for making the necessary additional referral should partially outweigh this effect in case of larger reward values since the higher reward value represents a greater utility. Consequently, to counter the negative effect of the referral entitlement, higher reward values are required to achieve comparable motivational effects while reducing the risks of opportunistic behavior.

H7: With higher reward values customers are more likely to accept reward entitlement schemes greater than one.

Similar to reward entitlement schemes, a required membership increases the necessary effort on the side of the customer to obtain a reward. The likelihood to receive a reward drops to zero if becoming a member in the referral reward program is not desired by the potentially referring customer. Therefore, a required membership could help reduce opportunistic referral behavior. On the other hand, the additional barrier could negatively influence the desired effect of rewards from a motivational theory point of view. A required membership raises the perceived cost for engaging in referral behavior in exchange for the reward. Therefore, while membership requirements can be a potential means to limit opportunistic referrals, they increase the risk of adversely affecting the attractiveness of a referral program.

H8: The requirement of a membership negatively influences the willingness to make a referral independently of the reward value.

RESEARCH METHODOLOGY

To verify the formulated research hypothesis chose an experimental design in the form of a post-test-only control group design. We manipulated the reward value (at 20•, 50•, and 100•) as well as the requirement for a membership in the referral program (no membership required, membership required) in a 3 x 2 experimental setup. The choice of the reward values was primarily driven by the input from our market research combined with the insights from the expert interviews. The experiment was conducted with 375 students using a physical questionnaire. The questionnaire consisted of three parts, an A4 flyer describing the customer referral program of a fictitious German mobile telecommunications company, a page with the instructions of the experiment followed by the section with the actual questions. The design of the flyer was similar to typical marketing material of communication companies. Both the reward value for a successful referral as well as the requirement for a membership in the customer referral program were manipulated according to the intended values. Based on the instructions for the experiment, the students were advised to answer all following questions as if they were a satisfied customer of the fictitious mobile operator and had just received the flyer. The questions itself were based on 3-item constructs each with a 7-point Likert scale asking about the participants preference for the described reward design element. The questionnaires were distributed randomly in a classroom and collected from the students directly after completion.

RESEARCH RESULTS

Concerning the impact of a reward reception, participants’ results indicated that for reward values of 100• compared to 20•: a significant positive effect existed regarding the referral behavior (20•: M = 4.36, SD = 1.42; 100•: M = 4.83, SD = 1.44; (F(2, 369) = 3.259, p < 0.05). This result is in line with H1 and indicates that referral rewards in general have a positive impact on customers’ referral behavior. On the other hand, the results concerning the participants’ willingness to recommend to strong ties did not show any significant results; an outcome which is opposite to H1a. For the willingness to recommend to weak ties, the results showed a significant result for reward values of 50• compared to 100• (50•: M = 4.13, SD = 1.39; 100•: M = 4.60, SD = 1.26; F(2, 369) = 4.061, p < 0.05). This result supports H1b and in terms of the overall tendency is also in line with H1. The results for the attractiveness of the reward value showed significant effects in all cases; for increases of the reward value from 20• to 50• or 100• and for increases from 50• to 100• (20•: M = 3.74, SD = 1.51; 50•: M = 4.95, SD = 1.48; 100•: M = 5.65, SD = 1.25; F(2, 369) = 57.165, p < 0.01). This result supports H2 and the link between the
reward value and its attractiveness. The scaling of referral rewards resulted in a positive effect in case of a required membership (No membership: M = 4.81, SD = 1.57; with membership: M = 5.16, SD = 1.34; F(1, 369) = 5.221, p < 0.05) but no significant effects depending on the manipulation of the reward value. This outcome is contradicting H3. Concerning the referral frequency, the results show a significant effect of the increase in reward value in two cases, an increase from 20• to 50• as well as from 20• to 100• (20•: M = 3.90, SD = 1.56; 50•: M = 4.28, SD = 1.60; 100•: M = 4.42, SD = 1.41; F(2, 369) = 3.897, p < 0.05). H4 is supported by this result. For the impact of the reward type, the results showed two effects in favor of direct cash rewards. An increase of the reward value from 20• to 100• as well as from 50• to 100• showed a significant positive effect (20•: M = 5.33, SD = 1.66; 50•: M = 5.43, SD = 1.57; 100•: M = 5.82, SD = 1.31; F(2, 369) = 3.649, p < 0.05). H5 is supported by these results as participants showed an increasing preference for direct cash rewards depending on the reward value. Regarding the participants preference for the reward recipient there is a significant effect in case of no membership (No membership: M = 4.74, SD = 1.58; membership: M = 4.35, SD = 1.61; F(1, 369) = 5.449, p < 0.05). This result is in contradiction to H6. In addition, its theoretical explanation proves difficult since neither a motivational theory nor an exchange theory approach provide a reasonable explanation for this outcome. The result for a possible reward entitlement scheme did not show significant effects for the change in referral reward or membership requirement. Therefore, H7 was not supported. Apart from the two effects concerning the scaling of the referral rewards and the reward recipient, no significant effects could be observed regarding the requirement for membership in the customer referral program to be allowed to recommend. Therefore, H8 was also not supported.

**DISCUSSION AND FURTHER OUTLOOK**

The results of our research provide several insights into how different design elements of referral reward systems should be selected and designed to positively influence customer referral intentions. Foremost, our results support the widespread use of referral rewards as a means to positively influence customers’ referral behavior in general (H1). Surprisingly though, a positive effect could only be observed for the difference between the smallest (20•) and the largest (100•) reward value, which can be interpreted as a sign that rewards alone may not be sufficient to spark referral behavior. This interpretation is further underlined by the lack of a significant difference in customer referral intentions toward strong ties (H1a). The monetary value of the referral reward does not seem to be an influential factor for making referrals to strong ties. On the other hand, our results showed a significant difference between 50• and 100• rewards for referral intentions to weak ties (H1b). In addition, participants claimed that higher reward values would increase their intention to recommend more frequently (H4). Taken together, the target group for the referral attempts seemingly has a strong influence on whether rewards do exercise positive effects on customer referral intentions. Choosing the right reward value depends on the desired target for group for referrals.

Generally though, the attractiveness of rewards grows with a higher reward value (H2) so that an increasing effect from the reward on referral intentions can be assumed. In contrast to this result, the scaling of reward values did not produce significant results for changes in reward value (H3). The potentially higher reward value for the second or third successful referral does not seem to play a role in the participants’ intention about making a referral or not. This could be an indication that customers do not anticipate more than one or two successful referrals. In deciding between direct cash awards or cash equivalents, the decision should favor direct cash rewards (H5).

As the design elements of reward recipient and reward entitlement did not show significant results in relation to the change in reward value (H6 +7), their usage should be carefully thought through. Giving a referral reward to the referring customer and the referred new customer seems to bear only limited risks for the reward effectiveness under the assumption that the customer’s referral intention does not decrease if also the referred person receives a reward. Our previous theoretical arguments are also in support if this assessment since the reward for the referred customer does not negatively influence the effects of the reward for the referring customer. The utility from a reward remains unchanged and the appeal to financial motives as well as the benefit from making a referral does not change.

The use of reward entitlement ratios greater than one, on the other hand, could be interpreted as a considerable deterioration to the attractiveness of a referral program from the perspective of the referring customer since the requirements for receiving a reward increase substantially. As a consequence, reward entitlement schemes pose the risk of rendering a referral program so unattractive that potential gains from reducing opportunistic behavior are negatively outweighed by the reduction in the number of acquired customers because of the overall lower number of referrals.

The fact that the requirement for a membership in the customer referral program did not show significant negative effects (H8) is surprising since this result is in contradiction to overarching opinion of the expert interviews.
The majority of the interviewed experts stated that they refrain from having a membership for the referral program to avoid this additional barrier for making referrals. Apparently, for our participants the membership requirement was not influential when assessing their referral intention in the experimental setup.

The results of our research lead to additional research questions and are in parallel subject to certain design limitations. The lack of significant results for referral intentions to strong ties directs the research attention to the search for other factors that are potentially more influential than the reward value. In view of the results other referral research work (Ryu and Feick 2007), such factors could possibly be customer satisfaction, product involvement or opinion leadership. To overcome the limitations of our research design regarding its geographical focus, the focus on the telecommunication industry and the usage of a student sample, similar endeavors should be undertaken with an adapted research design.

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THE POWER OF A TWEET: AN EXPLORATORY STUDY MEASURING THE FEMALE PERCEPTION OF CELEBRITY ENDORSEMENTS ON TWITTER

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Abstract

Social media websites such as Twitter and Facebook provide consumers with direct access to celebrities thereby increasing the interactivity of the fan-celebrity relationship. This study expands on celebrity endorsement literature in an effort to measure the effectiveness of celebrity endorsements on Twitter.

Introduction

Where celebrities go, fans will follow. This applies to social media as much as it does in the real world. In the past, celebrities sought promotion through magazines and television appearances. Today, celebrities are turning to websites like Facebook and Twitter to promote their brands and connect with fans. Social media has revolutionized the way fans interact with celebrities by providing direct access and removing the middleman that is traditional media. This gives celebrities the freedom to promote themselves or their sponsors directly to fans at anytime. This two-way path enables a direct relationship between celebrity and fan, providing a lucrative opportunity for marketers and sponsors.

Celebrities like Eva Longoria have turned their acting careers into multi-million dollar endorsement deals. For example, Eva Longoria has endorsed Bebe Sport, L’Oreal, and Microsoft among others (“Eva Longoria, Actress – Celebrity Endorsement Ads,” 2011). According to Forbes magazine, Eva Longoria earned approximately $13 million from May 2010 to May 2011, but it was her lucrative endorsement deals with L’Oreal and LG that helped push her to the top of the list of “Highest Paid TV Actresses” (Pomerantz 2011). Sometimes companies will recruit celebrities from different industries to team up in a star-studded attempt to sell their products. Singer and actor Justin Timberlake and NFL quarterback Peyton Manning appeared in a series of ads for Sony (Akhtar 2011). It is believed commercials of this sort will most likely get viewers to take notice of Sony due to the presence of such popular celebrities (Akhtar 2011). Moreover, research shows celebrity endorsers can affect consumer product choice (Agrawal and Kamakura 1995) and product trial (Miciak and Shanklin 1994). Therefore, it is likely that marketing and advertising practitioners will continue to spend millions of dollars on celebrity endorsements to enhance the effectiveness of persuasive communication efforts.

As companies continue to make large investments in celebrity endorsers, they are also dedicating more money and resources to grow their online presence. A study conducted by the University of Massachusetts Dartmouth Center for Marketing Research revealed that 62 percent of Fortune 500 companies used Twitter in 2011 and 58 percent used Facebook (Barnes and Andonian 2011). Companies are investing more money into online advertising on social networks than ever before. It is estimated that nearly 12.1 percent of spending on online advertising in the United States will be allocated to social networks in 2012 (Williamson, 2011b). Research firm E-Marketer forecasts that worldwide spending on social network advertising will reach almost $6 billion in 2011, with $4 billion of that going to Facebook and $150 million to Twitter (Williamson 2011a).

When selecting celebrities for endorsements on Twitter, marketers should make an extended effort to target the female audience. Several studies have identified a gender gap on Twitter (Heil and Piskorski 2009; Solis 2010). In 2010, 57 percent of Twitter users were female (Solis 2010). This trend seems to expand across other social media platforms. According to the most recent Nielsen report, “Females make up the majority of visitors to social networking sites (SNSs) and blogs, and people aged 18–34 have the highest concentration of visitors among all age groups” (The Nielsen Co. 2011). Women also spend significantly more time on social networking sites than men, with women averaging 5.5 hours per month compared to men’s 4 hours (Abraham, Morn, and Vollman 2010). This demonstrates the strong engagement that women across the globe share with social sites. The focus on women college students allowed the researchers to use a convenience sample in this exploratory study and assist in the formation of new hypotheses to be used in a subsequent study focusing on the differences between genders in response to celebrity endorsements on Twitter.

This is an exploratory study that will extend previous research on celebrity endorsements to explore their effectiveness in social media, specifically on Twitter. As advertisers continue to pour more resources into advertising on social networking sites,
it is likely they will tap into celebrity endorsements, much like they have with traditional media outlets. The average consumer on Twitter has approximately 300 followers, while a top 500 celebrity has 300,000 or more (360i, 2010). Therefore, by activating one celebrity on Twitter, a marketer can extend his reach 1000x more than what is possible with the average consumer (360i, 2010). By activating just one celebrity, the marketer would be able to achieve the same reach as he would have by encouraging 1,000 consumers to tweet about his brand (360i, 2010). Thus, this study is important for advertising practitioners who seek to utilize celebrities to endorse products on Twitter.

LITERATURE REVIEW

Social Media Adoption

In less than three years, social media has become the most popular activity on the Internet. By the end of 2008, social networking sites like Facebook, Twitter, and MySpace surpassed email in terms of reach (Ostrow 2009). This is beneficial for marketing and advertising practitioners seeking to use social media as a means of communicating with consumers. As mentioned, social networking sites have been praised for providing instant access to celebrities. Social media gives celebrities a platform where they can talk (or type) in their own unedited words to directly connect to fans (Corazza 2009).

Uses and Gratifications literature implies individuals use media to gratify their needs and wants (Katz, Blumler, and Gurevitch 1973; Rubin 1983). Gangadharbatla (2009) identified six reasons users will adopt social media: desire to belong, desire to communicate, entertainment, desire to seek information, satisfy commercial needs, and self-expression. U&G literature suggests media can serve functions like “connecting people . . . with different kinds of others (self, family friends, etc.).” (Katz et al. 1974, p. 63). The desire to stay in touch and make new friends is based on a basic need to belong (Gangadharbatla 2009). In addition, the desire to belong results in increased communication and SNSs fill the gap by providing additional access points to stay in touch with others (Gangadharbatla 2009). This is evident in how celebrities and fans use social media. Celebrities want to stay in touch with their fans and fans want to be a part of the celebrity’s exclusive world. Papacharissi and Rubin (2000) claim individuals use the Internet to communicate with others as an alternative to face-to-face contact. Social media is the ideal ground for this form of communication. A Lady Gaga fan living in Nebraska is not likely to run into her favorite singer, but she can “follow” one of her favorite celebrities on a social media site and have a direct line of communication to that celebrity.

One important factor that surfaces with computer-mediated communication is the interactivity feature. Interactivity is not present in other media outlets and can be characterized by three factors: it is (1) multiway (it involves two or more actors), (2) immediate (responses occur within seconds), and (3) contingent (response of one actor follows directly and logically from the action of another) (Alba et al. 1997). Interactivity in social media allows fans to ask questions and receive responses from their favorite celebrities. This, of course, includes following their favorite celebrity to see what he or she said about the latest rumor in Hollywood. Fans want this kind of information and social media allows them to receive it directly from the celebrity. “The higher the need for information, the higher the likelihood they adopt SNS” (Gangadharbatla 2009, p. 11).

RQ1: Due to the interactive component of Twitter, do women students feel more involved with the celebrities they follow on Twitter?

RQ2: Because users choose who they want to follow on Twitter, do women students find celebrity endorsement tweets relevant?

RQ3: Do women students’ who use Twitter to connect with celebrities have a positive attitude toward celebrity endorsements on Twitter?

SNSs are often used to satisfy commercial needs, such as searching for product information or posting advertisements (Gangadharbatla 2009). “If individuals perceive SNSs as ideal channels for commercial activities, they are more likely to adopt and use SNSs,” (Gangadharbatla 2009, p. 11). Celebrities using social media to endorse products would fall under commercial activities. Consequently, these endorsements can also be self-promotion. One example is reality star Kim Kardashian tweeting about seeing her Kardashian Kollection on the runway during an episode of “America’s Next Top Model” (KimKardashian 2011). It is evident by the literature that both celebrities and fans engage in social media for various reasons. Moreover, both parties benefit from the relationships and interactions created through this platform.

Social Media Engagement

Once a user has adopted social media, he or she can begin to engage in social media practice. The term engagement has several connotations and meanings depending on the circumstance. The Advertising Research Foundation defined engagement as “turning on a prospect to a brand idea enhanced by the surrounding context” (Weigold and Pulizzi 2010, p. 5). Marketing
research company, Forrester described it as “the level of involvement, interaction, intimacy, and influence that an individual has with a brand over time” (Haven and Vittal 2008, p. 3). The Forrester definition has four major components: involvement, interaction, intimacy, and influence (Haven and Vittal 2008, p. 3). While celebrities can assume the role of a brand, the relationship established on Twitter between celebrities and fans is not solely based on marketing purposes. Whether they are asking fans for restaurant suggestions or answering their questions, celebrities use Twitter to connect and interact with fans on a more personal level. For the purpose of this study, engagement will be defined as the act of purposefully choosing to interact with other users through a social media website and actively participating in the online community.

Social Media and Persuasion Knowledge

Despite diminished effectiveness, advertisements continue to reign as the favored method of promotion (Sliburyte 2009). One explanation for diminished effectiveness can be attributed to the Persuasion Knowledge Model (PKM). PKM claims consumers learn about persuasion through various outlets, i.e., firsthand experiences in social interactions with friends and family or participating in conversations about how consumers’ thoughts and behaviors can be influenced (Friestad and Wright 1994). As a consequence, the effects of actions performed by persuasion agents on consumers’ attitudes and behavior will also change. This is because a consumer’s persuasion knowledge shapes how they respond as “persuasion targets,” (Friestad and Wright 1994). According to Friestad and Wright (1994), “consumers’ persuasion coping knowledge enables them to recognize, analyze, interpret, evaluate, and remember persuasion attempts and to select and execute coping tactics believed to be effective and appropriate” (p. 3).

Consumer Skepticism

One way consumers cope with persuasion attempts is by exhibiting consumer skepticism (Hardesty, Carlson, and Bearden 2002). One study revealed respondents indicated some degree of skepticism regarding celebrity endorsements (Bailey 2007). The respondents indicated celebrity endorsers would have little impact on consumers because they, and other consumers, do not buy products simply because celebrities endorse them (Bailey 2007). Respondents in two other studies shared similar sentiments and expressed doubt that celebrities used, or even liked, the products they endorsed (Tripp, Jensen, and Carlson 1994). They also indicated that celebrities took part in endorsements because they were paid for them (Tripp, Jensen, and Carlson 1994). Despite participants demonstrating consumer skepticism, there was no evidence it diminished consumers’ attitudes and perceptions.

The PKM will be utilized to explore whether social media users are predisposed to persuasion attempts by celebrities. Because users consciously make the decision to “like” something on Facebook or “follow” a celebrity on Twitter, social media could be classified as high engagement. Consumers with high engagement actively search and follow their favorite celebrities or brands and it is possible they go into the persuasion episode knowing what type of information or persuasion attempts may be present. The PKM can also be applied to determine the effectiveness of sponsored versus personal (testimonial) messages delivered by celebrities. It is possible consumers may have built up a tolerance to sponsored messages. In that case, personal messages would carry more influence, even if the product is not congruent with the celebrity.

Celebrity Endorsement in Traditional Media

Advertisers are often faced with the challenge of making advertisements noticeable and more attractive for consumers. In the past, this has been achieved through celebrity endorsements. Empirical evidence indicates approximately 20–25 percent of advertisements involve a celebrity as an endorser (Sliburyte 2009). According to Friedman and Friedman (1979), celebrity endorsers are actors, athletes, or entertainers who are known to the public for their achievements. According to Atkin and Block (1983), celebrity endorsers are considered to be “highly dynamic, with attractive and engaging personal qualities,” (p. 57). Research revealed several characteristics of a celebrity endorser that impact the effectiveness of a message, including source credibility and the match-up hypothesis (celebrity-product congruence) (Kim and Na 2007; Sliburyte 2009).

Source credibility is a key factor, because a credible source can influence opinions and consumer behavior through the internalization process (Kelman 1961). The source credibility model suggests the effectiveness of a message depends on the level of expertise and trustworthiness of an endorser (Kim and Na 2007). As defined by Lafferty and Goldsmith (1999), credibility is the “extent to which the source is perceived as possessing expertise relevant to the communication topic and can be trusted to give an objective opinion on the subject,” (p. 43). In this definition, expertise is obtained through knowledge of the subject and trustworthiness refers to the honesty and believability of a source (McGinnies and Ward 1980). Some authors argue perceived expertise of a celebrity endorser can affect purchase decision more than source attractiveness or any other factor (Ohanian 1990).
**RQ4:** Do women students find celebrity endorsements on Twitter credible?

Due to the conversational nature of social media, fans may perceive endorsements as more credible and truthful than advertisements in traditional media. “Social technologies have revved up that word-of-mouth dynamic, increasing the influence of regular people while diluting the value of traditional marketing.” (Li and Bernoff 2008, p. 102). If word-of-mouth through social media increases the influence of regular people, then celebrities should also see the same effect with their endorsements. Some celebrities have even kept their endorsement efforts strictly to social media. For example, instead of appearing in a television commercial, former reality star turned designer Lauren Conrad pushes her Paper Crown clothing line through her Twitter account (Conrad 2011). She recently announced she would be launching a beauty line based on her website “The Beauty Department” (Conrad 2011a). Word-of-mouth endorsements are also more personal, which means fans may place more value on a celebrity’s endorsements. This should also be the case if the endorsed product falls into the celebrity’s realm of expertise. For example, Lauren Conrad often posts links to her website which features products from other brands, like J Crew and H&M (Conrad 2011b). As a clothing designer, a consumer can assume Conrad is well-versed in what is considered stylish and fashionable.

Conrad’s role as a clothing designer and style icon matches with the products she is endorsing – clothing and beauty products. Kamin’s (1990) match-up hypothesis proposes endorsers are more effective when there is a corresponding relationship between the endorser and the product. In their research, Kim and Na (2007) discovered credibility is important when there is a congruent relationship between the celebrity endorser and the endorsed product. On the other hand, source attractiveness proved to be more important than credibility when the fit between the celebrity endorser and the endorsed product was incongruent. Participants had more favorable attitudes toward the endorsed product when the celebrity endorser was congruent with the endorsed product (Kim and Na 2007).

Because social media eliminates traditional media as the middleman, celebrities have the freedom to promote whatever and whenever they want. This includes non-sponsored products and services, as well. NFL player Chad “Ochocinco” Johnson connects with his fans by giving away several pairs of Christian Louboutin shoes to his female followers. (Ochocinco 2011). Christian Louboutin is a high-end luxury shoe brand known for its red soles and appearances on Sex and the City. Therefore, Johnson does not “match up” with this particular endorsement.

**RQ5:** Do women students have a more positive attitude toward personal or sponsored celebrity endorsements on Twitter?

Social media has revolutionized the way people interact with celebrities. Removing the media middleman gives celebrities the freedom to promote anything at their own discretion. Based on the prevalence of celebrity endorsements (“Celebrity Ad Endorsements” 2011), it is clear employing celebrities for endorsements is still a popular strategy among companies. Previous research indicated several factors critical in the effectiveness of using celebrity endorsements, including source credibility and match-up hypothesis (celebrity-product congruence) (Kim and Na 2007; Sliburyte 2009). However, research to date has been limited to traditional media outlets. However, the popularity and widespread use of social media has made it critical for marketing and advertising practitioners to understand the best way to utilize social media. This research attempts to merge both strategies for the sake of creating effective persuasion communication in a new media outlet.

**METHOD**

**Design**

A 109 item online questionnaire was fielded among students from a major university in the Midwestern region of the United States as well as social media websites (e.g., Facebook, LinkedIn, and Twitter). In addition to information regarding attitude toward celebrity endorsements on Twitter, demographic data was gathered from all participants. Data was collected for a three-week period (November 15th – December 6th, 2011).

**Sample**

Study participants were undergraduate students who were enrolled in a variety of courses, including digital media, advertising, and communication sciences. Students were informed that participation in the study was completely voluntary and were offered extra credit for completing the survey. To supplement the student sample, a snowball technique was used to recruit respondents from social media websites such as Facebook, Twitter, and LinkedIn. Participants were screened for gender and media usage.

The final sample (N = 113) was comprised of female students who have Twitter accounts and follow celebrities. One hundred percent of the sample was between the ages of 18–30. Participants were predominantly Caucasian (81%) with incomes less than $20,000 a year (54%). While this sample is not representative of American consumers, it is consistent with the demographics of the
population on Twitter. Specifically, 45 percent of online young adults between the ages of 18–34 use Twitter (Quantcast 2010). According to Quantcast (2012), 67 percent of Twitter users are Caucasian and nearly 51 percent have at least some college education. In addition, females are the most active users of Twitter (Nielsen 2011) and account for 57 percent of Twitter users (Solis 2010).

**Measures**

The questionnaire consisted of six major sections that assessed: (1) attitude toward celebrity endorsements on Twitter, (2) attitude toward testimonial endorsements on Twitter, (3) perceived expertise, (4) perceived trust, (5) involvement, and (6) endorsement relevance. The measure of attitude toward celebrity endorsements used an established six-item, four-point Likert-type scale from Henthorne, LaTour, and Natarajan (1993). The measures for perceived trust and expertise were created from Ohanian’s (1990) fifteen-item, seven-point semantic differential scale to evaluate celebrity endorsers. The measure of involvement used an established three-item, seven-point semantic differential scale (Swinyard 1993). The measure of endorsement relevance consisted of an eight-item Likert-type scale from Andrews and Durvasula (1991). The measure for attitude toward celebrity testimonial tweets used an established four-item, seven-point semantic differential scale from Feick and Higgie (1992).

The questionnaire also featured an open-ended question that asked respondents to list a celebrity endorser they follow on Twitter and what product or service he or she was endorsing. It also collected information about the number of minutes they spend on other social media websites, the number of social media sites to which they belong, how many followers they have on Twitter, how many people they follow on Twitter, and which types of accounts (e.g., celebrity, athlete, politician, brand, or news organization) they follow on Twitter. Finally, the survey concluded with demographic questions regarding the respondent’s age, gender, and ethnicity. Respondents took approximately 25 minutes to complete the entire survey. To maintain anonymity, the questionnaires did not collect the respondents’ names.

**RESULTS**

**Data Analysis**

Because the sample was only women students from a major university, this is reflected in the demographics. Of those who participated in the study, 81 percent were Caucasian, 9 percent were Hispanic American, and 5 percent were African American. Of those who responded, 66 percent had some college, but no degree. However, only 1.5 percent responded that they had some graduate school experience, but 16 percent did report that they had at least a bachelor’s degree.

The reliability assessment of all scales uses Cronbach’s alpha, and all exceed the generally accepted guideline of .70 (Hair et al. 1998). Table 1 summarizes the mean scores, variances, and reliability indices.

Because this is an exploratory study, only descriptive statistics were used. This is intended to provide the researchers with a general idea of how women students respond to the celebrity endorsements they encounter on Twitter. Data collected will be used in a future study examining attitude toward advertising among Twitter users.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Mean</th>
<th>SD</th>
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<tbody>
<tr>
<td>Perceived Expertise</td>
<td>4.56</td>
<td>1.22</td>
<td>.938</td>
</tr>
<tr>
<td>Perceived Trust</td>
<td>4.66</td>
<td>1.17</td>
<td>.873</td>
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<td>Involvement</td>
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<td>1.48</td>
<td>.906</td>
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<td>.56</td>
<td>.810</td>
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<tr>
<td>Attitude toward Celebrity Testimonial</td>
<td>4.27</td>
<td>1.34</td>
<td>.917</td>
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RQ1. In response to RQ1, it appears that women student Twitter users do not feel more involved when following celebrities on Twitter. The mean for the involvement measure equaled 3.72 (SD = 1.48). A 95 percent confidence interval for the mean is 3.42 to 4.08.

RQ2. Along the same lines as RQ1, respondents do not feel that the celebrity endorsements they encounter on Twitter are relevant to their personal needs or interests. The relevance measure (M = 3.48, SD = 1.23) indicates a low-moderate response to the relevance of celebrity endorsements on Twitter. On the relevance measure, responses have a mean yield of 3.20 to 3.78.

RQ3. The attitude toward celebrity endorsements measure (M = 2.34, SD = .56) indicates that women students do have a moderately positive attitude toward celebrity endorsements they encounter on Twitter. On a four-point scale, the mean hovers between “No” and “Yes.” A 95 percent confidence interval for the mean is 2.22 to 2.46.

RQ4. Two variables were used to measure credibility in celebrity endorsements on Twitter – perceived expertise and trust. While both are key components to credibility, perceived trust (M = 4.67, SD = 1.17) scored higher than perceived expertise (M = 4.56, SD = 1.22). Responses on the perceived expertise measure have a mean yield of 4.22 to 4.79. Responses on the perceived trust measured have a mean yield of 4.35 to 4.89. This implies that women students trust celebrity endorsements on Twitter, but hold slight reservations about the expertise of the celebrity endorser.

RQ5. In comparing the means for the attitude toward celebrity endorsement measure and the attitude toward celebrity testimonial measure, testimonials held a very slight edge. The testimonial measure (M = 4.27, SD = 1.34) was slightly above the scale’s midpoint. This indicates that respondents are not completely convinced by testimonials by celebrities, but find them slightly more convincing than paid celebrity endorsements. A 95 percent confidence interval for the mean is 3.92 to 4.53.

IMPLICATIONS AND CONCLUSION

The effectiveness of celebrity endorsements has been studied in many different ways. However, most of these studies have focused on traditional media outlets such as print and television. This study differs in the sense that it focuses on social media, which allows the celebrity endorsers to interact with their fans in a more direct way. The ability to interact with one’s favorite actor or athlete provides a much different experience than looking at a magazine ad or watching a 30-second ad on television. However, respondents indicated that using Twitter to communicate with their favorite celebrity did not make them feel more involved with that person. On the contrary, respondents did indicate a positive attitude toward celebrity endorsements. However, the respondents did not feel that the endorsements were relevant to personal needs or interests. The results indicate that the celebrities must be more engaging with their followers if they wish to be effective endorsers. Perhaps if the celebrity shows more interest in his or her followers, consumers may find their tweets and endorsements more relevant.

Source credibility is a key factor in celebrity endorsements because it has the ability to influence opinions and consumer behavior through the internalization process (Kelman 1961). Respondents in this study indicated that celebrity endorsers on Twitter are perceived as more trustworthy than experts at dealing with a certain product or service. Li and Bernoff (2008) believe that social technologies have increased the word-of-mouth dynamic. Therefore, it is likely that the conversational nature of Twitter causes celebrity endorsers to be perceived as more trustworthy. This is in turns increases credibility and could potentially impact purchase intent or product trial.

LIMITATIONS AND FUTURE RESEARCH

Several limitations exist for this research endeavor. The most glaring limitation of this study is the use of a convenience sample. Unfortunately, the researcher did not have a comprehensive list of all Twitter users to randomly select from. However, one possible solution may be to utilize a survey panel for future research. Additionally, another significant limitation is the focus on women students and the use of only descriptive statistics. Again, this is an exploratory study to examine the general response to celebrity endorsements on Twitter.

The data collected from this study will be used to inform a much larger study focusing on many different aspects of celebrity endorsements found in more traditional outlets and how they translate into an online platform like Twitter. One aspect to be studied is the effect of information overload. The Limited Capacity Model (LCM) assumes that individuals have a limited capacity to process information (Lang 2000). A Twitter user can follow a combination of people and be inundated with massive amounts of information. If a user fails to check their account over a span of several hours, or even days, they could easily have thousands of tweets. If this were to occur, it is unlikely the user will scroll through and read thousands of individual messages. The LCM will be utilized to determine if tweet overload can impact hinder the impact of celebrity endorsements. Either missing a
particular tweet that was posted hours earlier or scrolling right over it without taking notice could do this.

The larger study will also include the impact of the celebrity endorser’s physical attractiveness. Considering that social media is a computer-mediated form of communication, both parties—users creating content and users consuming content—are hidden behind a computer screen. Their likeness is represented by a social media account name and avatar or a profile page. The Internet does, however, give access to other pictures and videos of the celebrity. However, some celebrities are more popular than others and appear more often in traditional media. Based on this, fans may be more familiar with some celebrities than others. A fan’s personal knowledge and exposure to celebrities outside of social media may impact how they process celebrity endorsements. A-list celebrities are more likely to have a greater following than someone who is still up and coming in the business. Attractiveness and recognition could affect how some participants respond to celebrity endorsements on Twitter and should be examined in more depth.

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CONSUMERS’ ONLINE RESPONSES TO THE DEATH OF A CELEBRITY

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SUMMARY

With the growth of the Internet and social networking, celebrity veneration has become more participatory advancing it to even greater prominence. Consumers are increasingly forming online communities based on a shared devotion or enthusiasm for a product, brand, activity, or cause (Cova and Pace 2006). Such communities may be strongest, however, when based on a shared fascination with a celebrity or other public figure. The present study examines buyer and seller responses to a celebrity death using data from eBay auctions and differences in response across different death situations.

Celebrities in the 21st century are known not so much for their accomplishments but for the lives they lead (McCutcheon et al. 2002) and increasingly every aspect of celebrities’ lives are put under the microscope. Although celebrities control their images, many people feel very close to these individuals and form vicarious relationships with them (Hills 2002; Thomson 2006). In addition, the tangible objects associated with celebrities serve as totems for their worship (McCane 1991). While the popular media often denigrates celebrity watching as trivial (Jenkins 2006) for many fans the connection to a celebrity is an important component in their definition of self (O’Guinn 1991).

The collectible and memorabilia industry accounts for billions of sales dollars and one setting that has dramatically facilitated the exchange of celebrity memorabilia is eBay (Pitta 2003). The death of a celebrity produces a grief reaction and increased sacralization of related goods (Belk et al. 1989; Zaidman & Lowengart 2001). Demand for celebrity-related products increases due to the meaning transfer process and expected profit opportunities stimulate market entry for memorabilia sellers. Until the advent of online auctions, there was a considerable time lag before marketers could bring to market additional products to slake heightened demand.

The nature of a celebrity’s death and the type of connected products also may affect the resulting market activity. Grayson and Martinec (2004) distinguished between indexical and iconic authenticity. In the first case, authenticity rests on a link to something else, while in the latter, it rests solely on design and realism. With death-related sacralization, it is expected that indexical items, such as signed photographs, will receive much more interest than iconic items, such as commemorative t-shirts, and will therefore demonstrate greater death effects. The cause of death may also have an effect on the responses to auctions. It is likely that a celebrity who dies suddenly and unexpectedly is more likely to garner a greater outpouring of grief than one whose death was anticipated.

There are a number of possible explanations for these post-death effects. First, death is an intense event that motivates consumers to engage in meaning transfer as a way of compensating for the loss of a loved one (Richins 1994). Second, death may produce a need to cling to items that have been contaminated by contact with the deceased person, elevating the status of these items (Radford and Bloch 2012). Finally, death is something unknowable and fascinating, and often creates a mythology that is greater than that experienced during life (Wang 2007).

We used eBay auction data to track exchange activity around the celebrity’s death. Data were obtained for the 14 days before and after the celebrity’s death. During a five-year period between 2001 and 2006, we collected data from celebrities who were very popular, their death was newsworthy, and had pre-death merchandise sales. This resulted in seven celebrity memorabilia categories: Dale Earnhardt (Die Cast Car) Johnny Cash (Autographed Items), John Ritter (Autographed Items), Ronald Reagan (Autographed Items & DVDs), Johnny Carson (Autographed Items), and Steve Irwin (DVDs).

The data were aggregated daily and we used a piecewise regression of the following form to examine the death effects (Neter et al. 1996):

\[ Y_i = \beta_0 + \beta_1 T_i + \beta_2 (T_i X_i) + \beta_3 X_i + \epsilon_i \]

Where \( Y_i \) is Dependent Variable, i.e., new items, bids, average price.

\( T_i \) = Time – days before (-) and after (+) event, intervention day = 0

\( X_i = 1 \) If date is after intervention \( (T_i \geq 0) \)

\( X_i = 0 \) If date is before intervention \( (T_i < 0) \)

The present research demonstrated that a celebrity’s death exerted a powerful influence on auction activity. Death effects were both substantial in magnitude and extremely quick in their appearance. The nearly instantaneous surge of activity was generally not sustained and the activity showed a steady decline. While the decline varied across different celebrities and memorabilia, it was evi-
dent that even within two weeks the initial surge in demand was waning. There was some limited evidence that price was affected by a celebrity’s death. However, pricing results were less conclusive, possibly because of diversity within the item category and because the increased demand was slaked by an increase in supply. We found that indexical items exhibited a greater death effect than items that were iconic representations of the celebrity. The research also showed that the change in marketplace activity was greater for celebrities who died unexpectedly.

Sellers should recognize that online auctions have facilitated market entry and dramatically reduced time to market. Companies who are embedded in traditional retail channels cannot react quickly enough to take advantage of the peak in the sacralization of objects that follows a celebrity death or other significant event. Our data showed that consumption activity surrounding a celebrity’s death peaked no later than nine days after the celebrity’s death, and in most cases the peak occurred on the actual date of death. Traditional retailing takes sellers out of this peak period of activity.

We believe that future research related to celebrity stature, the consumption of related memorabilia, and their manifestation is not just relevant to our understanding of modern culture. Celebrity-related research also has the potential for theoretical contributions to a wide variety of research domains such as product involvement, collecting, conformity, the self, consumer fantasy, and source effects, among others. It is hoped that the present research will stimulate future work on celebrity effects and create greater awareness of the opportunities that Internet data may provide to consumer researchers. References are available upon request.

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EXTENDING THE ELECTRONIC TECHNOLOGY ACCEPTANCE MODEL: CONSUMER ADOPTION OF AUGMENTED REALITY-BASED MARKETING TOOL

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SUMMARY

Augmented reality (AR) technology has been recently attracting high attention from many companies. AR technology allows consumers to virtually interact with three-dimensional product visualizations displayed on users’ screens – consumers can wear diverse virtual products (i.e., “virtual try-on”; Kim and Forsythe 2008); they can zoom in, zoom out and investigate virtual products on hands; they can even watch fantasies or animated stories from product packages (e.g., cans for Coke Zero) (Hampp 2009). Due to its uniqueness and entertainment factor, many giant companies, such as eBay, Nike, Adidas, and Mini, have been eagerly adopting the AR-based product presentations (Groth 2011). The market for AR is expected to reach $350 million in 2014, which jumps from $6 million in 2008 (Rachel 2009).

However, considering its high potential and popularity as a promotional tool, little is known about how AR technology works, what are the components that make it successful, and who is more likely to adopt this new promotional tool? To answer these questions, we adopt the electronic Technology Acceptance Model (e-TAM) and extend the model by considering both media and user characteristics. Specifically, the existing e-TAM has focused on user evaluations, such as ease of use, usefulness, and enjoyment in determining user technology acceptance (Heijden 2000). Yet, the proposed model extends e-TAM by adding perceived interactivity, media novelty, previous media experience, and users’ innovativeness. Given that a growing number of diverse technologies are emerging as promotional tools, re-confirming and elaborating the e-TAM would be highly important. A more thorough understanding of the media and user characteristics of augmented reality is believed to nurture online retailers’ knowledge regarding how to maximize the AR-based promotion strategies.

Referring to the electronic Technology Acceptance Model (e-TAM), the current study extended the model including users’ previous media experience, media novelty, interactivity, and users’ innovativeness. And the following hypotheses were tested:

H1: Consumers’ perceived interactivity is positively related to usefulness of AR-based promotion.

H2: Consumers’ perceived interactivity is positively related to enjoyment.

H3: Consumers’ perceived interactivity is positively related to ease of use in AR-based promotion.

H4: Consumers’ perceived media novelty is positively related to perceived interactivity.

H5: Consumers’ previous media experience with AR technology is negatively related to perceived novelty.

H6: Consumers’ previous media experience with AR technology is positively related to perceived interactivity.

H7: Consumer innovativeness is positively related to the intention to adopt the AR-based promotion.

A structural analysis was conducted using AMOS 18.0. The significance of the paths in the model determined whether the proposed hypotheses were supported or not. All the hypotheses were supported except for Hypothesis 1 (interactivity à usefulness: $\beta = .08, n.s.$) and H2 (interactivity à enjoyment: $\beta = .03, n.s.$). Specifically, as prior literature identified (e.g., Kim and Forsythe 2008; Ko, Kim, and Lee 2009), the latent variables constituting the e-TAM (e.g., ease of use, usefulness, enjoyment, attitudes) showed all the significant relationships. As for the extended parts, interactivity unexpectedly did not make a direct impact on usefulness and enjoyment, while they are indirectly linked to each other via ease-of-use (interactivity à ease-of-use à usefulness; interactivity à ease-of-use à enjoyment). Thus, it is interpreted that ease of use mediates the impact of interactivity on usefulness and enjoyment in the process of adopting the AR-based promotion. In other words, high interactivity operated in an AR based promotion tool makes consumers perceive it as an easy tool to use. When consumers perceive ease of use, they come to feel usefulness and enjoyment, resulting
in high intention to adopt the AR promotion. Additionally, it was found that more innovative consumers are more likely to adopt the AR based promotion. It was in part because a majority of participants perceived the AR technology highly novel ($M_{novelty} = 5.94/7$, $SD = 1.17$, Skewness $= -1.57$, Kurtosis $= 3.06$). However, when the media novelty of AR technology is diminished, the group of innovative consumers may not hold their willingness to try it. Rather, it is believed that media novelty and innovativeness would serve as a moderating impact on their adoption of the AR promotion someday after its novelty has faded (Tellis 1997); consumers with high innovativeness are more likely to adopt the AR promotion than those with low innovativeness when they perceive high media novelty, but high and low innovative consumers will not show little difference when they perceive low media novelty.

In summary, our extended model explains that new technologies themselves can benefit in persuading consumers, and innovative consumers are willing to try them since they are new, unique, and different. However, the benefit will not last for a long time (Tellis 1997). Thus, AR technology should be able to include machinery interactivity high enough to make consumers feel comfortable, which results in ease of use. In turn, it helps consumers to explore products from multiple dimensions with a positive mood state. Finally, consumers come to adopt the new technology-based promotion tool due to those benefits they perceive. References are available upon request.

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DO PERSONAL RESPONSE SYSTEMS (CLICKERS) ENHANCE LEARNING AND RETENTION OF KNOWLEDGE IN HIGHER EDUCATION: AN EMPIRICAL INVESTIGATION

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SUMMARY

Educators face a major challenge in the classroom: engaging and motivating students. As a result, they have increased their adoption/use of instructional technology. One such technology includes personal response systems, also referred to as ‘clickers’. These devices, now being offered by a myriad of software firms, allow students to respond to questions presented to the class by using their clicker devices. The aggregate responses of the students are then immediately displayed in a graphical form. The motivation to incorporate such technology is often to engage students, as well as encourage participation through the use of clickers when students may be reluctant to verbally contribute. In addition, today’s students are inherently familiar with technology, and require an active, rather than passive, learning environment (Preis et al. 2011; Young 2005). The use of clicker technology can provide the interactivity instructors seek in the contemporary classroom environment.

The few studies that have examined clicker use in the classroom are exploratory in nature, examining the benefits of the use of this technology to both students and instructors. Challenges that instructors face include: (i) getting students to attend class, (ii) gaining and keeping students’ attention, and (iii) encouraging student participation (Lincoln 2008). Several authors provide reviews of the literature on the use of personal response systems in the classroom (Caldwell 2007; Eastman et al. 2011; Fies and Marshall 2006; Morse et al. 2010). In general, positive outcomes from the use of clickers in classroom settings have been reported. Such benefits include: immediate feedback of students’ learning and comprehension, increased student engagement and alertness, greater recall and understanding of the material, and increased class attendance (Caldwell 2007; Eastman et al. 2009; Hoffman 2006; Micheletto 2011; Salemi 2009; Ueltschy 2001).

The present study investigates the advantages of using clicker devices in the classroom. A formal experiment is implemented with the purpose of seeking definitive evidence as to the merits of this instructional technology. Specifically, the goals of the study were twofold: (1) to examine whether the use of clickers in the classroom would aid student retention of the class material, and (2) to examine students’ perceptions of the benefits of clicker use. A key shortcoming of previous studies is that the evidence has been limited to students’ self-reported perceptions of using clickers. The present study goes beyond student surveys to additionally test the impact of clicker use on students’ retention of information.

The study was conducted in an undergraduate Marketing Management course at a mid-western university. The total number of students enrolled in the course was forty. Multiple choice questions were posed to the students throughout the semester, either at the beginning or the end of a lecture. Questions were presented to the students in two manners: (i) students were asked to use their clickers to respond to the question (clicker questions), and (ii) questions were presented without clickers (non-clicker questions), after which a student was asked to volunteer the answer; in other words, no clicker was used. In the case of (i), individual student responses were recorded, as students were required to login using the clickers with their student. Therefore, data was recorded as to how each individual student performed on each clicker question.

A second component of the study involved retesting students on all questions posed in earlier lectures, both clicker and non-clicker questions. This was accomplished by giving the students a written quiz. Four such quizzes were conducted throughout the semester. Each quiz contained 10 clicker questions and 10 non-clicker questions that had been posed to the students during lectures in the previous 3–4 weeks.

Two measures were employed to assess if the use of clickers helped students retain the class material. One measure involved comparing students’ performance during the quiz on the clicker questions vs. non-clicker questions. The expected result was that using the clickers (posing clicker questions) would help students better retain the material, compared to not using the clickers (posing non-clicker questions). In other words, students were expected to, on average, answer more clicker questions correctly than non-clicker questions during the quiz.

Another measure examined comparing how students performed on the clicker questions during two time-points: (i) when the question was initially posed to the students during the lecture using the clickers (t1), and (ii) when the clicker question was posed on a later date during the re-test written quiz (t2). The expected result was that
students would perform as well, or better, during $t_2$ compared to $t_1$, if the material was indeed retained.

Lastly, students were asked to participate in a survey examining their perceptions of using the clickers. The survey questions related to the students’ perceived benefit and level of enjoyment of clicker use.

The results provide sufficient evidence that the use of clickers help students to retain class material, compared to when clickers are not employed. During the first written quiz comparing clicker questions to non-clicker questions, the results indicated greater performance for the clicker questions. Overall, we can conclude that use of the clicker tool leads to improved retention of content. Furthermore, students consistently achieved a higher score when quizzed on the clicker questions at a later time point ($t_2$), compared to their earlier performance ($t_1$), indicating retention of the class material over time. Together, these results suggest that perhaps the use of clickers increases student attention and engagement, resulting in improved retention of information.

These encouraging findings are further corroborated by direct feedback from the students. Students perceive positive benefits from the use of clicker technology, as indicated by the student survey. They found the use of clickers to be novel, and appreciated immediate feedback/reinforcement of their knowledge. In sum, this instructional technology does hold much promise for learning reinforcement and retention. References are available upon request.

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USING THE RFM MODEL TO RANK DOCTORAL MARKETING PROGRAMS

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ABSTRACT

Students balance perception with scholarly fact to identify the ‘best’ marketing doctoral program. We rank doctoral marketing programs using scholarly productivity. The Recency-Frequency-Money (RFM) segmentation model is applied to offer a contemporary measure of scholarly excellence based on top tier marketing journal 90th percentile citation counts from 2006 to 2010.

INTRODUCTION

“Which business school offers the best marketing doctoral (PhD or DBA) program?” is a question likely to cause pause for thought. A first step toward finding the answer would be to explore the American Marketing Association’s (AMA 2011) list of schools offering doctoral programs in marketing. Then one could seek guidance from the Association to Advance Collegiate Schools of Business (AACSB 2011a) on the quality of each doctoral program by considering (a) AACSB accreditation status, (b) faculty qualifications via posted vitas, (c) faculty scholarship productivity based on quantity and quality of journal article authorship and (d) prior professor recommendations.

It is the third item “faculty scholarship productivity based on quantity and quality of journal article authorship” in particular that poses the greatest challenge for students to ascertain. The student faces a daunting task of cataloging masses of information, some of which is difficult to judge, and others may be obsolete. Thus there is value in ranking faculty and institutions addressing item (c) that will narrow the field for students to then consider items (a), (b), and (d) which are much easier to identify. This approach will help students be more efficient and discerning in the information search process. Given the salary offered to marketing doctoral program graduates ranges from $70,000 to $202,000, investigating where one should embark on doctoral studies is time well spent (AMA 2006 to 2010).

A straightforward analysis focusing on scholars (i.e., the source of scholarship quality) is needed to identify institutions with outstanding performance in marketing scholarship as a contributing factor in assessing marketing doctoral program quality. The results of this analysis can then be presented in a table of institutional ranking to highlight faculty scholarly productivity as suggested by AACSB in item (c) above.

In contrast with doctoral business programs, rankings proliferate for MBA programs both in the U.S. (BusinessWeek 2011; U.S. News 2011) and world-wide (Economist 2011; Financial Times 2011). Over the years doctoral rankings have appeared for various business disciplines such as finance (Chan, Lung, and Wolfe 2005; Heck 2006), accounting (Chan, Chen, and Cheng 2007; Coyne et al. 2010) and operations management (Vastag and Montabon 2002). In contrast, rankings for doctoral marketing programs are somewhat outdated (Elbeck 1988; Robinson and Adler 1981), reason enough for a present-day study.

Ranking doctoral marketing programs has a practical and useful benefit for prospective students. In part motivated by the seminal work by Bloom and Coan (1979) that recognized that many Ph.D. programs relied on detailed degree requirement and faculty publication materials; Davis and McCarthy (2005) highlight the critical importance of intangibles such as college rankings and faculty reputations used by prospective marketing doctoral program students.

To help fellow colleagues and students improve the quality of their marketing doctoral program choice, the purpose of this study is to focus on one facet of marketing doctoral programs by offering a contemporary ranking of doctoral programs in marketing based on the highest levels of marketing scholar impact on the marketing literature. The ranking of scholars and institutions can then be used in concert with accreditation status, faculty qualifications, and prior professor recommendations to make a more informed decision.

LITERATURE REVIEW

Rankings of scholars, departments and colleges are typically dependent on a particular time frame, research emphasis and set of journals examined (Polonsky 2008), as well as sub-areas in marketing (Baumgartner and Pieters 2003) suggesting that regular construction of rankings will always supersede a one-off study. Nevertheless, variations in ranking methodology persist. In one
example longitudinal perception-based rankings with quantitative adjustments based on student experience has shown merit when it comes to MBA programs (Holbrook 2007).

Over the years scholars have also discovered various ways to rank PhD programs. Initiatives include incorporating an institution’s accumulated research grants (Koshal, Koshal, and Gupta 1996), graduate placement (Amir and Knauff 2008) and research productivity (Bakir, Vitell, and Rose 2000). However, historical methods to rank program quality based on counts of faculty authorships (see University of Texas at Dallas 2011) have been questionable due to concerns regarding the scholarly impact of such publications (Heesacker and Elliot 2007). A solution to this is a citation count which is often used to invite candidates to leading journal board membership (Rynes 2006), acting as a proxy for academic excellence.

Citation Analysis

Citation analysis is often used as a quantitative measure to estimate the impact or contribution of a scholarly work to the literature (Neuhaus and Daniel 2008). Citation analysis offers investigators a robust metric in its ability to isolate scholarly excellence. Consider “some 90 percent of papers that have been published in academic journals are never cited. As many as 50 percent of papers are never read by anyone other than their authors, referees and journal editors” (Meho 2007, p. 32). Though various citation providers exist such as Thompson ISI Web of Science (WoS) and Elsevier Publishing’s Scopus, empirical evidence shows that citation count correlations between Google Scholar (GS) and WoS, and between GS and Scopus are .87 and .97 respectively (Meho and Yang 2007) offering confidence in GS citation results. Furthermore, GS will report higher citation counts because it is not limited to particular databases such as the case with WoS and Scopus (Belew 2005) and provides more global coverage (Touzani and Moussa 2010).

Journal Impact

In a survey of 309 marketing faculty at U.S. universities, the Journal of Marketing (JM), Journal of Marketing Research (JMR), Journal of Consumer Research (JCR), Marketing Science (MS) and the Journal of the Academy of Marketing Science (JAMS) ranked as five of the top six (Journal of Retailing was the other journal) as the most important marketing-related journals (Hult, Neese, and Bashaw 1997). Using perceived quality as a factor in a survey of 372 marketing faculty around the world, the journals listed above ranked as the top four, with JAMS in the top 10 (Theoharakis and Hirst 2002). These journals also accounted for 67 percent of the article citations found in doctoral marketing program course syllabi (Bauerly and Johnson 2005).

In a more recent world-wide study involving 629 marketing faculty, the same journals listed above were identified as the top five by Hult, Reimann, and Schilke (2009) based on marketing faculty perception of importance, prestige, popularity and familiarity of marketing journals. A similar conclusion was drawn in as citation-based study by Touzani and Moussa (2010) where the same five journals ranked in the top six (Industrial Marketing Management was the other journal) using a citation index covering 2003 to 2007. Thus there is a consistent pattern over time demonstrating that the top five marketing journals to utilize in a citation analysis include JM, JMR, JCR, MS, and JAMS. The following section details the methodology used for this study that uses a citation analysis of the five most influential marketing journals to identify those scholars with the greatest impact in the marketing literature and according to their institutional affiliation, arrive a ranking of the elite colleges and universities offering a doctoral program in marketing.

METHOD

Data analysis model selection is based on a popular yet simple quantitative method used by direct marketers to predict future customer behavior based on past purchasing patterns (Alencar et al. 2006; Malthouse and Blattberg 2005) known as the recency-frequency-money (RFM), or recency-frequency-monetary value (RFV) model (Cullinan 1977; Hughes 1996). The underlying logic of the model is to focus resources on profitable market segments. In this study the application is designed to extract outstanding marketing scholars by specifying model parameters as follows;

- **R** = recency of publication. We select the five-year period 2006 to 2010 to identify those academics actively publishing in top tier journals. This time period is consistent with AACSB’s Standard 2 on faculty intellectual contribution such that “the portfolio of intellectual contributions for individual faculty members, within each discipline, and for the business school as a whole . . . used to provide an overall 5-year summary of the school’s intellectual contributions” (AACSB 2011b). The bias toward chronological recency may not afford the most recently published articles sufficient time to be cited by others. However it is in line with the respected and often used Impact Factor which, for a given year considers the average number of citations received per paper published in that journal during the two preceding years (Thomson Reuters 2011).

- **F** = frequency of publication. We limit the selected scholars to those who have published two or more articles in JM, JMR, JCR, MS, or JAMS in the 2006 to 2010-period. These journals consistently rank as the most competitive as outlined above. At least one
of their articles must also meet the conditions in parameter M below. This allows for a demonstration of sustained scholarly activity.

- \( M = \) total number of citations per author in the five selected marketing journals. This metric is further refined to recognize those scholars with the very highest levels of scholarly impact such that scholars were included if one or more of their article(s) met or exceeded the 90th percentile of all citations per journal, signaling the very highest levels of scholarly quality and impact. If an article included more than one author, then the total number of citations was equally divided by the total number of authors, identified as an author’s citation count share.

The first step is to select high quality marketing journals as the source of excellence in marketing scholarship and impact. Citation data for JM, JMR, JCR, MS, and JAMS were captured using Publish or Perish (Harzing 2011) employing Google Scholar as the source data. Data were collected on April 29, 2011. The RFM model application is such that within the five-year period (2006 to 2010), for authors to be selected, they must publish at least two articles in one or more of the top five marketing journals, with one of the articles in the 90th percentile citation count from 2006 to 2010. In the case of multiple authors, the author’s (and their institution’s) impact, referred to as citation count share, is calculated as the article’s number of citations divided by the number of authors contributing to that article, consistent with the procedure used by Bakir, Vitell, and Rose (2000). For example, assume a three-author article achieves 60 citations; each author is awarded 20 citations based on the assumption of equal author contribution.

For cases where one or more of the authors are consultants, managers or scholars outside the field of marketing, deceased, or retired, they were not included in the analysis, but each remaining author’s citation count share was still divided by the total number of contributing authors. Updating a scholar’s institutional affiliation affirms the truism that “people make institutions.” In that spirit author affiliation was updated by examining online resumes found via Google and institutional biography postings during the second week of May 2011, a date likely to provide relatively reliable findings given faculty usually change their institutional affiliation either at the start of the year or around Fall. Finally, each author’s institution was checked against the American Marketing Association’s list of business schools offering a doctoral program in marketing (AMA 2011).

Institutions with current marketing faculty receiving at least 100 citations were categorized as preeminent. Those with at least 50 but not more than 99 citations were categorized as superior. A similar approach was used to rank scholars. Those with at least 100 citations were categorized as preeminent which is at or above the 98th percentile while those with between 50 and 99 citations were categorized as superior which is at or above the 90th percentile.

RESULTS

There were 1,855 articles published in JM, JMR, JCR, MS, and JAMS from 2006 to 2010 with one or more citations (range 1 to 301). To meet the RFM model requirements, the number of articles was limited to those with 45 or more citations (at or above the 90th percentile citation count for all 1,855 articles), resulting in a total of 117 articles (6% of the initial set of 1,855 articles) authored by 266 scholars and cited 6,661 times.

Descriptive Overview

Eighty-nine universities made up the sample encompassing 162 scholars with 6,661 citations in the 90th percentile of all citations for each of the five journals used in this study. The majority (61%) of the total 6,661 citations are attributed to articles published in 2006. Others years showed diminishing contribution with 21 percent in 2007, 13 percent in 2008, 5 percent in 2009, and zero percent in 2010. However the Vargo and Lusch (2008) JAMS publication garnered the largest number of citations (301) of any article in the period 2006 to 2010. In line with the RFM model application, Vargo and Lusch were each allocated 150.5 citations (301 citations divided by two authors) referred as each author’s citation count share. Regarding the distribution of 6,661 citations for each of the five journals, JM is the dominant outlet (43%), consistent with the findings by Baumgartner and Pieters (2003). MS and JMR clustered into second place with 20 percent each, while JAMS (10%) and JCR (9%) make up the lower positions.

University Ranking

Table 1 displays the preeminent marketing doctoral granting institutions, each with over 100 citations over the five-year period. Confirmation regarding whether a school offers a PhD in marketing was based on a population of 186 institutions provided by the American Marketing Association (2011) and examination of college websites. The 21 marketing doctoral program granting universities in Table 1 represent 11.3 percent of all 186 marketing doctoral granting institutions, accounting for 58.3 percent (3,880) of all 6,661 citations. In this group, all but two programs (ESMT – Berlin and HEC – Paris) are located in the U.S. All but one (ESMT – Berlin) are accredited by AACSB (AACSB International 2011c).

Table 2 reports superior institutions offering marketing doctoral programs earning between 50 and 99 cita-
tions over the five-year period. The 19 marketing doctoral granting institutions account for 10.2 percent of the 186 marketing doctoral granting universities, accounting for 18.6 percent (1,238) of all 6,661 citations. In this group, five marketing doctoral granting institutions (26%) are located outside of the U.S. (Germany, Singapore, the U.K., and the Netherlands) and all but two (University of Cologne, University of Hamburg) are accredited by AACSB (AACSB International 2011c).

Table 1 and 2 include five universities without a doctoral program in marketing. This demonstrates that highly productive marketing scholars are not exclusively members of a marketing doctoral program.

Author Ranking

Table 3 displays the nine most accomplished (pre-eminent) scholars by author citation count share from...
2006 to 2010. The nine scholars account for 20 percent (1,326) of all 6,661 citations. All but two of the scholars are located in U.S. institutions.

Table 4 shows a list of 29 highly accomplished (superior) scholars by author citation count share from 2006 to 2010. The 29 scholars retain a 27.5 percent (1,830) share of all 6,661 citations in the study’s sample. In this group, all but six scholars (21%) are located at institutions within the U.S.

**DISCUSSION**

There are a number of notable results worth highlighting. The dominance of the University of Arizona as a center for top flight marketing scholars is unequivocal. The usual suspects populate the highest college ranks and is consistent with the notion that publishing performance is often higher in large versus small marketing departments (Bakir et al. 2000). The historic dominance of U.S. doctoral programs in marketing may be waning slightly and may benefit from competition from outside the U.S. such as Germany’s Cologne, Frankfurt, Hamburg, and Mannheim; the Netherlands’ Tilburg; the U.K.’s London Business School; Singapore’s Nanyang Technological University; and France’s HEC – Paris.

When examining author citation count shares in Tables 3 and 4, new names listed amidst recognizable marketing scholars suggests that emerging scholars can excel alongside than their established peers. Results in Tables 3 and 4 also show that 23 percent (38) of 162 marketing scholars with citations at or above the 90th percentile level of citations in the top five journals account for 3,381 citations, or 51 percent of all 6,661 citations. The 51:23 ratio approximates the Pareto principle (law of the vital few) suggesting that 38 marketing scholars make a remarkable contribution to the discipline. Furthermore, the contribution of one or two scholars to an institution’s ranking (e.g., Luo at UT Arlington, Vargo at Hawaii, Ulaga at HEC – Paris) suggests that top-tier schools seek and hire the very best scholars for their doctoral programs.

The question of whether attending a top tier program during the study’s five-year time-frame makes a professional difference is based on the AMA’s Who Went Where reports (AMA, 2010–2006). The survey results are based on responses from 522 marketing doctoral graduates. Of the 350 graduates from institutions not designated as preeminent or superior in this study, 329 (94%) were hired by other non-preeminent or superior institutions, whilst of those hired by preeminent or superior institutions, 51 (30%) graduated from preeminent or superior institutions. These findings indicate a significant relationship ($\chi^2 = 54.25, df=1, p < .001$) indicate that institutions recognized for highly productive faculty are more likely to hire graduates from other recognized institutions.

Application of the RFM segmentation model in this study offers additional value to prior studies using citation data. By limiting article selection to those articles meeting or exceeding the 90th percentile of all article citations in the five most influential journals in marketing from 2006 to 2010, this study offers a contemporary collection of outstanding scholars and their institutional affiliation. This information serves a number of stakeholders.

Consistent with guidance offered by the AMA Doctoral Special Interest Group (American Marketing Association 2008a), doctoral marketing program applicants

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**TABLE 3**

Preeminent Scholars (100 or More Citations, 2006–2010)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Scholar</th>
<th>Institution</th>
<th>Citations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Xueming Luo</td>
<td>University of Texas – Arlington</td>
<td>195</td>
</tr>
<tr>
<td>2</td>
<td>Yong Liu</td>
<td>University of Arizona</td>
<td>192</td>
</tr>
<tr>
<td></td>
<td>Robert F. Lusch</td>
<td>University of Arizona</td>
<td>184</td>
</tr>
<tr>
<td></td>
<td>Stephen L. Vargo</td>
<td>University of Hawaii</td>
<td>184</td>
</tr>
<tr>
<td>5</td>
<td>Dina Mayzlin</td>
<td>Yale University</td>
<td>173</td>
</tr>
<tr>
<td>6</td>
<td>C.B. Battacharya</td>
<td>European School of Mgt &amp; Technology, Berlin **</td>
<td>148</td>
</tr>
<tr>
<td>7</td>
<td>Donald R. Lehmann</td>
<td>Columbia University</td>
<td>112</td>
</tr>
<tr>
<td>8</td>
<td>Wolfgang Ulaga</td>
<td>HEC, Paris</td>
<td>102</td>
</tr>
<tr>
<td>9</td>
<td>Gerard J. Tellis</td>
<td>University of Southern California</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Citations ≤ .4 are rounded down, and > .5 rounded up.  
* Institution without a doctoral marketing program. ** Institution not AACSB accredited.
TABLE 4
Superior Scholars (50 to 99 Citations 2006–2010)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Scholar</th>
<th>Institution</th>
<th>Citations</th>
</tr>
</thead>
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<tr>
<td>= 10</td>
<td>Rajiv P. Dant</td>
<td>University of Oklahoma</td>
<td>98</td>
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<tr>
<td>= 10</td>
<td>Dhruv Grewal</td>
<td>Babson College*</td>
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</tr>
<tr>
<td>= 10</td>
<td>Robert W. Palmatier</td>
<td>University of Washington</td>
<td>98</td>
</tr>
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<td>13</td>
<td>Sunil Gupta</td>
<td>Harvard University</td>
<td>85</td>
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<td>14</td>
<td>Ravi Dhar</td>
<td>Yale University</td>
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<tr>
<td>15</td>
<td>Robert Zeithammer</td>
<td>UCLA</td>
<td>83</td>
</tr>
<tr>
<td>16</td>
<td>Kathleen D. Vohs</td>
<td>University of Minnesota</td>
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<td>17</td>
<td>Bernd Skiera</td>
<td>Frankfurt University</td>
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<td>18</td>
<td>Kenneth R. Evans</td>
<td>University of Oklahoma</td>
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<td>19</td>
<td>John Hauser</td>
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<td>20</td>
<td>Christian Homburg</td>
<td>University of Mannheim</td>
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<td>Tuck Siong Chung</td>
<td>Nanyang Technological University</td>
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<td>Roland T. Rust</td>
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<td>Uzma Khan</td>
<td>Stanford University</td>
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<td>Jan-Benedict E.M. Steenkamp</td>
<td>University of North Carolina</td>
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<td>= 25</td>
<td>Kenneth C. Wilbur</td>
<td>Duke University</td>
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<td>Dominique M. Hanssens</td>
<td>UCLA</td>
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<td>Günter J. Hitsch</td>
<td>University of Chicago</td>
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<td>= 27</td>
<td>Ran Kivetz</td>
<td>Columbia University</td>
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<tr>
<td>= 30</td>
<td>Franziska Volekner</td>
<td>University of Cologne **</td>
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<td>= 30</td>
<td>Henrik Sattler</td>
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<td>= 30</td>
<td>Yuping Liu</td>
<td>Old Dominion University</td>
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<td>33</td>
<td>Anja Lambrecht</td>
<td>London Business School</td>
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<td>34</td>
<td>Aric Rindfleisch</td>
<td>University of Wisconsin</td>
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<td>35</td>
<td>Abbie Griffin</td>
<td>University of Utah</td>
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<td>36</td>
<td>Sandy D. Jap</td>
<td>Emory University</td>
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<td>37</td>
<td>Jonah A. Berger</td>
<td>University of Pennsylvania</td>
<td>53</td>
</tr>
<tr>
<td>38</td>
<td>Olivier Toubia</td>
<td>Columbia University</td>
<td>51</td>
</tr>
</tbody>
</table>

Note: Citations ≤ .4 are rounded down, and ≥ .5 rounded up.
* Institution without a marketing doctoral program. ** Institution not AACSB accredited.

can use this study’s results to make a more informed choice about which doctoral program to consider. The results allow doctoral applicants to more readily identify the most productive, contemporary scholars. This underscores the potentially positive impact an outstanding program will have on their career. The AMA’s Who Went Where surveys validate the results in this study in that doctoral marketing programs with highly productive faculty on staff are more likely to hire graduates from programs with similar academic standing. Further, this is very helpful when it comes to selecting a potential dissertation committee chair or academic advisor.

The results also highlight marketing educators a number of present-day high quality scholarly institutions with an eye to possible job candidates. Attracting productive and influential scholars serves two purposes. Recruiting such scholars enhances the reputation of the doctoral marketing program by having highly cited scholars who publish in the top tier marketing journals on staff. Secondly, it brings top scholars into contact with the current faculty who then have greater connection and promising collaboration opportunities. Corporations use the information to solicit opinions or consultancy work from scholars in the finest institutions. This enhances the reputation of the marketing program, business school, and college or university overall. Highly ranked institutions can also use the information as part of their general funding, recruitment, and retention programs for high caliber students and faculty.
Even with all the aforementioned benefits, there is one main drawback for institutions having doctoral marketing programs ranked this way. According to Kotler and Keller (2007), “the smart competitor must design and deliver offerings for well-defined target markets” (p. 22). This encourages colleges to be proactive, market oriented and to avoid the temptation of resting on their laurels which, if left unchecked will tarnish their historic claim to the heights of marketing excellence. In other words, over time seminal papers in the marketing discipline will have a shorter lifespan which is consistent with many marketing innovations given the rapid advancement of research and technology. Institutions and scholars alike who rely on past accomplishments without an eye for current impact may find their prestige waning particularly with the competitive influence from outside the United States.

LIMITATIONS AND FUTURE RESEARCH

This study has two limitations meriting discussion. Perhaps the most severe criticism typical to any cross-sectional study is the time period and therefore questionable reliability. Clearly, the longer an article is in circulation, the greater the opportunity for it to be cited. Whilst likely to cause unease, we expect this to mitigate over time as we plan to offer an updated study of this nature on an annual basis. The RFM model’s simplicity is favored over CHAID or logistic regression (McCarty and Hastak 2007) in spite of concerns about the model’s predictive value (Yang 2004; Rust and Verhoef 2005) that have been addressed with additional data parsing and weights for more recent transactions (Fader, Hardie, and Lee 2005). A similar approach to artificially weigh the more recent cited articles (typically less cited compared to older articles) was considered for this study; however, this was rejected given this study’s emphasis on qualitative value versus predictive value. That is, arbitrarily manipulating the number of citations for the most recent articles would compromise the face validity of the study. Patterns of sustained scholarly productivity will emerge as this study is repeated on an annual basis.

The second issue concerns face validity, in that most ranking methodologies overlook the smaller high quality programs due to the limited number of faculty. White et al. (2011) suggest applying a per capita approach to level the playing field between large and small doctoral programs. Over time we plan to introduce rankings in the various specialty fields in doctoral marketing programs. Interest in the topic will serve as a catalyst to develop annual citation-based doctoral marketing programs ranking with the likely addition of ranking for sub-areas within the marketing discipline. Over time, repeated studies will offer a more stable and reliable set of rankings of faculty scholarly productivity. Prospective students can use the results then, along with the accreditation status provided in this study to develop a more focused search for appropriate doctoral marketing programs using the other two criteria cited by AACSB faculty qualifications and prior professor recommendations.

REFERENCES


Amir, Rahab and Malgorzata Knauff (2008), “Ranking


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IMPACT DYNAMICS OF MARKETING SCHOLARSHIP: GOING BEYOND JOURNAL QUALITY

Shibo Li, Indiana University
Eugene Sivadas, University of Washington, Tacoma
Mark S. Johnson (Deceased)

SUMMARY

Researchers are paying increased attention to the impact of marketing scholarship (Baumgartner and Pieters 2003; Stremersch, Verniers, and Verhoef 2007). A desire for objective measures of impact of published research has sparked interest in citation analysis. While the journal level measures such as the impact factor of the journal a paper is published in is often used as a proxy for the quality and potential impact of an individual article, it is a poor measure of the impact of an individual article (Woodside 2009). A second challenge is that evaluations of potential influence of individual articles for tenure and promotion decisions must be made on the basis of recent publications that have not had sufficient time to gain citation recognition.

In this paper, we suggest that article citation is driven by its latent dynamic article attractiveness and adopt a new discretized Tobit model (Li, Liechty, and Montgomery 2005) to estimate future citations potential and potential impact of an article. Our model can estimate within any number of years of publication, the potential citation-based impact of a published article. Our model captures key drivers of impact including article, journal, and author effects and controls for time. It also accounts for other article-specific variables and unobserved heterogeneity not captured by previous research (Burrell 2003; Stremersch, Verniers, and Verhoef 2007).

The model is estimated using articles published in seven leading general marketing journals. We present an expanded conceptualization of the Matthew effect and test for and find strong presence of the article-level Matthew effect. We document the Zero Citation Curse effect which indicates that zero-cited articles become less and less likely to get cited over time. The Zero Citation Effect is even stronger for “A” journals. There are significant author, journal, and article effects on article citation dynamics.

Our major contribution is that institutions and scholars from all disciplines can use our approach to dynamically predict citations impact of recent publications that may not have had sufficient time to garner recognition. Contributions to theory and implications for researchers and universities are also identified. References are available upon request.

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THE EFFECTS OF INDIVIDUAL AND TEAM CHARACTERISTICS ON SIMULATION-ENHANCED CRITICAL THINKING: A MULTILEVEL ANALYSIS

George D. Deitz, The University of Memphis
Alexa K. Sullivan, The University of Memphis
Robert Evans, Jr., Texas A&M International University, Laredo

SUMMARY

The marketing education literature has emphasized the importance of augmenting traditional lecture-based teaching approaches with more participatory, group-based learning experiences (Frontszcak 1998). Due to the applied nature of many business disciplines, it has been proposed that simulations are especially helpful in helping students make connections between classroom content and the dynamic contexts in which such knowledge is applied (Chapman and Serge 1999). It stands to reason that in assigning such projects, instructors are often interested in optimizing both individual and team learning outcomes.

This research presents findings from a multilevel SEM model that examined factors leading to student perceptions of sim-enhanced critical thinking skills. At the within-team level, the study focuses on the role of student motivation and cognition as facilitators of sim-enhanced critical thinking. At the between team level, the study examined the effects of team size upon objective and subjective learning. In addition, we considered the cross-level moderating effect of team size upon the self-efficacy x simulation-enhanced critical thinking relationship.

Hypotheses

According to attribution theory (Kelley 1967), people have an inherent need to understand their environment and create naïve theories to account for their circumstances. Based on this view, teams with stronger gains in performance over the course of the game are likely to attribute their success to themselves. It follows that, relative to students on poor performing teams, such individuals are likely to place greater emphasis on a game’s learning benefits. Further, all things being equal, students on smaller teams have more direct input into decision making and more opportunity to engage in critical thinking activities. As smaller team size is typically associated with improved objective team performance, it is expected:

H1: Growth in term performance will negatively mediate the effect of team size upon overall team perceptions that simulation participation enhanced critical thinking ability.

Given undergraduates’ relative lack of work or simulation experience, simulation participation for class credit may stir feelings of ambiguity and unease. Research suggests self-efficacious students participate more readily and have fewer adverse emotional reactions when they encounter difficulties (Bandura 1997). Further, student self-belief increases commitment to fulfill game-related challenges (Zimmerman 1990). Thus, we predict:

H2: Generalized self-efficacy will be positively associated with individuals’ perceptions that participation in the simulation enhanced their critical thinking ability.

People differ in their tendency to enjoy and take part in challenging cognitive endeavors (Petty and Cacioppo 1982). Since simulation-based games offer autonomy for students to engage in cognition, this format should be attractive to students who enjoy effortful thought. Further, high NFC students should be less affected by task ambiguity. This study contends:

H3: NFC will negatively moderate the effect of self-efficacy upon simulation-enhanced critical thinking, such that the relationship will be weaker for students with higher NFC.

All else being equal, decision-making in smaller teams is likely to be dominated by a single student. As team size grows, however, there is a greater likelihood that multiple high aptitude and high self-efficacy students will be on the same team. Therefore, we propose:

H4: Team size will negatively moderate the relationship between individual self-efficacy and perceptions that participation in the simulation enhanced critical thinking ability.

Findings

Students enrolled in five consecutive semesters of a Principles of Marketing course participated as teams in the Marketplace6 simulation (Cadotte 2009). Over the
course of the semester, student respondents completed a series of surveys that assessed individual traits, learning preferences, game-related knowledge, and perceptions of the simulation activity. A total of 537 usable responses were received. Growth in team performance, measured by the slope of a growth model comprised of longitudinal performance measures over the last four decision rounds, negatively mediated the relationship between team size and overall perceptions that the simulation enhanced critical thinking skills. This supports H1. Students’ generalized self-efficacy influenced their perceptions that simulation participation enhanced critical thinking ability, in support of H2. The motivation-driven effects of self-efficacy were weaker for students high in NFC, supporting H3. However, team size was not a significant predictor of the effects of self-efficacy upon sim-enhanced critical thinking. Thus, H4 was not supported.

Sim-based learning provides students with the unique opportunity to gain applied problem-solving experience as a part of their coursework. Using a multilevel design, we simultaneously investigated antecedents to student and team perceptions of sim-enhanced critical thinking. We found that the effect of team size, an instructor-controllable design feature, upon enhanced critical thinking was negatively mediated by the extent to which objective team performance improved over the course of the game. As we controlled for the effects of the initial performance upon performance growth, this indicated that student perceptions of learning were channeled through gains in performance over the course of the game and were not simply based upon relative performance at the game’s conclusion. This implies that instructors can favorably influence student perceptions of learning by acknowledging performance gains through informal (e.g., encouragement) and formal (e.g., grading) mechanisms. Further, given the typically self-directed nature of simulation exercises, the importance of self-efficacy beliefs was underscored. The full paper provides a detailed discussion of findings. References are available upon request.

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WITHOUT THE VOLUNTEERS THE EVENT CANNOT GO ON: 
EXAMINING RETENTION WITH A BEHAVIORAL 
REASONING THEORY APPROACH 

Mya Pronschinske, University of Wyoming, Laramie 
Mark D. Groza, Northern Illinois University, DeKalb 
Mark Peterson, University of Wyoming, Laramie 

SUMMARY

“T ruly appreciate the time, dedication, and commitment that you (the volunteers) make to the tournament – it goes without saying that the event could not function without you” (Executive Director of THE PLAYERS).

Without the unpaid work and dedication of volunteers numerous events worldwide would cease to exist. Retaining and motivating human capital – in this case volunteers – has become a challenging and increasingly important objective of management (Pfeffer 1994). This challenge becomes exacerbated when considering volunteers are by definition unpaid and therefore not necessarily attracted or committed to an organization because of economic reasons. As evidenced in the above quotation from a newsletter produced for THE PLAYERS Championship golf tournament, volunteer retention is a key concern. Considering this important challenge the research addressed here is interested in volunteers’ intention to remain committed to the organization they volunteer for.

In this paper a conceptual model is developed and empirically tested which examines the retention of volunteers. Behavioral Reasoning Theory (BRT) (Westaby 2005) serves as the guiding theoretical framework for the model developed in this paper. Specifically, BRT proposes that the beliefs and values volunteers hold lead to the reasons they engage in the behavior of volunteering. It is proposed that these reasons (organizational reputation and corporate community relations), in turn, lead to the attitudes (pride) the volunteers have toward the organization and these attitudes then, lead to intentions to remain with the organization. The current study builds on this research to understand the degree to which volunteers’ values, reasons for volunteering, and the attitude of pride is linked to their intentions to remain a volunteer with the specific organization.

The conceptual model developed in this paper is tested using structural equation model of data collected from volunteers of a large Professional Golf Association (PGA) golf tournament. Following the completion of the tournament, an on-line survey was emailed to the 1,980 participating volunteers (n = 718, 36% response rate). Males comprised the majority of the sample (71%) and the average age of the respondents was 57 years old. The average tenure or years of volunteering service for the golf tournament is six years. Forty-three percent of the respondents choose to take personal/vacation time off from work to volunteer for the tournament.

The statistical analysis provided support to seven of the ten hypothesized relationships. Results indicate a positive relationship between the values congruence of the individual and the organization and organizational reputation (H1) (β = .67, p < .001). Similarly, H1b which posits a relationship between the values congruence of the individual and the organization and corporate community relations (CCR) is also supported (β = .71, p < .001). Behavioral reason theory suggests that reasons are an important independent predictor of global motives, beyond expectations and values. The results indicate support for H2a, which links reasons of being involved with an organization known for having a good reputation to the pride in membership attitude (β = .91, p < .001). H2b, which posits a positive link between reasons of CCR and the global motive of pride in membership however, is not supported.

BRT also suggests that people rely on their subjective reasons to form behavioral intentions (Westaby 2005). That is, reasons are expected to predict intention over and above that which is explained by global motives. It was hypothesized that reasons for intending to volunteer would be positively related to intention to return next year and the number of hours willing to commit in the future. Organizational reputation (H3a and H3b) did not have a significant relationship with the likelihood of returning or hours willing to commit. We did however, find support for H4a and H4b, which links CCR to likelihood of returning and hours willing to commit (β = .10, p < .05 and β = .44, p < .01, respectively). Support was provided for H5a which
posits a link between the pride attitude and intention to return to next year’s event ($\beta = .42, p < .001$). We also find support for $H_3b$, a positive relationship was uncovered linking pride to the number of hours willing to commit to next year’s event ($\beta = .54, p < .001$).

This study offers contributions to theory and our understanding of organizational reputation and corporate community relations. Organizational reputation does not directly influence the retention of volunteers; rather it is mediated by pride in the organization. This is similar to the findings of Boezeman and Ellemers (2008) who found volunteer commitment to the organization to be partially mediated by the pride and respect they derived from membership. Our research focused on current volunteers (rather than the recruitment of prospective volunteers) which furthers a contribution to theory that organizational reputation may work to attract volunteers but also for a volunteer to remain involved, they must feel proud of the organization. On the other hand, corporate community relations leads directly to an intention to remain with the organization. The CCR construct has yet to be tested in the volunteer context; thus this research begins to illustrate that a volunteer may appreciate when the organization they volunteer for acts as a good corporate citizen. References are available upon request.

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MOTIVATING FACTORS FOR PARTICIPATION IN NATIONAL AND OLYMPIC SPORTS IN KAZAKHSTAN

Elmira Bogoviyeva, KIMEP University, Almaty, Kazakhstan

SUMMARY

Academic studies on sport marketing have addressed a variety of different issues, including: drivers for involvement (Gaston-Gayles 2004; Gillet et al. 2009; Maclean and Hamm 2008); demographic factors (Allender et al. 2006; Hardin and Greer 2009; Koivula 1999; Green 2002); event attendance and fan support (Lee 2002). Recent studies have also focused on the increasingly popular extreme sports (Park 2004; Ko et al. 2008). Most of these studies explored traditional or Olympic sports. However, as sport is an important element of national culture, governments are also interested in their citizens participating in sports that are nation specific. Exploring motives for participation in National sports can help, not only in preserving the culture, but developing and disseminating a nation’s values and traditions.

Some studies investigate the influence of national identity and national pride among sport fans (Funk et al. 2002; Bogdanov 2005) and differences in the degree of interest in sport activity, due to ethnicity have been investigated in USA (MacClancy 1996). However, motives that drive participation in National sports received little attention.

The main objective of the research is to investigate the motives behind participation in the most popular Olympic and National sports in Kazakhstan: tennis, football, baiga, and kazakhsha-kures. Based on this objective the following research questions are developed:

RQ1: Are there differences in the factors that motivate participation in Olympic and National sports?

RQ2: Are there differences based on gender?

RQ3: What roles do nationalism and patriotism play in participation decisions?

A survey approach is selected to complement the exploratory nature of the study. Existing scales on sport participant motivation were used (Ko et al. 2008; McDonald et al. 2002). In addition, items on nationalism, patriotism and national identity were added (Kosterman and Feshbach 1989; Bogdanov 2005). A specific scale for participation in National sports is developed and validated. Two hundred and sixty-three non-professionals, who participate in football, tennis, kazakhsha kures (national wrestling) and baiga (national horseback riding) responded to the survey. Analysis of variance (ANOVA) and multiple analyses of variance (MANOVA) were conducted in the context of Ko et al. (2008) four dimensions (sport characteristics, existence, relatedness, and growth).

In Kazakhstan the most important motive was found to be physical fitness (6.02), followed by fun and enjoyment (5.75) and risk taking and stress reduction (both 5.73). The least important factor for Kazakhstani citizens, who participate in the sports, appears to be aggression (5.11). Nationalism (6.16), and patriotism (6.39) had scores higher than the physical fitness demonstrating high relevance to all participants across sports.

For hypothesis one the data partially supports the view that there are differences between the motives for participation in Olympic and National sports. There was significant difference found between national and Olympic sports on eleven out of fourteen motives: self-esteem, achievement, value development, self-actualization, affiliation, social facilitation, skill mastery, aggression, competition, aesthetics and risk taking (Ko et al. 2008). The results reveal significant difference among individuals, who participate in Olympic sports (football, tennis) and the National sport of baiga. The difference between football, tennis, kazakhsha kures on one hand and baiga on the other hand was found for almost all motives, except the physical fitness motive between baiga and football.

The second hypothesis related to differences in perceived patriotism among participants in Olympic and National sports; more specifically participants of National sports were expected to have a higher degree of patriotism than participants of Olympic sports. This hypothesis was partially supported. There was a significant difference found between individuals playing football and subjects participating in baiga. Surprisingly, people participating in kazakhsha kures had significantly lower level of patriotism than those, who practice baiga.

The third hypothesis stated that there are differences in nationalism among participants of Olympic and National sports; more specifically participants in National sports have a higher degree of patriotism than participants of Olympic sports. This hypothesis was par-
tially supported. Individuals participating in National sport baiga had significantly higher level of nationalism than subjects participating in all other sports, including kazaksha kures.

To summarize, this is a premier study to explore the motives for participation in National sports. Olympic and National sports’ participants were compared across four dimensions of sport participation motives (Ko et al. 2008), and on attitudes to nationalism and patriotism. Differences between National and Olympic sports were found across eleven out of fourteen motives. These motives appear particularly relevant and influential for Baiga participants. The study findings revealed males confirming greater relevance of the motives assessed in the study. Comparison between sports revealed motivational differences existing for each specific sport, as well as gender-based differences, thus suggesting careful design of marketing programs for each sport and more careful targeting of communications to potential recruits.

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SEGMENTING FANS OF A NEW TEAM: A TYPOLOGY OF EARLY ADOPTERS

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Civilai Leckie, Swinburne University, Australia
Adam Karg, Deakin University, Australia

SUMMARY

New professional sports teams arise through league expansion, relocation or new league creation. In each case, the identification of those consumers most likely to become fans of the new team, and the development of meaningful relationships with those consumers, is paramount to organizational success. Past research suggests a number of reasons fans choose to connect with sports teams. However, fan development in the context of a new team is rarely examined. This paper looks specifically at a large sample of the first fans (n = 1741) to connect with an elite professional team in its inaugural year of operation, with the specific aim of gaining a clearer understanding of who associates with a new team and why.

Sport organizations are faced with increasingly fragmented customer bases and fierce competition for revenue driven by attendance, viewership and other forms of consumption. Such changes have heightened calls for a greater focus on understanding and segmenting complex consumer bases for both participation and spectator levels of sport. Without proper segmentation and targeting strategies sport organizations, including teams, can find it difficult to effectively leverage limited resources to develop and maintain relationships with various consumer groups. Responding to this need, there have been a number of recently proposed theoretical and practical approaches to classifying types of fans. These include progressive frameworks such as the Psychological Continuum Model (PCM) (Funk and James 2001), and other categorical segmentation processes based on motivations (Ogles and Masters 2003), brand associations (Ross 2007), sport consumption (Dwyer and Drayer 2010; Dwyer, Shapiro, and Drayer 2011), sport participation (Taks and Scheerder 2012), demographics and skill level (Casper 2012). If easily identifiable segments of new fans exist, profiling them should allow the development of more efficient marketing tactics aimed at expediting loyalty and commitment. This information could, in turn, add more light on why new fans come to existing teams, especially in cases outside of inherited or socially transmitted fandom.

To examine any heterogeneity amongst early adopters of a new team, data were collected from a survey with fans of the Gold Coast Suns, an expansion team of the Australian Football League (AFL). The AFL is the highest profile professional sport in Australia, with the team joining in 2011 as the 17th team in the league. The sampling frame was a database compiled throughout the process of launching the new team, where residents of the Gold Coast area were encouraged to sign up via a website to support the club’s creation. Within this group were people with widely varying levels of interest. Some went on to become season ticket holders in the inaugural year while others had no further contact with the club. All fans on this database with a current email address were invited to complete an on-line questionnaire, completed four weeks into the clubs inaugural AFL season. In total, 1741 responses were collected, a response rate of 23 percent. Items to develop clusters, as well as output variables to explore differences between them were developed from existing measures in all cases.

Initial consumer identification items were developed from existing measures from past sport-related segmentation studies. A six-dimension measure of team identity was used (Heere and James 2007), with each dimension (private evaluation, public evaluation, interdependence, interconnection, cognitive awareness, and centrality) having three items. Loyalty and commitment measures were represented by resistance to change, level of commitment, stability of preference and degree of resistance a consumer has in changing a sport team (Pritchard, Havitz and Howard 1999). Brand loyalty intentions to keep supporting and purchasing a brand (Chaudhuri and Holbrook 2001) were also included. Perceived corporate social responsibility utilized Lichtenstein et al.’s (2004) past work, attempting to capture those fans engaged with the team through its community support.

After scale purification and validation, a hierarchical clustering algorithm was used to determine the appropriate number of clusters (Cannon and Perreault 1999; Punj and Stewart 1983). We then employed SPSS K-mean procedures, using either factor score (Singh 1990) or standardized mean scores (Wong et al. 2010) to develop centroids and classify the sample. Wong et al.’s (2010) use of cross validation procedures was used to assess internal validity. The empirical segmentation suggested the presence of five clusters, each comprising between 14 percent and 28 percent of the sample. The five segments were found to differ markedly in terms of brand associa-
tions, satisfaction and behavioral involvement. We named them Community Focused, Publicly Detached, Highly Relational, Lowly Relational, and Passive Observers.

The highly satisfied and involved consumers of the highly relational segment are the consumers that demonstrated the highest levels of commitment, loyalty and private evaluation, and would be a key target for encouraging positive word of mouth. Community focused fans are moderately involved with the team and identified through involvement in CSR activities, highlighting the importance of CSR activities for a new sport team at community level (Walker and Kent 2009). The publicly detached group represent moderately satisfied customers, who exhibit strong loyalty but distance themselves from the team in a public or social sense (Madrigal 1995). They may enjoy the drama and excitement the game brings, but do not have much emotional attachment to the team. The lowly relational segment captures casual observers with low levels of commitment and loyalty and poor private evaluation. Likewise, passive observers have low personal involvement with the team and connectivity, however, despite little personal connection, they follow the activities of the team closely. These latter two groups present a key challenge for the team, given that their low levels of identity (and subsequent outcomes of this) mean they are highly likely to churn as customers or fans, especially if on-field performance is poor.

For the new team in question, the drivers of identity have formed quickly, with attitudinal and behavioral differences between segments suggesting there is significant value in pursuing segmentation strategies in this context. Instead of segmenting consumers according to sequential links among discrete variables (e.g., the PCM), the approach employed here allowed for the coexistence of multiple dimensions in individual relationships with a sport team. In that way it reflects the complexity of the many ways new fans can connect with a new team. References are available upon request.

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THE SERVICE PROFIT CHAIN IN A PROFESSIONAL SPORTS SETTING

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SUMMARY

The service profit chain is a framework used by scholars to describe the antecedents of profit and growth (Heskett et al. 1994). Specifically, the service profit chain explores the relationship links starting with internal service quality, employee satisfaction and productivity and onward to customer satisfaction and loyalty, with the desired outcomes of revenue growth and profitability (Heskett et al. 1997). The underlying premise of the service profit chain has been studied for years (Bennis 1970; Lawler 1973; Blau 1974). However, this stream of research did not begin to come together until Heskett, Sasser, and Hart (1990) identified a “self-reinforcing service cycle.” Further research into this phenomenon by Schlesinger and Heskett (1991) produced what they called the service profit chain (SPC). Prior research has explored numerous aspects of the relationships among these individual links. However, there is a paucity of research that examines all the contiguous links in the service profit chain. This empirical study accomplishes that by examining data from a single professional sports franchise.

One of the franchises in the National Hockey League (NHL) has adopted a service strategy based on the idea of the service profit chain. This franchise has invested considerable monetary and human capital in the belief that the service profit chain will help grow revenue. This study reports the findings of an empirical study, conducted in conjunction with the management of this NHL franchise, to measure the service profit chain in a sports franchise setting. While the premise of the model on both the employee and customer sides is accepted for this specific industry, it is the contention of the authors that the service profit chain will be broken where the employee variables meet the customer variables. Given the combination of the importance of the overall league brand to driving customer outcomes and the outsourcing of key customer contact personnel, the importance of the contact employee to the customer experience is mitigated. Hence we propose the following:

**H1:** There will be a break in the service profit chain for a professional sports franchise at the link between employee variables and customer variables.

The data were collected in conjunction with the management of a NHL franchise located in a non-traditional market. The organization sent a link to the customer survey to 750 recent buyers of single game tickets. Meanwhile, the employee survey link was sent to 220 frontline workers with game day responsibilities at the arena. After removing cases for missing items and randomly matching the two separate samples, the resultant final sample size was 175 for each.

Study constructs (employee perceived service quality, job satisfaction, employee productivity, customer perceived value, customer perceived relationship satisfaction, and customer loyalty) with the exception of the revenue change item, were all measured with reliable, established scales previously used in the marketing literature. All included scales exhibited sufficient internal consistency, with Cronbach alphas ranging from .82 to .91. Additionally, tests of convergent and discriminant validity (Fornell and Larcker 1981) were administered.

The hypothesized model was tested with an item-level structural equation model (SEM) using variance-based SmartPLS Graph Version 2.0M3 (Ringle, Wende, and Will 2005). The results indicate that all of the paths (except for the path from employee productivity to customer perceived value) in the structural model were significant at the $p < .05$ level, lending support to H1. The $r$-square values indicated that the hypothesized model accounted for the following amounts of explained variance: 41.9 percent of job satisfaction, 17.7 percent of employee productivity, 14.9 percent of relationship satisfaction, 38 percent of customer loyalty, and 3 percent of revenue change.

Significant path loadings demonstrated that both the employee and customer sides of the service profit chain were indeed intact. Internal service quality is positively related to work job satisfaction ($\beta = .648$) which was, in turn, positively related to employee productivity ($\beta = .420$). At this point, as hypothesized, the service profit chain is broken. For sports at the highest professional level, employee productivity does not naturally translate to customer-perceived value, as this path was not found to be significant. However, the remainder of the service profit chain continues as intended. Customer-perceived value is positively related to relationship satisfaction ($\beta = .386$), which is also related to customer loyalty ($\beta = .616$). Finally, customer loyalty was found to be positively related to change in revenue ($\beta = .160$). Taken as a whole, these results demonstrate that, in this context, there are limitations to the service profit chain concept despite its theoretical elegance and intuitiveness.
Despite its strength on both the employee and customer sides of the equation, these results found the service profit chain to be missing a link in the context of a professional sports franchise. Although the results may seem to suggest that customer service levels are not important for professional sports franchises, this finding should be taken with a caveat. That is, it would seem somewhat reckless to suggest this. It would seem more appropriate to view customer service levels as a hygiene factor, in the parlance of Herzberg (1987). That is, a certain base level of customer service quality is a necessary, albeit not sufficient, antecedent to customer satisfaction and, ultimately revenue gains and profitability. While, in itself, its presence may not translate directly to these desirable outcomes, its absence would surely negatively impact them. References are available upon request.

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THE EFFECT OF FORMAL AND INFORMAL MARKETING CONTROLS ON CUSTOMER CONTACT EMPLOYEE PERFORMANCE

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SUMMARY

Managers have made the quality control of customer contact employees a prominent issue as a result of the recognition of the importance and centrality of the customer contact employee’s performance in forming the service encounter to the customer (Czepiel, Solomon, and Surprenant 1985). A need still exists, however, to understand the effectiveness of specific formal and informal marketing controls at influencing employee performance when simultaneously implemented. This study answers that need by using hierarchical linear modeling (HLM) to analyze data collected from 88 managers and 157 customer contact employees.

Typically, the control of marketing activities, such as the control of employee behavior, can be thought of as falling into one of two broad groups, formal and informal controls (Jaworski 1988). Formal controls are the written, management-initiated mechanisms that influence the probability that employees will behave in the manner desired by the firm (Jaworski 1988). Agency theory suggests outcome-based contracts and behavior-based contracts with employee monitoring. These solutions, however, cannot by definition address employee extra-role behavior as extra-role behavior is the actions of the employee which goes beyond role requirements (Bettencourt and Brown 1997).

As a result, the formal systems of the traditional marketing control perspective need to be augmented with informal controls (Jaworski 1988). Briefly, informal controls are the unwritten, usually worker-based mechanisms that influence the individual employee’s behavior (Jaworski 1988) and differ from formal controls because they are not formally documented, may not match the firm’s goals, are initiated by the employees, and are usually only actively controlled by the employees. Within these informal controls, self controls are how individuals establish personal objectives, monitor their attainment of the objectives, and adjust their behavior if the objectives are not being met.

With regard to predicting customer contact employee in-role and extra-role performance, the development of two employee self controls are important to firms seeking to achieve a sustained competitive advantage through their customer contact employees, an employee’s customer orientation (enduring disposition to meet customer needs) and an employee’s intrapreneurial orientation (enduring disposition to behave in an entrepreneurial manner, which is to pursue opportunities to be a successful customer contact employee without regard to the resources currently controlled).

Therefore, it is hypothesized that:

H1: The interaction between the agency theory-based solutions of behavior-based contracting and employee monitoring has a positive effect on employee in-role performance.

H2: The agency theory-based solution of outcome-based contracting has a positive effect on employee in-role performance.

H3: The agency theory-based solution of behavior-based contracting and employee monitoring has a positive effect on employee extra-role performance.

H4: The agency theory-based solution of outcome-based contracting has a positive effect on employee extra-role performance.

H5: A customer contact employee’s customer orientation will have a positive effect on employee in-role performance.

H6: A customer contact employee’s customer orientation will have a positive effect on employee extra-role performance.

H7: A customer contact employee’s intrapreneurial orientation will have a positive effect on employee in-role performance.

H8: A customer contact employee’s intrapreneurial orientation will have a positive effect on employee extra-role performance.

H9: The interaction between the agency theory-based solutions of behavior-based contracting and
employee monitoring has a relatively weaker effect on employee extra-role performance than self controls.

H10: The agency theory-based solution of outcome-based contracting has a relatively weaker effect on employee extra-role performance than self controls.

All constructs were assessed using a combination of extant and new scales, which were developed consistent with the procedure prescribed by Churchill (1979) and measured using a five-point Likert type scale. Each manager provided ratings of the formal marketing control constructs of behavior-based contracting (MBC), monitoring (MMON), and outcome-based contracts (MOC). Each employee provided ratings of their own in-role performance (EIRP), extra-role performance (EERP), customer orientation (ECO), and intrapreneurial orientation (EIO). Employees were nested within the manager that they identified they had worked with the most and HLM via HLM 6.08 (Raudenbush and Bryk 2002) was used to analyze the data. Cronbach’s values ranged from 0.78 to 0.95, composite reliability values ranged from 0.83 to 0.97, and convergent and discriminant validity was established per Fornell and Larcker (1981).

Hypotheses 5, 6, 8, 9, and 10 were supported while hypotheses 1, 2, 3, 4, and 7 were not supported. The pattern of results offers two key implications regarding the influence of formal and informal marketing controls on employee performance. First, the relative ineffectiveness of formal marketing controls and the relative effectiveness of informal marketing controls at influencing employee performance are worth noting. Second, the identification of specific key informal controls which influence on employee performance is also worth noting. This study demonstrates the importance of the established informal control of customer orientation at influencing employee performance, introduces an additional informal control, intrapreneurial orientation, and is an important first step in identifying an informal control, other than customer orientation, that positively influences employee performance. References are available upon request.

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BAD CUSTOMERS OR BAD MANAGEMENT? AN EMPIRICAL INVESTIGATION OF WHAT DRIVES SERVICE EMPLOYEES’ DEVIANT BEHAVIOR

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SUMMARY

Because of its negative effects on organizational performance employee workplace deviance is of great interest for services research. In this study, a model for a better understanding of the relationship between extra- and intra-organizational antecedents and employee’s job satisfaction and its link to workplace deviance is developed and tested.

Workplace deviance in service organizations is relevant for managers because it harms firm performance in several ways. It might create direct costs if employees destroy firm property (Schmitt et al. 2003) or lead to indirect costs if it harms the morale of co-workers (Hung et al. 2009) or prevents delivery of appropriate service to customers (Patterson and Baron 2010).

Scholars have examined related antecedents of employee workplace deviance such as intra-organizational variables within the service firm’s control (Colbert et al. 2004; Thau et al. 2009), as well as intra-organizational variables over which the firm has little or no control (Diefendorff and Mehta 2007; McIntyre and Meloche 1995). In addition, the influence of extra-organizational variables, such as customers’ behavior, has received attention (Walsh 2011; Wegge et al. 2007). However, research so far is missing a structured examination of the links between antecedents and workplace deviance, together with a careful consideration of potential mediating and moderating effects in the relations between workplace deviance and its drivers. Drawing on prior research, this study closes this gap as it proposes a model considering multiple pertinent antecedents simultaneously.

In the proposed model antecedents of employee workplace deviance are structured and conceptualized along a continuum, from low to medium to high firm control. Three factors represent the continuum: perceived customer unfriendliness, service climate and employee role ambiguity. Furthermore, consistent with previous research (e.g., Judge et al. 2006) job satisfaction is included as a variable mediating the antecedents’ influence on employee workplace deviant behavior. Drawing on Erickson and Grove’s (2007) findings that older employees are more likely than younger employees to engage in emotion regulation to manage the negative emotions that arise from their jobs, the moderating effect of employee age in the relationship between job satisfaction and workplace deviance is investigated as well.

The proposed model was tested via structural equation modeling. Building on the notion that workplace deviance results from factors that firms can influence to varying degrees, the results show that antecedents representative of low, medium and high organizational control all affect job satisfaction, which in turn can minimize workplace deviance. The more satisfied service employees are, the less likely they are to engage in deviant behavior (Judge et al. 2006). Moreover, perceived customer unfriendliness directly affects workplace deviance. Testing for contingency conditions of these job satisfaction–workplace deviance relationships shows this effect to be stronger for younger service employees. Younger service employees’ job satisfaction exhibited a more negative association with workplace deviance than did that of older service employees (Erickson and Grove 2007).

The results suggest implications for researchers and practitioners. To prevent workplace deviance, service firms need a clear understanding of its drivers, so they can seek avoidance routes. The proposed model enables managers of service organizations to study and measure how different types of internal antecedents, namely, employee role ambiguity and service climate, as well as the mediating effect of employee satisfaction, engender deviant behaviors in the workplace. References are available upon request.
ABSTRACT

This study integrates the equity and the fit theory in order to explore the impact of retail store supervisor’s Internal Market Orientation (IMO) on contact employees’ IMO, fit with their organization and their supervisor. Moreover, the importance of the aforementioned variables is displayed for contact employees’ willingness to report service complaints.

INTRODUCTION

Considering contact employees’ pivotal role for retail services (Liao and Chuang 2004; Bitner et al. 1994), scholars highlight the benefits stemming from internal market orientation (IMO) adoption in terms of leveraging contact employees’ performance (Gounaris 2008). IMO constitutes a philosophy which suggests the importance of having satisfied and motivated contact employees in order to provide superior customer service (Tortosa et al. 2010). Despite that aligning employees with organizational goals and directives and diffusing organizational values across the firm constitute ultimate goals of IMO adoption (Gummesson et al. 1987), scholars rarely encapsulate in internal marketing models the importance of these issues (Wieseke et al. 2009).

Therefore, this study addresses the role of IMO adoption for enhancing employees’ fit with their environment within a retail context, as scholars produce a restricted understanding of the simultaneous influence of different fit indices on employee attitudes (Lauver and Kristof-Brown 2001) and fail to provide mechanisms of how to increase employees’ fit with their organization (Edwards and Cable 2009). Given that employees’ lack of fit with the organization can provoke several destructive outcomes for the firm, managers are in need of ways to enhance employees’ fit with their environment (Hofmann et al. 2011; Tak 2011). We focus on more than one fit types as the work environment is comprised of different entities with which individuals may fit while fit levels vary across subcultures that exist within different organizational functions (Tak 2011). In particular, we focus on employee-organization (E-O) fit which yields significant effects on a variety of employee-level outcomes such as commitment and job performance (Kristof-Brown et al. 2005; Vilela et al. 2008) as well as on employee-supervisor (E-S) fit lies whose value lies upon supervisor’s indispensable role in retail services as (s)he represents the firm itself on subordinates’ eyes (Lam et al. 2010).

In overall, we develop a conceptual model which extends the present literature by integrating IMO within the fit theory. From an empirical view, we argue for the importance of IMO for employees’ fit with their organization and their supervisor by adopting a multilevel research design drawing evidence from both supervisors and contact employees in a retail service context. In particular, we investigate whether supervisor’s IMO accounts for contact employees’ IMO adoption and different fit types (i.e., E-S and E-O fit) and explore how contact employees’ IMO and fit types shape their willingness to report service complaints.

THEORETICAL BACKGROUND

Evidence from several fields is integrated in order to provide the theoretical background of our study. Fit theory underlies our conceptual model in the sense that its basic demarcation assesses how fit with various aspects of the work environment influences individuals’ attitudes and behaviors (Kristoff 1996). Although individuals often engage themselves into jobs that best match their abilities and interests, however, due to changes in their working environment, they may find themselves in a miss-fit situation, which causes stress and low job satisfaction (Edwards 1996). Organizations highly oriented to their internal market care for employees’ needs and wants and thus, are more inclined to recover employees’ congruence with their environment either by re-establishing job satisfaction or by stressing a positive working environment through the formation of a trust climate (Johnston et al. 1990), higher empowerment levels (Gounaris 2008) and the delivery of higher value for employees (Simberova 2007). We also stress the importance of the equity theory (Adams 1963) which underlies the internal market orientation (IMO) philosophy (Gounaris et al. 2010). On the basis of the equity theory, employees evaluate their jobs by balancing their inputs with the associated outputs. Inputs include effort on the job and compliance to organizational policies whereas outputs include benefits and rewards (Huseman and Hatfield 1990). Consequently, when service firms deliver higher value for employees...
(Simberova 2007), the latter become more willing to reciprocate toward their employer with feelings of obligation, to embrace organizational directives and values and to put the extra effort to serve customers better and deliver superior service (Gounaris et al. 2010).

LITERATURE REVIEW AND MODEL DEVELOPMENT

As IMO implementation requires multilevel management to continuously align employees with organizational goals (Gummesson 1987), this study adopts a multilevel approach of IMO adoption in order to display the importance of cross-level interactions within the supervisor-employee dyad and overcome concerns related to single-level analyses, considering that by examining one level at a time prevents one from knowing whether factors at one level remain significant predictors after factors at the other level are accounted for (Raudenbush and Bryk 2002). Our model proposes supervisor’s IMO as a predictor of contact employees’ E-O fit and E-S fit after accounting for individual IMO in order to highlight that the aforementioned impact remains significant after controlling for employees’ level of IMO (H4, H5) (Figure 1). In addition, we investigate the impact of contact employees’ IMO and fit types on willingness to report service complaints (WRC).

Supervisor IMO and Employee Outcomes

Internal marketing is a philosophy of treating employees as internal customers (Sasser and Arbeit 1976) and enhances the value provided to employees with the aim of encouraging them to enact the firm’s marketing objectives and thus strengthen its competitive position in the external market (Ahmed et al. 2003; Lings and Greenley 2010). Despite several attempts at the conceptualization of the internal marketing construct (Gounaris 2008; Lings 2004), recent advances in the field of internal marketing identify specific managerial behaviors associated with enacting this philosophy and their conceptualization as an internal market orientation (IMO) (Lings 2004). IMO promotes the need to plan and build effective relationships between the company’s employees and management (Gounaris 2006) so that the company responds to employees’ needs and wants more effectively, motivating them to better satisfy customer needs. However, the internal marketing literature mainly focuses on individual gains from IMO adoption (Lings and Greenley 2010), despite normative studies emphasizing supervisor’s IMO for shaping positive employee-level consequences (Ahmed and Rafiq 2003). Moreover, although the main pillars of the IMO construct (i.e., management-employee communication) stress the importance of cross-level interactions (Gounaris 2008) between different organizational echelons for IMO adoption, no previous research addresses this issue.

This study argues that IMO adoption within retail firms can be actualized through two routes. The main one is through the social learning process (Bandura 1977) which argues that as managers are considered as strong behavioral models for subordinates (Manz and Sims 1981), subordinates observe the outcomes of their role models’ behavior and develop a propensity to engage in a similar behavior (Waldman and Yammarino 1999). Thus, managers with a strong manifestation of IMO can facilitate subordinates’ adoption of IMO philosophy and drive

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**FIGURE 1**

![Diagram of the proposed model](image-url)
them toward developing behaviors consistent with their personal orientation. We complementarily employ the **social identity theory** (Tajfel 1981) which accounts for employees’ IMO adoption which argues that group identification increases the internalization of group’s aims and goals and thus the more an employee identifies with a group the more one will work toward achieving its goals (Ashforth and Mael 1989). Extending the idea of leaders’ communicating by deeds in the internal marketing literature (Berry et al. 1976), we argue that manager’s strong manifestation of IMO-congruent behavior will render the firm as a more attractive target for subordinates. In this vein, supervisor’s display of an IMO-consistent behavior through their positional or referent power is likely to exert influence on contact employees and render them more susceptible to the internalization of IMO philosophy. On these grounds, we suggest that **supervisor’s level of IMO can enhance contact employees’ IMO (H1)**.

Fit theory suggests positive employees’ attitudes due to higher congruence levels (Chatman 1991; O’Reilly et al. 1991). At the heart of this construct is the congruence between individual and organizational values (Kristof 1996). We argue that the implementation of an internal marketing program can prove quite beneficial for employee-organization (E-O) fit as IMO assists employees in developing a holistic view of the firm’s philosophy and instills them the organization’s values and culture (Gronroos 1990) through the formation of effective internal communication between management levels (Lings 1999). Moreover, supervisors through the provision of higher organizational support can create a climate conducive for employees to embrace organizational values as their own and enhance understanding of their role for organizational effectiveness (Conduit and Mavondo 2001). In this vein, we argue that **supervisor’s IMO adoption accounts for employees’ perceptions of a good fit with the organization (H2), after controlling for individual level of IMO (H4)**.

Although traditional fit literature focuses on the E-O fit (Tak 2011), scholars ignore whether supervisor’s behavior actually produces positive subordinates’ outcomes such as better value fit or alignment with organizational goals (Ostroff et al. 2005). Supervisors who strongly manifest IMO-congruent behavior are perceived by employees as being more committed to the organizational mission (Wieseke et al. 2009) facilitating, therefore, their adoption of organizational values (Huang et al. 2005). Additionally, supervisor’s support also leads employees to adopt behaviors that benefit the organization and enhances their consistency with organizational values espoused by the supervisor (O’Hara et al. 1991). IMO adoption through effective info exchange and communication between supervisors and employees can raise employees’ job satisfaction (Gounaris 2008) by reducing work-related uncertainty and balancing problem-solving endeavors (Lings 2004), increasing thus, their reciprocal response toward the firm. As IMO implementation involves ongoing feedback about employees’ feelings toward their work, the benefits and their needs within their roles (Lings and Greenley 2010), supervisor’s IMO adoption is anticipated to enhance employees’ reciprocating with the adoption of a value orientation congruent to their supervisor’s. Thus, we hypothesize that **supervisor’s IMO adoption enhances employees’ perceptions of a good fit with their supervisor (H3), after controlling for individual IMO (H5)**.

**Willingness to Report Service Complaints (WRC)**

As failures are pervasive in service encounters contact employees need to engage in the service recovery process in order to achieve successful service provision (Maxham and Netemeyer 2002; Liao 2007). Despite the value of traditional complaint management systems (Homburg and Fürst 2007; Harris and Ogbonna 2006), several studies indicate that in retail services most of the customers who complain submit their complaints only informally or to contact employees rather than to senior management (Voorhees et al. 2006; Harris and Ogbonna 2010). Therefore, contact employees must be not only suitably trained and supported (Homburg and Fürst 2005) but also motivated and willing to report service complaints to their immediate supervisor so as to allow the organization to pursue effective service recovery attempts (Luria et al. 2009).

As contact employees are often averse to report complaints to their supervisors in a complete and accurate manner (Gilly et al. 1991), their behavior can lead to the creation of “organizational black holes in which information from below gets lost” (Argyris 1990, p. 23). Therefore, the importance of employees’ WRC is considered as a key driver of service recovery efforts (Luria et al. 2009). As the extant literature rarely provides mechanisms which deal with customers’ informal complaints (Harris and Ogbonna 2010), we propose IMO as a mechanism that increases contact employees’ WRC. IMO adoption can prove beneficial for motivating employees to report complaints for several reasons. First, IMO enhances contact employees’ feelings of obligation toward their employer by producing extra value for them (Simberova 2007), leading them to reciprocate with behaviors that benefit the organization. Second, higher level of organizational support through IMO adoption raises employees’ motivation to perform better, their commitment to customer service and their effort in carrying out in-role responsibilities such as reporting complaints (Bell et al. 2004). Higher management consideration in terms of enhanced supervisory support or increased interest about employees’ needs and wants can lead to extra-role behaviors that benefit the organization as a whole (Van Yperen et al. 1999). Considering that IMO’s consequences such as employee satis-
faction and motivation are important precursors to increased customer-oriented behaviors (George 1990), we hypothesize that IMO can positively enhance contact employees’ willingness to report service complaints (H6).

Despite the value of IMO adoption for enhancing contact employees’ behaviors during service recovery (Bell et al. 2004), we also highlight the importance of employee-supervisor (E-S) fit as an antecedent of employees’ willingness to report service complaints (H7). This link can be attributed to the leadership theory (Avolio and Bass 1988) which echoes the importance of E-S fit for work effectiveness (Hofmann et al. 2011). In the process of employees’ value internalization, supervisors act as role models and influence subordinates who cognitively adopt their own value orientation by using information provided by them. As supervisors in retail services act as representatives of the firm’s management, their role for raising employees’ fit in this process is critical in the sense that their manifestation of desired values enhances employees’ value adoption (O'Reilly and Chatman 1986). Additionally, E-S fit can also enhance WRC by promoting communication (van Vianen et al. 2004), as open info exchange among organizational levels establishes a common frame for describing, classifying and interpreting events (Erdogan et al. 2004). This common frame facilitates the info exchange and reduces the likelihood of misunderstandings (Meglino and Ravlin 1998). Considering that high E-O fit leads to more positive work behaviors, we propose employees’ WRC as one such behavior, as a lack of E-O fit may diminish contact employees’ motivation to provide feedback regarding to customers’ complaints. Based on the above, we hypothesize that E-O fit may influence contact employees’ willingness to report service complaints (H8).

METHODOLOGY

To test the conceptual framework of our study we chose a retail service setting, considering that the specific context is appropriate for exploring the employee-supervisor dyad, as supervisor constitutes the only linking pin between store employees and top management. We totally obtained evidence from eighty-nine stores of retail chains which operate in Greece. In particular, we draw evidence from 89 retail store supervisors through personal interviews and 417 contact employees. A hierarchical research design is used with data obtained from supervisors and contact employees. Regarding our sample’s demographic characteristics, the number of employees per retail store ranges from 10 to 16 and almost seven out of ten contact employees were women; the average age was approximately 27 years old, 68% of them worked full-time while the average tenure is about two years. All measures employed in this study were based on extensive review on the services marketing and psychology literature. All constructs use a 7-point scale, with anchors of strongly disagree (1) and strongly agree (7). Supervisors report on the IMO construct, whereas contact employees’ sample provides evidence for the IMO, E-O fit, E-S fit, patronage and WRC constructs. The IMO scale is adapted from Gounaris’ (2006) scale, whereas the E-O fit construct was measured based on Netemeyer et al.’s four-item (1997) scale. For assessing E-S fit, Hofmann’s et al. (2011) three-item scale was used. Subjective fit measures are used for E-S and E-O fit, as scholars argue that they have better predictability than objective fit measures have (Kristof-Brown et al. 2005). Finally, WRC is adapted from Luria et al. (2009).

DATA ANALYSIS AND RESULTS

Given the nature of our data, a multilevel approach is necessary to test our hypothesized relationships (Raudenbush and Bryk 2002) and therefore the HLM software is employed. First, we estimated an intra-class correlation coefficient (ICC) which represents the amount of variation in an outcome variable due to the store as opposed to another data level. The levels reported in Table 1 tend to be typical of those reported for data

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>CFI</th>
<th>TLI</th>
<th>RMSEA</th>
<th>A</th>
<th>ICC</th>
</tr>
</thead>
<tbody>
<tr>
<td>S.IMO</td>
<td>4.38</td>
<td>.83</td>
<td>.941</td>
<td>.924</td>
<td>.029</td>
<td>.967</td>
<td>.442</td>
</tr>
<tr>
<td>E.IMO</td>
<td>3.91</td>
<td>.90</td>
<td>.928</td>
<td>.909</td>
<td>.014</td>
<td>.952</td>
<td>.481</td>
</tr>
<tr>
<td>E-O FIT</td>
<td>4.21</td>
<td>1.08</td>
<td>.998</td>
<td>.989</td>
<td>.002</td>
<td>.709</td>
<td>.576</td>
</tr>
<tr>
<td>E-S FIT</td>
<td>4.48</td>
<td>1.04</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>.778</td>
<td>.528</td>
</tr>
<tr>
<td>WRC</td>
<td>4.60</td>
<td>1.13</td>
<td>.991</td>
<td>.982</td>
<td>.036</td>
<td>.896</td>
<td>.595</td>
</tr>
</tbody>
</table>
aggregation. Table 1 above reports on descriptive statistics and internal consistency reliabilities. As Table 1 suggests, all the measurement scales have reliability indices that exceed the .70 threshold and AVE that is greater than .50. Additionally, CFI and TLI indices exceed the .90 threshold while the RMSEA index is lower than .08 for all study’s measures. Table 2 presents intercorrelations of all study’s variables.

Four HLM models were performed in order to verify the hypothesized effects. To justify the use of higher-level predictors, we ran four null models to determine whether there was significant between-group variation. These null models are intercept-only models in which no predictors are selected for higher levels of analysis. For each model we first estimated the null model with no predictors at either level-1 or level-2 in order to partition the variance into within and between-stores components for each of the dependent variables (Raudenbush and Bryk 2002). The results reveal significant between branch variance for all dependent variables; employee IMO ($x^2 = 1103.77, p < .01$), E-O fit ($x^2 = 1754.71, p < .01$), E-S fit ($x^2 = 1438.88, p < .01$) and WRC ($x^2 = 1776.82, p < .01$). Table 3 provides an overview of the results of the HLM models. Concerning cross-level effects, we find strong support for the supervisor IMO-employee IMO relationship ($\gamma = .63, p < .01$) and thus hypothesis H1 is verified. Results also suggest that supervisor IMO significantly predicts employee E-O fit ($\gamma = .54, p < .01$), in support of hypothesis H2. Furthermore, hypothesis H3 is supported, as supervisor IMO also predicts employee E-S fit ($\gamma = .63, p < .05$). Regarding employee-level effects, findings indicate that individual IMO significantly accounts for both E-O fit ($\gamma = .66, p < .01$) and E-S fit ($\gamma = .40, p < .05$), supporting thus hypotheses H4 and H5. Additionally, individual IMO is positively related to WRC ($\gamma = .37, p < .01$), in support of hypotheses H6. E-S fit ($\gamma = .47, p < .05$) also E-O fit ($\gamma = .28, p < .01$) both come up as drivers of employees’ willingness to report service complaints, supporting, thus, hypotheses H7 and H8.

<p>| TABLE 2 |</p>
<table>
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<tr>
<th>Correlation Matrix</th>
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<tr>
<td><strong>E_IMO</strong></td>
</tr>
<tr>
<td><strong>E_IMO</strong></td>
</tr>
<tr>
<td><strong>E-O FIT</strong></td>
</tr>
<tr>
<td><strong>E-S FIT</strong></td>
</tr>
<tr>
<td><strong>WRC</strong></td>
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<p>| TABLE 3 |</p>
<table>
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<th>Model (Dependent)</th>
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<tr>
<td><strong>Model 1</strong></td>
</tr>
<tr>
<td><strong>E_IMO</strong></td>
</tr>
<tr>
<td>Intercept (SE)</td>
</tr>
<tr>
<td>$\gamma$ (SE)</td>
</tr>
<tr>
<td><strong>S_IMO</strong></td>
</tr>
<tr>
<td><strong>E_IMO</strong></td>
</tr>
<tr>
<td><strong>E-O FIT</strong></td>
</tr>
<tr>
<td><strong>E-S FIT</strong></td>
</tr>
<tr>
<td>Model Deviance</td>
</tr>
</tbody>
</table>

** = $p < .01$, * = $p < .05$. E_IMO = contact employee IMO, S_IMO = supervisor IMO, E-O fit = employee-organization fit, E-S fit = employee-supervisor fit, WRC = willingness to report service complaints.
This study integrates evidence from a variety of disciplines in order to stress the role of IMO adoption for employees’ better fit with their environment and is intended to be a key step in bringing internal marketing and fit research together. As prior research on internal marketing remains fragmented, this study contributes to the extant literature by suggesting IMO as a mechanism which can raise employees’ fit with their environment. Against traditional internal marketing background which focuses at the single level of analysis and ignores the role of cross-level influences for IMO adoption (Gounaris et al. 2010), we formally include IMO into multilevel marketing research and provide an important shift for extant research by discussing how cross-level interactions shape IMO adoption and enhance employees’ congruence with their environment. With reference to the view that IMO implementation requires multilevel management (Wieseke et al. 2009), this study is the first one that acknowledges the importance of supervisor’s complementary role for enhancing employees’ responsiveness to the firm’s internal marketing efforts. The use of a multilevel approach allows us to argue that supervisor’s IMO congruent behavior actually shapes positive employees’ behaviors while maintaining the appropriate level of analysis. From a theoretical view, we extend fit theory by establishing IMO implementation as a key strategy for recovering or increasing employees’ fit with their environment.

This study also offers some important insights from a practical view. First, retail supervisors are posited at the heart of the IMO diffusion process, as their manifestation of IMO-congruent behavior is a prerequisite for enhancing employees’ responsiveness to internal marketing programs. Second, results suggest that the adoption of IMO philosophy increases employees’ fit with their organization and their supervisor. Given the value of information contained in informal complaints that customers present directly to contact employees (Harris and Ogbonna 2010), we provide IMO as a mechanism which renders employees more informative and motivates them to report critical service incidents to their supervisor. However, it appears that service providers’ motivation to report complaints also depends on their perceptions of fit with their supervisor. Although reporting complaints is considered as an in-role expectation, a lack of E-S fit diminishes their willingness to report problems they encounter keeping management in the dark about emerging service failures. This finding can perhaps be explained by the fact that employees’ willingness to report service complaints is not an automatic response to organizational directives but is influenced by the degree that employees’ perceptions are congruent with supervisor’s ones in terms of a similar value orientation.

Considering that supervisor’s level of IMO accounts for a significant portion of contact employees’ IMO adoption, it is imperative that top management must first sell the organization itself especially to middle level managers before implementing an internal marketing program across the whole firm. Another managerial implication that stems from our study is related to the importance of IMO as a mechanism which can actually increase employees’ fit with their environment, departing thus from the view that managers can mainly achieve “fit” into their organization and avoid misfit and high turnover rates by carefully attracting and selecting individuals (Van Vianen 2000). Internal marketing programs can be employed as a tool for helping employees to embrace organizational values and achieve better fit with their supervisor. Given the importance of service recovery in some settings, managers should take into account that IMO increases employees’ WRC to their supervisor. Such willingness needs to be fostered but cannot be taken for granted. Managers should be encouraged to establish informal communication lines and mechanisms for obtaining customer informal complaints and act to improve service based on such data. Practically speaking, store supervisors by displaying a better understanding of employees’ wants and needs of employees and providing more support, they will add value for subordinates with the aim of reciprocating toward the firm with different ways.

As with all research, our study has some limitations that restrict its interpretation and generalizability. First, the dependent variable (i.e., WRC) is a self-reported measure and there is a concern associated with using a self-reported service performance measure, as employees tend to over report their performance under the influence of social desirability bias. Second, our conceptual framework features only supervisor’s impact on contact employees, ignoring, thus, the importance of other contextual drivers of employees’ fit with their environment. In conclusion, the results presented in this study clearly suggest an important first step in understanding the importance of IMO adoption for employees’ better fit with their environment. Moreover, by integrating evidence from multiple disciplines, we add significantly to the extant literature by providing some evidence regarding the role of IMO for enhancing employees’ reciprocal response toward the firm.
REFERENCES


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FIRM SELF-SERVICE TECHNOLOGY READINESS: A SOCIO-TECHNICAL SYSTEMS PERSPECTIVE

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Russel P.J. Kingshott, Curtin University, Western Australia

SUMMARY

Self-service technologies (SST’s) provide firms an opportunity to offer innovative customer services. The ability to model customer relationships using SST’s is an important area that needs to be understood because such technology is a key factor in helping to create customer value (Bitner, Brown, and Meuter 2000; Hunter and Perreault 2007; Meuter et al. 2000; Padgett and Mulvey 2007; Zhu et al. 2007). Moreover, SST’s have reshaped service firm operations (Matthing, Kristensson, and Gustafsson 2006; Meuter et al. 2005; Parasuraman 1996) at the same time as offering great potential to help improve firm performance (De Clercq, Menguc, and Auh 2008). To date the marketing literature has primarily focused upon customers to help explain successful adoptions (e.g., Collier and Sherrell 2010; Curran and Meuter 2007; Meuter et al. 2005) but little is known about firm readiness to use SST within their operations. Whilst, many firms use SST there is no marketing literature indicating if the firm is indeed SST ready to adopt and implement SST into their value creation activities. Although existing scholarly work in this area provides some direction (e.g., Davis 1989; Davis-Sramek, Germain, and Iyer 2010; Parasuraman 2002; Shum, Bove, and Auh 2006) this fails to fully explain the firm’s capabilities in relation to SST usage. This represents a significant gap in the marketing literature and accordingly provides the impetus for our trajectory of thinking and the scholarly need to conceptualize a new SST readiness construct. We do so by widening current thinking in relation to articulating the conceptual domain of this construct. Accordingly, this manuscript outlines the foundations in which firm capability for SST adoptions can be modeled to indicate the dimensions any SST readiness construct is likely to comprise.

We therefore: (1) present a new firm readiness construct, (2) outline its conceptual domain, and, (3) articulate the operational dimensions it comprises. Overarching our research is the managerial need for SST’s adoptions to be regarded as a strategic imperative because bringing technological innovation into the firm is deemed a management process not simply a functional activity (Ottenbacher and Harrington 2010). Therefore a firms’ capacity to innovate, that is, the ability to successfully adopt or implement new ideas, processes, or, products (Hurley and Hult 1998) must factor the firms’ environments and wider stakeholders into the firm’s SST adoption and implementation processes. Accordingly, we propose the SST readiness construct to comprise two facets that are intrinsically linked to the firm’s strategy planning activities and these provide a solid basis to indicate the success of technology adoptions. In order to do this we have grounded our thinking in socio-technical systems (STS) theory (Pasmore 1988; Pasmore and Sherwood 1978) because this explains how firm outcomes are derived from the interplay between its technical and social systems (Lui, Shah, and Schroeder 2006; Pan and Scarbrough 1999). Both of these systems are relevant to SST usage within the firm and we posit that the conceptual domain of the SST readiness comprises both a strategic capability and environmental interconnectedness dimensions. We label this new construct self-service technology readiness and define it simply as the capacity of firms to embrace and successfully use SST in their value creation activities.

Stemming from an extensive review of the marketing literature coupled with a number of qualitative interviews we reveal the need to juxtapose a firms’ SST readiness with its capacity to enhance the value proposition. This corroborates existing SST literature related to technology usage patterns within the firm (e.g., Davis 1989; Homburg, Wiese, and Kuehnl 2010) – indicating managers need to understand how to model successfully SST adoptions from a much wider vantage than customer adoption capabilities. It is plausible that the main reason technology does not always attain expected pay-offs (e.g., Davis-Sramek, Germain, and Iyer 2010) is simply because firms are not SST ready. Our thinking therefore provides managers a suitable platform in which the firm’s environmental factors, intrinsic to the creation of value through SST, that potentially enhance and/or impede successful SST adoptions can be modeled. From a scholarly viewpoint, we meld existing literatures and provide a new direction of thinking for this critical area of the marketing discipline in a number of areas. First, a suitable measure can be developed to help model the impact this construct has upon other variables pertinent to the role of SST’s in the value proposition. Second, as adopting SST’s helps reduce costs, increase customer satisfaction and loyalty levels, as well as reach new segments (Bitner, Ostrom, and Meuter 2002) we can use the new scale to help model these outcomes. Finally, our focus has been upon SST but as there are many other forms of technology available to the firm there would be merit in establishing whether firm technology readiness can be regarded as a generalized construct. References are available upon request.
DOES TECHNOLOGY ORIENTATION MATTER IN TECHNOLOGY SERVICES ORGANIZATIONS?

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SUMMARY

A firm’s strategic orientation is the direction taken by the firm to gain competitive advantage (Narver and Slater 1990), and reflects its philosophy with regard to understanding customers, competitors, and use of technology (Gatignon and Xuereb 1997; Zhou, Yim, and Tse 2005). Technology orientation is an important type of firm strategic orientation, yet it is sparsely addressed in the literature (Zhou et al. 2005). This study examines the relationship between technology orientation and product innovativeness. Using contingency theory arguments, the study proposes that firm aggressiveness and the level of autonomy that the firm provides individuals within the organization moderate the relationship between technology orientation and product innovativeness.

Though recent years have witnessed a strong growth in the service sector, researchers have noted the dearth of research on innovation in the service industry. Gopalakrishnan and Damanpour (2000) observe that “...although service organizations and industries are a major economic force in the contemporary U.S. economy, research and theory exploring innovation in service delivery is rare” (p. 14). Technological advances are often the basis for radical service innovations (Johnson, Menor, and Roth 2000), and are valuable in firms that provide services with high levels of technology content. Hence, this research investigates the relationship between technology orientation and product innovativeness in the context of technology services organizations (TSOs). TSOs are defined as organizations that provide technology-based services in the form of technology system design, implementation, analyses, studies, plans, management consultations, purchasing advice, and other artifacts and services (Das and Joshi 2007). These firms need to acquire a substantial technological background for deploying technology in their products and services, and will therefore be characterized by a greater degree of technology orientation, providing a suitable context to study its relationship with product innovativeness.

Based on extant literature, we first hypothesize that technology orientation and product innovativeness are positively associated. We then argue that the firm’s level of aggressiveness positively moderates the relationship between technology orientation and product innovativeness. Lumpkin and Dess (2001) define aggressiveness as an organization being characterized by a strong offensive posture. Aggressiveness is indicated by both the level of the organization’s deployments of corporate resources (e.g., for product/service development), and the level of risk that these deployments entail (Fombrun and Ginsberg 1990; Khandwalla 1977). Both these aspects of aggressiveness should enhance the relationship between technology orientation and product innovativeness.

We also argue that the relationship between technology orientation and product innovativeness is negatively moderated by the level of autonomy provided by the firm. Autonomy is defined as the amount of freedom and discretion the organization provides individuals in carrying out their tasks (Hackman 1983; Langfred and Moye 2004). Due to the diverse and specialized nature of technology related information in a technology-oriented firm, high levels of autonomy can hamper the process of deploying technology for the development of new products/services. Research on the impact of task characteristics on communication patterns shows that more complex tasks require more intensive interaction and coordination to arrive at high quality decisions (Hackman and Vidmar 1970; Olson, Walker, and Ruekert 1995). With increasing task complexity, there is a greater need for interaction and information transfer (Tushman 1978). Providing more autonomy can lead to less information search and knowledge utilization, resulting in inferior task outcomes (Corwin and Louis 1982). Therefore, in technology intensive environments characterized by high task complexity, greater autonomy can lead to less interaction, communication, and coordination, as well as poor information transfer and knowledge utilization, with deleterious effects on the process of using technology for new products and services. Since higher levels of technology orientation in TSOs entail the performance of technical, knowledge-intensive tasks with high levels of interdependence and complexity, increased autonomy will weaken the relationship between technology orientation and product innovativeness.

Our analyses show that while product innovativeness in TSOs is positively associated with technology orientation, this relationship is enhanced when a firm has an
aggressive posture and as such a propensity to take bold actions in its response to customer and market conditions. We surmise that aggressiveness fosters an organizational environment that boldly encourages R&D and development of technologies related to exploitation of market opportunities, and facilitates resource commitments for unproven and risky technology-related projects with promise of high returns, thereby enhancing the relationship between technology orientation and product innovativeness. We also find that autonomy negatively moderates the relationship between technology orientation and product innovativeness. While research on organizational behavior suggests that autonomy can have a positive impact on organizational outcomes, higher levels of technology orientation in TSOs are characterized by greater degree of task interdependence and task complexity, which require high levels of interaction, close coordination, and joint decision making (Wageman 1995) in order to achieve higher levels of product innovativeness. References are available upon request.

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SUMMARY

This theoretical conceptualization proposes marketing communication sent to personal media, such as mobile devices and social media, will be more effective by adapting principles of service quality. Extant models of service quality exist in technology mediated channels, such as e-service quality applicable in an e-commerce context. However, e-service quality models are largely limited to quality surrounding economic purchase transactions. The present research posits that quality principles are also applicable to marketing communication that is separate and apart from a purchase. This quality adaptation is made possible through the evolution of media, technology, and an increase in consumers participating in decision making processes with firms. Four specific areas of service quality are extended to personal media marketing communication. The authors propose a disconfirmation paradigm exists within personal media marketing communication, as well as three quality dimensions: process, environment, and outcome.

Firms communicating company updates, product news, and promotional offers to consumers have a long history within marketing. The original 12-element marketing mix and the consolidated 4Ps model each include a promotion or advertising component to communicate information from firms to consumers (Duncan and Moriarty 1998). Here we define marketing communication (MarCom) as planned marketing messages initiated as firm-to-consumer, but ultimately not limited to one-way communication. MarCom makes it possible for a firm-consumer two-way interactive information exchange (Duncan and Moriarty 1998, 2006).

A key differentiating factor for MarCom sent to personal media compared to advertising sent through traditional media is the opportunity for a consumer to grant permission (i.e., opt-in) to become a member of a MarCom audience. This interactive characteristic is not present in traditional mass media and represents a dramatic shift in MarCom. We posit consumers develop initial expectations concerning the future benefits used as an opt-in enticement before receiving or experiencing the actual marketing messages. Expectations are consumer predictions about what will likely occur in a future transaction or interaction (Zeithaml, Berry, and Parasuraman 1993). Research into the process formation ties expectations to pretrial beliefs and these beliefs serve as the foundation for, and the primary antecedent of, attitude formation used to predict (Oliver 1980; Olson and Dover 1979). Consumers enabled to participate with firms in marketing communication processes suggests a disconfirmation gap is applicable to such communication sent to personal media.

Extant service and e-service quality models (e.g., Bauer, Falk, and Hammerschmidt 2006; Brady and Cronin 2001; Collier and Bienstock 2006; Dabholkar, Thorpe, and Rentz 1996; Grönroos 1984; Parasuraman, Zeithaml, and Berry 1985; Parasuraman, Zeithaml, and Malhotra 2005; Rust and Oliver 1994) suggest quality is a multidimensional construct. The present research suggests principles associated with three dimensions of quality are applicable to marketing communication sent to personal media: process quality, environment quality, and outcome quality. Some or all of these dimensions are present in various forms across several quality models, but the current research’s adaptation of quality for MarCom is most closely aligned with the Brady and Cronin (2001) model.

Process quality concerns the underlying interaction and exchange between a service provider and a consumer that is separate from the core service outcome. This conceptualization carries over well into personal media MarCom. Responsiveness, empathy, frequency, and timeliness of marketing communication dissemination are key success factors within these newer media during the interactive exchange (Bacile and Goldsmith 2011; Barwise and Strong 2002; Bowler 2011; Mangold and Faulds 2009; Momentus Media 2011; Shankar and Balasubramanian 2009).

Environment quality concerns the physical or virtual environment or atmosphere consumers are exposed to (Bitner 1992). Virtual environment cues include text describing merchandise and promotional details, message length, pictures, navigation aids, colors, borders, typetstyles, and use of white space (Eroglu, Machleit, and Davis 2001). Two personal media MarCom digital cues are message design and social interaction with others. Message design characteristics such as length, verbiage, and visual aesthetics influence consumer evaluations (eMarketer 2011; Momentus Media 2011; Peters, Amato, and Hollenbeck 2007; Shankar and Balasubramanian 2009).
Social interaction with others within personal media makes it possible for other consumers to interact with MarCom. Other consumers can then see social interaction when viewing the original marketing message. Consumers can signal quality with a recommendation by liking, re-tweeting, commenting on, or electronically forwarding a marketing message.

Outcome quality represents the result of viewing personal media MarCom (i.e., what the MarCom produces for a consumer). Outcome quality may be the most similar to extant traditional media advertising measures. MarCom and advertising traditionally measure consumers’ attitude toward the ad or message after exposure (e.g., Lutz 1985) to capture the tendency to respond in a favorable or unfavorable manner without accounting for a process or environment dimension. This attitudinal assessment of message favorability is what a consumer is left with after a communication, which produces other attitudes (i.e., attitude toward a firm), purchase intent, assessment of value, and the usefulness of a marketing communication. References are available upon request.

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CONSUMER REACTIONS TO AESTHETIC INCONGRUITY:
INVESTIGATING AESTHETIC INCONGRUITY IN THE
SERVICE CONSUMPTION CONTEXT

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SUMMARY

Imagine you have booked a nice hotel suite to celebrate your special anniversary. However, after you checked into the hotel, you find a hotel room is not what you expected or what you saw on its website. How would you respond? Visual design has been considered an important factor for a company when creating its website. However, is high quality visual design really better, even if the actual product or the actual physical environment is not the same as the visual image provided on the website? If the website presents a product or a service product (i.e., pictures of the hotel room) nicer than the actual product, consumers might become frustrated or regret their purchase, which, in turn, directly influences their future behavioral intentions (i.e., return and/or purchase intention).

As illustrated in the example, the Internet has fundamentally transformed the way tourism-related information is distributed and the way consumers plan their trip, as well as the way they behave (Buhalis and Law 2008). For instance, travel-related photos and videos have become a major content category on many social media applications (i.e., Youtube, Facebook, and Flicker; Xiang and Gretzel 2010). Social media (SM) refers to a group of Internet-based applications, where user-generated content can be exchanged and shared (Kaplan and Haenlein 2010). According to the Travel Industry Association of America, about two-thirds (64%) of online consumers rely on search engines to obtain destination-related information, when they plan a trip (TIA 2005).

Despite the importance of aesthetic incongruity in service consumption, previous research has only investigated aesthetic incongruity in product design or in advertising context. To address this void, this research conceptually investigates consumers’ emotional and behavioral responses to aesthetic incongruity, incorporating consumers’ different value orientations as a moderating variable, in the context of a service consumption environment. In this study, aesthetic incongruity refers to the inconsistency that arises from a mismatch between a service product shown in the picture (i.e., pictures on the website or on the menu) and the actual product (i.e., physical environment or the service product), consistent with previous research (Meyers-Levy and Tybout 1989).

The central idea of this paper is that when aesthetic incongruity arises in a service consumption environment (i.e., hotel room or restaurant menu), consumers respond differently to resolve the incongruity, depending on the valence of the aesthetic incongruity (i.e., positive vs. negative) and consumers’ expectations. Therefore, this study aims to examine the interplay between aesthetic incongruity and consumers’ expectations, comparing the service consumption environment provided in social media and the conventional physical environment. In addition, this study investigates an individual difference as a moderator that influences the relationship between aesthetic incongruity and consumers’ emotional responses, as well as the relationship between consumers’ expectations and their emotions.

To the best of our knowledge, this research is the first to investigate aesthetic incongruity in the service consumption context and its effects on consumers’ responses; thus, this study fills an existing literature gap in the aesthetic literature. This study contributes to a better understanding of how aesthetic incongruity and consumers’ expectations interplay to influence their emotional and behavioral responses. In addition, this study incorporates different consumers’ value orientations that influence the relationship between aesthetic incongruity and their emotion. Beyond theoretical contributions of this study, this research helps service providers develop the appropriate visual design strategy in social media. This is important, given that consumers tend to build their expectations based on viewing pictures of service environments, which, in turn, influence their emotions and behaviors. It is hoped this study can add the current trends on the social media development to provide practical insights for the service organization’s online marketing. References are available upon request.
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ENHANCED REGRET: RUMINATIVE THINKING, MOOD REGULATION AND SERVICE FAILURE

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SUMMARY:

This paper investigates the relationship between recurrent thinking and service experiences; where the consumer’s thoughts persist and focus on the positive or negative association of the experience (Martin and Tesser 1996b). Classified as ruminative thoughts, self-attentive thinking entails recurrent thoughts that revolve around a common theme, often not progressing toward a goal, traditionally resulting in negative affect and depression (Treynor et al. 2003). When a discrepancy between our experiences and the current state occurs, such as in a service failure, ruminative thoughts are likely to emerge (Martin and Tesser 1996a).

Trapnell and Cambell (1999) identify two types of recurrent thought states. The first, rumination, is the neurotic self-attentiveness, motivated by perceived threats, losses, or injuries. This is characterized by recurrent past-oriented, negative thinking. The second state, reflection, is intellectual self-attentiveness, referring to self-focus motivated by curiosity or interest. Reflection explains more intellectual traits relating to self-knowledge and openness to ideas, experiences and increased elaboration. Reflection reduces the negative affect (Mor and Winquist 2002) and moves toward future problem resolution (Martin and Tesser 1996a).

Mood regulation can be used to address and manage recurrent thinking. Consumers are motivated to regulate their affect in order to reduce discrepancies between their current state and a perceived “ideal” affective state (Andrade 2005; Gross 1998). They will engage in a number of cognitive and behavioral strategies to do so, such as reflective thinking. One framework which has been used to describe mood regulation is the concept of emotional intelligence. As defined by Kidwell et al. (2007, p. 154), consumer emotional intelligence is “a person’s ability to skillfully use emotional information to achieve a desired consumer outcome.” Emotional intelligence consists of three regulatory traits: mood monitoring, mood clarity, and mood repair (Salovey et al. 1995).

Mood monitoring is the tendency to take notice and monitor one’s emotional state (Swinkels and Guiliano 1995). Mood clarity is the ability to identify and describe specific moods, beyond knowing one feels simply good or bad (Gohm and Clore 2000). Mood repair concerns a person’s ability to repair unpleasant moods and maintain positive ones (Salovey et al. 1995).

Of the three, mood clarity is likely to be a central component in affect regulation (Gohm 2003). For example, if information arising from the affective system is critical for decision making (Schwarz and Clore 1996), then a person who is unable to understand and effectively use these emotions should exhibit certain biases in cognitive processes (e.g., Berenbaum and Irvin 1996; Lischetzke and Eid 2003). Individuals high in clarity, who are able to identify and understand their emotions, make self-affirming attributions for good events, but do not let themselves make the same attributions for bad events (Gohm and Clore 2003).

Investigating the role of recurrent thinking in this process is of particular interest; how we engage in recurrent thoughts can have a strong influence on our ability to maintain and control our moods. This ability to refine our mood can have a strong impact on service responses as those who can rebound from service failures quicker may be more likely to return to the store and continue the shopping relationship. This discussion leads us to propose the following:

H1a: Reflective thinkers have more clarity when it comes to identifying their moods than ruminative thinkers.

H1b: Reflective thinkers are more able to monitor their moods than ruminative thinkers.

H1c: Reflective thinkers are more able to repair their moods easier than ruminative thinkers.

H1d: Reflective thinkers are less intense regarding their moods than ruminative thinkers.

H2: Reflective thinkers are more able to manage their moods in face of service failures than ruminative thinkers.

Utilizing shopping scenarios we evaluated how self-attentive thoughts (ruminative or reflective) and mood regulation relate to consumer evaluations of shopping experiences and purchase intentions. In general we find that reflective thinking allows for more efficient mood
monitoring, clarity of mood and ability to address service failures (H1a – H1c). Surprisingly the intensity of the mood is not influenced by whether one reflects or ruminates upon it. The analysis of marginal means for the interaction between experience and self-reflective thoughts revealed that for positive experiences, reflectors had higher overall mood regulation but held little significant differences over ruminators. In bad experiences reflectors were more significant indicators of consumer mood regulation than ruminators supporting H2.

This analysis begins to investigate the relationship between self-attentive thoughts and mood regulation. Results indicate that in the face of positive shopping experiences, how we reflect upon those experiences has little to do with our emotional state, or even how we work to maintain those emotions. This has a strong impact for managers, as it is less about how good the shopping experience was, but that it was a positive one in the first place. In light of service failures, ruminative thoughts exacerbate the overall mood reflection, intensity, clarity and ultimately how we repair those moods. This has distinct implications for managers as the negative impact of a poor shopping experience tends to stay with ruminative customers. Managers should realize that a negative shopping experience can extend beyond the experience and can create a long-term deeply emotional response that can destroy the brand relationship. Managers can begin to overcome these ruminative thoughts by addressing positive outcomes in the face of service failures, effectively highlighting the silver lining around the dark cloud. References are available upon request.

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SERVING IN AN ONLINE WORLD: HOW TO REACT ON NEGATIVE ELECTRONIC WORD-OF-MOUTH?

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SUMMARY

Because of the new social media platforms (e.g., Yelp, Facebook, Twitter), individuals today have many ways to express their opinions (electronic word-of-mouth [eWOM]) about services, brands, companies, and employees. While positive comments from former customers can convince potential customers to try a service (Park and Lee 2009), negative online published opinions can have a significant impact on a consumer’s choice (Laczniak et al. 2001; Senecal and Nantel 2004), revenue (Chevalier and Mayzlin 2006; Dellarocas et al. 2007), a firm’s stock returns (Tirunillai and Tellis 2010), and is more useful than positive eWOM messages for several product categories (Sen and Lerman 2007). The viral quality of negative eWOM diffusion in new online media can ruin a company’s reputation and put a service company out of business. By investigating the effects on the company, Chatterjee (2001) found that negative reviews significantly deteriorate the service provider’s perceived credibility. Our literature review additionally reveals that only a few studies have investigated the effects of different aspects of eWOM on credibility and trust as perceived by the receiver. Despite the importance of negative eWOM, the question of how to systematically react to unfavorable online comments has been widely neglected in academia.

Therefore, the goal of this study is to investigate the effects of company response strategies on consumers’ perceptions of negative eWOM. In particular, we are interested in the effects of two response strategies (or social accounts): apologies and excuses (Bies 1987). To the best of our knowledge, the trade-off between attributed responsibility and the adequacy of a company’s response has not been empirically verified in the new media context to date. In addition, we investigate the influence of potential customers who observe the interaction between a complainant and a service company in two online media environments. For this, we execute a series of experimental studies that were conceptualized based on attribution and attributional theories (Kelley and Michela 1980), conflict theory (Sitkin and Bies 1993), and excuse theory (Snyder and Stukas 1999).

In the first study, we investigate the effects of the two response strategies on the eWOM receiver’s evaluation of the service company. To test our hypotheses, we conducted an online experiment including a 2 by 2 by 2 between-subjects design: severity of the failure (low, high) x service failure type (process, outcome) x social account type (apology, excuse). We also measure credibility, benevolence, and attitude toward the company – before and after the company’s response – in order to measure the dynamics. In the second study, we build on the findings from the first study and integrate additionally public interactions. We used brand pages (e.g., fan pages on Facebook, channels on YouTube, G+ pages on Google+) as a forum for integrating repliers who react to initial negative comments.

Based on our data, we can show that apologizing is always the most effective eWOM response strategy – regardless of whether a particular company is responsible for the failure. Further, an apology has a greater effect on eWOM receivers when a highly severe service problem is reported. Our data explains the influence of repliers’ comments within the social media environment, which is known for its high degree of interactivity between different actors.

Our research contributes to the existing marketing literature from several standpoints. First, we highlight the importance of dealing with negative eWOM communication with social accounts in two contexts: online review sites as well as brand pages within social networking sites. Second, we empirically assess the effects of specific types of complaint management tools (i.e., apologies, excuses) on eWOM receivers, and study the effect of potential consumers who are not directly affected by the problem (Bobocel and Zdaniuk 2005). Third, while eWOM research on consumer online reviews has received considerable attention, eWOM within social networking sites, including the information from other individuals, is widely neglected in the literature.

Our results have important implications for marketing management. First, we were able to show the power of an apology in dealing with negative eWOM. Our results show that the question of who is responsible for the problem is only of minor importance for the eWOM receiver; the attribution of responsibility has only limited effects on subsequent evaluations of firm. Therefore, even in the event that the cause for a problem lies outside a company’s responsibility, it is better for the company to apologize and accept responsibility for the problem.
Second, we can show the influence of consensus between the initial negative commenter and other social media users on attitude, credibility, and benevolence. This illustrates the relevance of a vibrant fan community in social media; such a community is capable of defending the company when it is attacked. The opinion of other users is much more credible than communication from the company itself and may help to reduce or even avoid negative viral effects. But despite the positive effect of social media users’ defensive behaviors, our results reveal that it is better to admit responsibility when a problem occurs, even if some users may not agree with the initial negative comment. This is a very important finding, because management often denies responsibility completely (van Laer and de Ruyter 2010).

Future research should also include a company’s lack of response in order to underline the importance of an apology. In addition, the importance of the intensity of consensus between the initial negative comment and other social media users remains unclear. Therefore, more research is needed to understand the effects of a company’s response to negative eWOM in social media, as well as its interaction effects with other social media users.

New media channels enable customers to articulate experiences and express themselves in various ways. WOM communication on the Internet provides consumers with considerable power. Our study is the first step toward achieving a better, more comprehensive understanding of eWOM in the context of new media channels. References are available upon request.

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RELINQUISHING THE MOMENT OF TRUTH: A MODEL OF FIRM AND CUSTOMER-LED SERVICE RECOVERY

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SUMMARY

Given that firms routinely engage their customer base to provide customer support (Nambisan and Baron 2007; Mathwick et al. 2007) and involve their customers in the service recovery process (Meuter and Bitner 1998; Dong et al. 2008), it is important that this customer-led activity is reflected in existing models of service recovery. However, no existing model considers the customer agent as a potential support provider for the failed customer in search of a service recovery. In this conceptual research, the focus is to expand on an existing model of service recovery by Smith et al. (1999) in order to develop a new framework that incorporates the customer as a viable service recovery agent. The current research compares firm and customer-led service recovery in the context of online firm-hosted forums and communities, and applies the characteristics of online brand communities to inform how perceptions of justice may generate satisfaction when the recovery is customer-led. Attribution theory is employed to examine the post-recovery attribution set, which is expanded when the customer is the recovery agent.

Following a review of existing models in the service recovery literature (Hess et al. 2003; Kelly and Davis 1994; Smith et al. 1999), the model by Smith et al. (1999) was chosen as the most appropriate with which to integrate the customer agent, because it examines recovery engagement as an encounter or interaction rather than as a relationship, and satisfaction rather than perceptions of service quality as the key outcome variable. Smith et al. identify four recovery attributes that can be used to restore customer satisfaction following a failure: compensation, response speed, apology, and initiation. Informed by social exchange theory, these attributes are associated with customer perceptions of distributive, procedural, and interactional justice. Positive perceptions of justice are then linked to customer satisfaction with the service recovery encounter. While this model by Smith et al. is suitable to describe firm-led service recoveries, revisions must be made to accommodate customer-led service recovery.

The newly enhanced model introduces two recovery attributes—explanation and empathy— that can be utilized during a recovery by both firm and customer recovery agents and are essential for understanding the valuable role a customer agent can play during the recovery process. Customer choice of the recovery agent is integrated into the model to make connections between elements of the failure context (type: process vs. outcome, and category: service and product) and recovery attributes. Choice of recovery agent then mediates the relationship between failure context and recovery attributes, moderated by individual difference variables (age and prior experience) and failure magnitude. The failure context is extended to include failures related to both service and product-related issues, as customer-led service recoveries often involve problem-solving for technical products, such as computers and cell phones.

The addition of explanation and empathy as recovery attributes available to both firm and customer agents are informed by characteristics of online brand communities. Online communities and user forums are "vast reservoirs of information" (Madapu and Cooley 2010, p. 364), and members of brand communities have a moral responsibility to assist fellow customers with the proper usage of the brand’s products or services (Muñiz and O’Guinn 2001). Customer agents can therefore provide an accurate explanation for a failure due to the extensive information and experience with the product or service, and can be as sufficient as the firm in doing so. Empathy is another vital addition to the recovery attribute set of both firm and customer agents. Muñiz and O’Guinn (2001) identify consciousness of kind as a significant characteristic of a brand community, which influences the members’ ability to promote empathy, which is distinct from an apology. Bickart and Schindler (2001) found that in comparison to corporate websites, online forums have a greater ability to evoke empathy, therefore giving the customer agent an edge over the firm agent in this recovery realm. Response speed is the final recovery attribute that can be employed by a customer agent, and it is expected that firm and customer agents will perform similarly in this regard.

Regarding distributive justice, this dimension is strictly related to a firm-led recovery and is absent from recoveries provided by a customer agent in the new framework. Therefore, procedural and interactional justice are maintained on the side of the customer agent, suggesting that response speed influences positive perceptions of procedural justice, and empathy and explanation influence positive perceptions of interactional justice. Holcutt et al. (2006) find that high responsiveness (procedural justice) and courtesy (interactional justice) have a powerful positive effect on customer evaluations, which would lead to satisfaction with a customer-led recovery. This proposed framework suggests that a customer agent will be more successful at delivering on positive perceptions of inter-
actional justice for the failure customer than a firm agent, due to their ability to provide a necessary explanation and deliver appropriate empathy during the recovery process. In addition, the locus of the failure attribution during a customer-led recovery has yet to be studied. Existing research on attribution theory suggests that the failed customer attributes the failed recovery to the firm, as opposed to the front-line employee. However, the interactions between peers and within communities are decidedly different, and it is not yet understood where the attributions lie and whether expectations of customer agents play into these attributions post-recovery.

Smith and Bolton (1998) describe a service recovery as the “moment of truth”; it is the opportunity of the firm to restore customer satisfaction or intensify the failure and drive customers to competitors. Firms that engage their customers in providing customer support relinquish this critical moment, trusting their customers to provide the requisite due care and timely responsiveness following a service failure. This research suggests that firms can recover from service failures without direct notification of the failure, and that customer agents can successfully lead this recovery. References are available upon request.

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THE IMPACT OF PERCEIVED SERVICE RECOVERY JUSTICE ON CUSTOMER AFFECTION, LOYALTY, AND WORD-OF-MOUTH

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SUMMARY

Service failure is inevitable and when it occurs, it may deteriorate relationships with customers, possibly causing customer dissatisfaction, negative word-of-mouth, and even customer defection if it is not handled properly. Hence, it is crucial for firms to successfully deal with service recovery to reestablish and/or maintain positive relationships with customers (Gustafsson 2009; Rio-Lanza, Vazquez-Casielles, and Diaz-Martin 2009). Customer satisfaction with service recovery has been deemed critical for firms in maintaining positive relationships with customers (Harris et al. 2006; Maxham 2001; Maxham and Netemeyer 2002; Stauss 2002). Customer satisfaction with service recovery, mostly, however, taps the cognitive aspects of consumer behavior (i.e., expectations, disconfirmations, justice perception, etc.) (Harris et al. 2006; McColl-Kennedy, Daus, and Sparks 2003; Smith et al. 1999; Wirtz and Mattila 2004). While there is no denying that satisfaction with service recovery is a critical factor in ensuring customer loyalty, we suspect service recovery satisfaction may not be sufficient enough to keep customers loyal after a service failure because service failure and recovery encounters often evoke strong emotional reactions from customers, which may influence customers’ decision of whether to remain in a relationship with a company directly or indirectly.

While customers’ emotional responses to service failure and recovery encounters have received some attention (Weiss et al. 1999; Chebat and Slusarczyk 2005; DeWitt et al. 2008; Namkung and Jang 2010) and some researchers have begun to investigate customer affection in the context of service failure and recovery (La and Choi 2011), little progress has been made in developing a theoretical understanding of what constitutes customer affection and its consequences in the context of service failure and recovery. Furthermore, no empirical studies have specifically addressed how customers’ justice perception influences customer affection and its impact on behavioral outcomes such as word-of-mouth.

The primary objective of this study therefore is two-fold. First of all, we examine the effects of customer justice perception on customer affection. We also test the moderating effect of service failure severity on the relationship between justice perception and customer affection. Second, the current study investigates the effects of customer affection on customer loyalty and word-of-mouth. While much research has examined the relationship between customer perception of service recovery efforts and aforementioned attitudinal and behavioral outcomes, little research has been conducted to address the role of customer affection as the mediating factor between customer justice perceptions and key relationship constructs such as loyalty and word-of-mouth. In all, our theoretical model highlights the role of customer affection as the mediator between customer justice perception and word-of-mouth. This model also addresses the role of customer loyalty as the mediator between customer affection and word-of-mouth.

To test the model, we conducted a survey and collected self-administered data for data analysis. The proposed relationships were then tested using confirmatory factor analysis and structural equation modeling. Results show that procedural and interactional justice perceptions significantly influence customer affection, with distributive justice perception being significant only if the severity level is high, and that customer affection greatly influences word-of-mouth both directly and indirectly via customer loyalty. Our findings imply that service recovery efforts should be viewed as a strategy to build a long-term relationship with customers, rather than just short-term solutions to temporarily ease customer dissatisfaction.

The present research expands our understanding of the links between the two important relationship constructs, namely loyalty and word-of-mouth in the context of service failure and recovery. Poor service failure recovery can often exacerbate the relationship with customers, causing them to rate the firm’s service recovery performance lower and even switch to other service providers after service recovery encounters. Then, how can a firm make customers remain loyal after service failure? Most research on service failure and recovery has suggested satisfaction with service recovery as a solution to rebuild loyalty after service failures (Harris et al. 2006; Maxham 2001; Maxham and Netemeyer 2002; Stauss 2002), Though there is no denying that satisfaction with recovery is critical factor in ensuring customer loyalty, recovery satisfaction may not be sufficient to help customers to remain loyal after a service failure. Recovery satisfaction mostly taps the cognitive components (i.e., expectations, disconfirmations, justice perception) (Harris et al. 2006; McColl-Kennedy, Daus, and Sparks 2003; Smith et al.
1999; Wirtz and Mattila 2004). However, a service failure often evokes strong emotional responses from customers (e.g., angry, frustrated, irritated, etc.) and the affective responses has a significant influence customers’ evaluation of organization’s service recovery effort (Andreassen 1999). Therefore, it is highly likely that service recovery efforts affect customers’ emotional tie with firms.

While important, compared to the constructs such as satisfaction and trust, the role of customer affection has been overlooked in service recovery until very recently (Yim et al. 2008). The results of the present study deepened our understanding of the antecedents of loyalty in the context of service failure and recovery by finding the links between customer affection and other constructs such as loyalty and word-of-mouth. The results show that strengthening the emotional tie between customers and companies is crucial in enhancing customer relationships after service failure and recovery. Customer affection influences word-of-mouth directly and indirectly via loyalty. Together, the present research provides insight into the nature of the relationship between customer affection and word-of-mouth in the context of service failure and recovery.

Future research should focus on several areas to overcome the limitations of the present study. First, the model used in the current study was tested using a self-administered survey. Provided that recall bias may have influenced the results, the additional test using an experiment may help enhance the validity of the current findings. However, we believe survey is appropriate in the current context as laboratory experiments, the alternative method, also have pitfalls in that they may not reflect the real world situation appropriately. Second, the present research used cross-sectional sample of undergraduate students. Though the use of undergraduate students might not be ideal for the study, we argue it was appropriate given that the majority of participants of the present study experienced various service failures (e.g., wireless phone service, high speed internet, cable TV, restaurants, etc.). Nonetheless, we admit the use of a homogeneous student sample may limit the findings’ generalizability. Future research may consider testing the model using a broad range of customers or customers who experienced similar service failures and recoveries in specific service categories to deepen our understanding in regards to the issues addressed in the present study. References are available upon request.

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CAUGHT BY SURPRISE: THE BEHAVIORAL EFFECTS OF SURPRISE 
AND DELIGHT ON CONSUMERS IN DIFFERENT INDUSTRIES

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SUMMARY

The concept of customer delight has increasingly become the focus of attention of researchers and practitioners. This is due to increasing doubt that has been shed on the impact of customer satisfaction on customer loyalty (e.g., Deming 1988; Leung and Kwong 2009; Schneider and Bowen 1999). In several different industries it can be observed that despite high degrees of customer satisfaction, a considerable share of customers still switches to competing brands for their next purchase. Therefore, it is not sufficient for companies to strive to satisfy their customers, they instead need to achieve delight in order to benefit from increased and persistent levels of loyalty and repurchase intentions (e.g., Oliver, Rust, and Varki 1997; Schneider and Bowen 1999).

In order to evoke delight, a company has to provide some kind of unexpected value to the customer. This can either be based on a surprising level of performance (e.g., Finn 2005; Rust and Oliver 2000) or a complete surprise (e.g., Arnold et al. 2005; Schneider and Bowen 1999). According to Johnston (2007) the management system which causes customer delight is service excellence. Service excellence occurs when customers perceive a service to have exceeded their previous expectations of the respective service (Horwitz and Neville 1996). The overall goal of service excellence is to deliver such a high level of service quality that customer expectations can be exceeded which in turn will result in delight (Johnston 2004, 2007). This level of service quality was represented by the construct excellent service quality for the purpose of the authors’ study.

Considering the role of delight in premium and mass markets, one intuitively might assume that delight is of greater importance in a premium market setting. Products and services there are usually associated with high involvement. This means that from a customer’s perspective, such goods are of a certain relevance in the customer’s life; possibly, as a status symbol or based on one’s self-conception (e.g., Kim and Sung 2009; Traylor 1981; Zaichkowsky 1985). Following the argument presented by Oliver et al. (1997), for companies operating in industries which offer low-involvement products and services, it is hardly possible to evoke the emotion of delight. Such products are most common in mass markets.

The authors conducted a survey focusing on the antecedents and effects of delight in the two different markets in order to gain an empirical insight into the respective role and importance of customer delight as well as the importance of excellent service quality and surprise as an antecedent. In order to do so, two services with completely opposite degrees of customer involvement, namely premium versus mass-market service products, were identified. On the one hand, representing the premium business segment offering a high-involvement service, a luxury hotel was chosen. The mass-market service with a low-involvement product was a mobile phone service offered by a telecommunications provider. In both settings, the effect of surprise as well as excellent service quality on delight was analyzed. Two questionnaires were created which included introductory descriptions of service encounters for the two different market environments.

Before the actual data collection, a convenience pre-test was conducted, in which a total of 17 people worked through the respective parts of the questionnaires. Respondents were allocated to a questionnaire on the basis of a random selection. In total, a sample of 328 respondents (average age 26.7; 52.4% female, 47.6% male) completed the survey. One hundred sixty-seven complete questionnaires for the high-involvement scenario and 161 answers for the low-involvement scenario could be obtained. For hypotheses testing the authors used structural equation modeling.

The effect of excellent service quality and delight on repurchase intentions could be shown not only in the high-involvement, premium market scenario, but also in the low-involvement, mass market. Nonetheless, the results indicate that there are still major differences between the cases: Considering the recommendation intentions of the customers, there is no significant effect of delight in the mass market, while there is one in the premium market. A possible explanation is that customers of customized premium market offerings experience a higher degree of...
emotional involvement and delight than customers of standardized mass market offerings. The degree of emotional involvement stimulates the likelihood of consumers to establish a relationship with the provider and thus their willingness to spread word-of-mouth. Secondly, there is no direct effect from surprise on either repurchase intentions or recommendation intentions. It is mediated through delight as suggested in the literature on emotions which describes surprise as a neutral preemotion.

Since managers do want to create customer delight, but are unaware of how to implement such measures in practice, the identification of two delight triggers, namely surprise and excellent service quality, is very helpful. However, although surprise is an activator for delight, its impact is not equally strong across industries and, compared to their premium-market colleagues, provider of mass-market services can achieve better results with less effort. Expectations in the premium market are high, but if delighted customers become loyal customers the extra effort is legitimized. Since the effect of surprise differs in the scenarios presented, managers need to be aware of the setting they operate in and align their surprise events to it. A strategy of service excellence is not suited for every company or every target group. The behavioral intentions provoked by the service excellence strategy also need to be considered to be able to conduct a cost-benefit analysis. A final evaluation of whether the loyalty-induced behavioral effects outweigh the costs associated with the surprise measures in the long-run has to be assessed by the management on case-specific basis. References are available upon request.

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FORGING RELATIONSHIPS TO COPRODUCE: A CONSUMER COMMITMENT MODEL IN AN EXTENDED SERVICE ENCOUNTER

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SUMMARY

Although the concept of commitment has been examined in various consumer services contexts, an understanding of consumer commitment theory is still incomplete. First, the role of commitment as a stabilizing psychological force that can direct one’s behavior has not been sufficiently acknowledged. As a result, the investigation of behavioral implications of commitment has been exclusively limited to consumers’ switching or referral intentions (e.g., Bansal et al. 2004; Barksdale, Johnson, and Suh 1997; Verhoef et al. 2002). Second, the unique psychological mechanisms that can foster various dimensions of consumer commitment have not been explored. Consequently, the widely examined antecedents of consumer commitment are limited to satisfaction, trust, and switching cost (e.g., Bansal et al. 2004; Brown et al. 2005; Jones et al. 2007). Finally, with a few exceptions (e.g., Barksdale et al. 1997), the most frequently studied service encounters in commitment research are characterized by low consumer participation. This is in contrast to the employee-organization context where the commitment construct was originated as employees usually play an active role in organizations’ production. Our study intends to address these limitations through reconceptualizing consumer commitment, developing a theoretical model of consumer commitment, and testing the model in a complex and extended service encounter.

We argue that both organizations’ and consumers’ investment in the relationship help forge consumers’ commitment to the organization, which in turn promotes consumers’ retention as well as a variety of their coproduction behaviors. Data were collected via a self-administered survey from 364 clients of a debt management program in the U.S. A structural equation modeling (SEM) approach was used to establish the construct validity and test the hypotheses. Our results showed that, compared with firms’ and consumers’ relationship investment, perceived availability of alternatives has a much stronger effect on consumers’ calculative commitment. In contrast, firms’ and consumers’ relationship investment play more important roles in forging affective commitment. Furthermore, as predicted, calculative commitment, associated with the cost of leaving, only increases intention to remain, while affective commitment, associated with consumers’ emotional bond to the organization leads to a broader range of desired behaviors including individual initiative and civic virtue. Surprisingly, affective commitment does not influence consumers’ intention to remain and compliance. Firms’ relationship investment (i.e., perceived organizational support, POS) is the only predictor of compliance in the model and its effect is not mediated through affective commitment. Lastly, only affective commitment has a direct impact on civic virtue. The effects of POS and consumers’ relationship investment are fully mediated through affective commitment.

Findings of this study have several implications for consumer commitment research in services context, especially when the successful service delivery comprises a continuous stream of transactions and requires customers’ participation. We build on previous consumer commitment literature by studying additional behavioral outcomes of commitment other than switching or referral intentions. Our findings also revealed the differential effects of different types of commitment on consumer behavioral consequences. In addition, examining both organizations’ and individuals’ relationship investment as antecedents, our study also suggests additional means for developing consumer commitment.

Our findings also provide guidance for managers in the debt management program and other similar behavioral change counseling services such as weight loss and smoking cessation. Although consumers’ perceived cost of exiting the relationship may increase their intention to stay in the program, consumers’ intention to stay is not adequate for their successful completion of the program. In order for consumers to complete the program, they need to follow their service providers’ instructions and comply with their requests. To gain consumers’ compliance, providing social and emotional support to consumers is the key and cultivating an emotional bond with consumers may not be necessary. However, in order to engage consumers to perform beyond the minimally required level, forging consumers’ emotional attachment becomes as crucial as offering support. References are available upon request.
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YOU’RE SUCH AN EMBARRASSMENT! A QUALITATIVE STUDY OF THE DETERMINANTS AND CONSEQUENCES OF VICARIOUS EMBARRASSMENT IN CUSTOMER-TO-CUSTOMER INTERACTIONS IN THE SERVICE CONTEXT

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SUMMARY

Research Topic and Aims

Consumers’ vicarious embarrassment, which occurs when one “fellow customer” (Wu 2008, p. 1504) feels embarrassed for another, has not yet been analyzed in the service context. Krach et al. (2011) recently demonstrated the existence of vicarious embarrassment subsequent to a violation of social norms or standards. Nonetheless, the antecedents and consequences of vicarious embarrassment in a service context remain unclear and so are business consequences. Thus, our research aims are (1) to demonstrate the existence of vicarious embarrassment, (2) to identify the determinants of vicarious embarrassment, and (3) to identify and explain the consequences of vicarious embarrassment, including the corresponding emotions.

Literature Review

Embarrassment is a self-conscious, socially occurring emotion that can be explained by someone’s fear of losing his or her social identity through others’ evaluations (Keltner 1995; Miller 1996). However, the question is whether the consequences mentioned in embarrassment and empathic embarrassment literature, such as the intention to flee embarrassing situations, which lead to negative service evaluations (Brumbaugh and Rosa 2009; Dahl, Manchanda, and Argo 2001; Grace 2007; Marcus and Miller 1999; Robbins and Parlavecchio 2006; Shearn et al. 1999; Silver, Sabini, and Parrott 1987), are also true for cases in which one is simply observing someone else violating social norms or being in an embarrassing situation. Vicarious embarrassment could be highly relevant in service transactions because such encounters often consist of interactions among a service provider and customers and other customers present, in which embarrassment could be particularly relevant (Richins 1997). Because the inappropriate behavior of employees or other customers can result in a customer’s dissatisfaction (Bittner, Booms, and Tetreault 1990; Grove and Fisk 1997, Grove et al. 1998; Guenzi and Pelloni 2004; Harris and Reynolds 2003; Huang, Lin, and Wen 2010; Huang 2008; Martin 1996; Martin and Pranter 1989; Moore et al. 2005; Wu 2008), vicarious embarrassment is expected to lead to similar effects. Krach et al. (2011) demonstrated that it does not matter whether an incident occurs intentionally or unintentionally, or with the embarrassed customer’s awareness or not.

Method

Critical incidents in which one customer feels embarrassed for another were collected during 25 interviews, in which respondents were asked to recall service experiences when they felt vicariously embarrassed for another customer. The respondents were encouraged to recount a specific story in detail and to relay their feelings and reactions to gain information not only about the incidents but also the customers’ emotions, the possible determinants and the consequences. Content analysis was used to identify recurring themes in the interview transcripts. Through an open coding process, a code system was developed linking the 386 coded interview fragments to the categories incidents (58), determinants (196), and consequences (132) of vicarious embarrassment.

Findings

First, we identified verbal and behavioral violations of social norms to elicit vicarious embarrassment in service situations. This corresponds to research by Huang (2008), who demonstrated that the customer failures of people talking too loudly, cutting in line, crowding, and verbal and physical abuse were reported most often. Second, the influence of the following determinants was elaborated: work experience in service, embarrassability, the closeness of the relationships, inconvenience, the situational involvement, the degree of violation of social norms, and the service sector. Third, the feeling of vicarious embarrassment was concretized through the analysis of emotional, cognitive, and behavioral reactions. Hence, vicarious embarrassment can be described by feelings such as discomfort, irritation, agitation, annoyance, compassion for the service provider, the intention to flee, vicarious shame, or ridiculousness. The reactions to vicarious embarrassment comprised feelings, thoughts,
acting, calming actions, apologies, and ignoring by the fellow customer. Finally, we disclosed relevant business consequences of vicarious embarrassment for service firms.

The findings confirm that vicarious embarrassment is felt more frequently by people with work experience in the service sector. Plausible explanations are that service providers are involved in social transactions more often and have higher social competencies, including empathic traits (e.g., Groth, Hennig-Thurau, and Walsh 2009).

Our qualitative analysis affirmed a relationship between personal embarrassability and how frequently vicarious embarrassment is perceived. Personal embarrassability refers to the ability to be easily embarrassed, and consequently, to be more susceptible and more affected by embarrassing situations.

Closeness of relationship as an antecedent of vicarious embarrassment was not supported by our qualitative interview data, which contradicts Miller (1987) and Stocks et al. (2011). However, our findings are consistent with the work of Tangney et al. (1996), who found that embarrassment was more common for strangers, but stronger feelings such as guilt and shame were more common for loved ones. Hence, we can state that vicarious embarrassment is felt in every kind of underlying relationship between customers and fellow customers; however, the intensity of the emotion and the reactions could differ.

The situational involvement, the degree of violation of social norms and the inconvenience were found as further determinants of vicarious embarrassment.

The identified consequences for service providers included increased negative word-of-mouth intentions and negative associations toward the firm. This consequence can result in image damages, depending on the severity of the incidents and the skills of the service employee to handle vicarious embarrassment incidents. Furthermore, the intention to flee the situation was supported.

**Contributions**

On the basis of our qualitative analysis, we derived useful information about how, when, and to what extent vicarious embarrassment as an emotional variable influences service evaluations from the customers’ point of view and results in consequences for service firms. We thereby advance the existing knowledge of emotional processes in service transactions from a customer-to-customer perspective and discuss vicarious embarrassment in the service sector for the first time. References are available upon request.

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TEMPTED BY ANOTHER: HOW CUSTOMER-PERCEIVED COMPETITIVE ADVANTAGE INFLUENCES REPURCHASE INTENTIONS IN SERVICE RELATIONSHIPS?

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SUMMARY

In light of hypercompetitive markets, customer loyalty remains a strategic priority for firms across service industries (Palmatier et al. 2006). Consequently, service marketers strive for an ever better understanding of the drivers of customers’ repurchase intentions. However, surprisingly little research on service relationships has focused on the specific impact competitors have on repurchase intentions. Accordingly, marketing scholars have called for a stronger emphasis on understanding the influence of a firm’s competition on loyalty mechanisms (Boulding et al. 2005). Answering this call, this study examines the effects of customer-perceived competitive advantage (CPCA) – a consumer’s explicit assessment of the service firm relative to its competitors—on repurchase intentions, above and beyond those of other predictors including satisfaction.

Customer satisfaction is widely considered the central determinant of loyalty intentions (Seiders et al. 2005). However, some authors have argued that the satisfaction construct may not paint a complete picture of how competition affects loyalty; thus, they have proposed that customer assessments of the firm relative to competitors help provide a different lens in predicting loyalty (Dick and Basu 1994). This idea of relative firm assessments received particular attention in research on customer value (Gale 1994) and attractive alternatives (Ping 1993). However, the extant literature suffers from important limitations. To expand current knowledge regarding the interplay of competition and loyalty intentions, we study CPCA. This study proposes that CPCA will have a positive effect on repurchase intentions from a focal firm, over and above any effect of satisfaction. Moreover, it hypothesizes an interaction between CPCA and satisfaction such that with lower levels of satisfaction the positive relationship between CPCA and repurchase intentions becomes stronger.

We test the hypotheses using data on actual service relationships, employing a survey research design in the context of customer-bank relationships. The survey uses a comparative measurement approach that requires customers to compare a focal service firm (bank) to its competitors. This approach deliberately recognizes that customers evaluate and choose companies in a context-dependent rather than an isolated manner (Tversky and Simonson 1993). The results from an Ordinal Logistic Model demonstrate that accounting for a service firm’s CPCA is fundamental for better understanding and predicting repurchase intentions. Specifically, there is a systematic association between CPCA and repurchase intentions, such that higher levels of CPCA are linked to increased repurchase intentions, even when satisfaction is accounted for. Indeed, controlling for CPCA renders the main effect of satisfaction on repurchase intentions not significant. Additional analyses show that, consistent with the existing loyalty literature, satisfaction is a strong driver of repurchase, but only in the absence of CPCA.

In addition, the predicted interaction between CPCA and satisfaction emerges. We show that CPCA interacts with satisfaction to affect repurchase intentions, with the impact of CPCA increasing as satisfaction decreases. Thus, the impact of CPCA on repurchase intentions depends on the level of satisfaction, with CPCA having a larger impact when customers are less satisfied. In other words, less satisfied people particularly weigh CPCA as they decide whether to repurchase. This strongly suggests that future researchers should account for CPCA when studying repurchase intentions.

Moreover, scholars interested in the concept of customer value should consider the distinct conceptual role of CPCA vis-à-vis the consumer’s trade-off between benefits and sacrifices. Given the prominence of customer value in marketing, our analyses controlled for this variable (i.e., its trade-off operationalization). This approach made our hypothesis tests more conservative and emphasized that CPCA represents a unique theoretical and empirical contribution to the prediction of repurchase intentions that the established trade-off conceptualization of customer value fails to capture.

In summary, given its role in shaping repurchase intentions, theoretical frameworks in marketing should include the notion of CPCA as a distinct conceptual antecedent of consumers’ loyalty intentions in service industries. In parallel, service marketing scholars should examine the possibility that satisfaction plays a more contingency-related role regarding repurchase intentions than has been previously assumed.
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THE SERVICE LEVEL/GRAUNITDE/RECIROCATION RELATIONSHIP AND THE MODERATING IMPACT OF RECIROCATION WARINESS

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SUMMARY

Consumer gratitude is by and large an under-researched topic in the field of marketing and consumer behavior. There are three seminal articles that have recently dealt with the gratitude construct. First, Morales (2005) suggested that gratitude influenced a consumer’s willingness to pay for products and services. Second, Soscia (2007) found that consumer gratitude was positively linked to word of mouth (WOM) and repurchase intention. In a more heavily cited article, Palmatier, Jarvis, Bechkoff, and Kardes (2009) found that gratitude mediated the relationship between relationship marketing investments (RMI) and several desirable outcomes for the firm (i.e., purchase intention, share of wallet, sales revenue and sales growth). In this paper, we extended the findings of Palmatier et al. (2009) in two ways. First, we replicated Palmatier’s finding in a services setting using increased service level as a relationship marketing investment. We tested the mediating impact of gratitude on the relationship between service level and customer satisfaction, reciprocal behaviors and the consumer’s behavioral intentions of repurchase and WOM. Second, we addressed factors that may impact the link between relationship marketing investment (service level) and gratitude. Specifically, does an RMI generate the same level of gratitude in all consumers, or are some consumers more/less receptive to the provision of these benefits? We proposed that gratitude is not solely dependent on the benefit received, but a consequence of both the benefit (service level) received and the customer’s psychological makeup. We hypothesized that a subject’s level of reciprocation wariness, or an individuals’ “general fear of exploitation in interpersonal relationships” (Cotterrell et al. 1992; Eisenberger et al. 1987) would affect their reaction to receiving an RMI. People who are high in reciprocation wariness are worried about being exploited in a relationship; therefore we hypothesized that they would not respond to high levels of RMI with the same levels of gratitude as low reciprocation wary individuals. As a result, the same level of RMI will result in better outcomes for the firm if the customers are less reciprocation wary.

The hypotheses are outlined below:

H1: The higher the service level the more gratitude will be felt by the recipient (consumer).
H2: Gratitude will mediate the relationship between service level and customer satisfaction level.
H3: Gratitude will mediate the relationship between service level and reciprocation behavior.
H4: Gratitude will mediate the relationship between service level and behavioral intention.
H5: Reciprocation wariness will moderate the relationship between service level and gratitude, such that the relationship will be more positive for low wary than high wary individuals.

To test the hypotheses, we collected data using an online survey. There were 3,200 graduate students in a Midwestern university were invited to participate in the survey for a chance to win one of five $50 gift cards. A total of graduate 234 students (average age > 27 years) completed the survey. Participants were assured of confidentiality and were randomly assigned to one of two service scenarios based on their month of birth. One scenario represented adequate (or low) service level. The other scenario represented high service level. After reading through the scenario, the respondents answered questions on gratitude, customer satisfaction level, tipping behavior, behavioral intention and reciprocation wariness.

In analyzing the data, to construct the measurement model, we entered all reflective constructs into an EQS 6.1 confirmatory factor analysis (Bentler 1995). All factors met the accepted reliability requirements (Nunnally and Bernstein 1994). We followed the recommendations of Bagozzi and Yi (1988) in assessing the fit of the measurement model. The full model had good model fit. Factor loadings were satisfactory. The variances for all items and factors was statistically significant indicating convergent validity (Anderson and Gerbing 1988). This finding was reinforced by the fact that all standardized factor loadings were positive, high in magnitude and statistically significant.

We followed Preacher and Hayes (2004, 2008) to test the mediation effects in H2–H4. We found support for all three hypotheses. We used linear regression to test H1 and H5 and found support for both. Reciprocation wariness negatively moderated the relationship between service level and gratitude data. At an adequate service level,
both high and low reciprocation wariness subjects reacted with the same level of gratitude. Gratitude increased with better service for subjects in both high and low reciprocation wariness. However, the increase for high reciprocation wariness individuals was not as steep as it was for low reciprocation wariness individuals.

This research represents three important contributions to the marketing field. First, this research extended extant findings about relationship marketing to a services scenario. This study replicated the findings of Palmatier et al. (2009) using service level as a relationship marketing investment. Second, gratitude was found to mediate relationships between service level and behavioral intentions, tipping, and customer satisfaction. The third and most important finding from this research comes from uncovering the moderating effect of reciprocation wariness that impacts the service level/gratitude relationship. Gratitude has been shown to be an important construct in the determination of customers’ post purchase behavior. Revealing factors that impact this relationship will advance our understanding of the black box that is the relationship marketing process. We proposed and demonstrated that customers’ responses to RMI differ according to their level of reciprocation wariness. References are available upon request.

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GIVE-AND-TAKE IN LOYALTY PROGRAMS: THE ASYMMETRIC EFFECTS OF MEDIUM MAGNITUDE

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SUMMARY

Over the last decade, medium-based loyalty programs have become a popular instrument for service firms to improve customer retention. These programs offer their members a certain number of medium units (e.g., points, miles, stamps, etc.) for each monetary unit they spend on the service provider. The collected points in turn can be used to redeem a reward. Whereas most loyalty programs are similar in terms of this reward mechanism, they vary in terms of the amount of credited medium units per monetary unit, and consequently in the number of medium units required for redemption. For instance, an airline may either decide to set up a program which offers its customers 1,000 points for every flight and a free flight for 10,000 points or a program with only 10 points per flight and a free flight for 100 points. Although the exchange rates between trips and loyalty points respectively points and rewards differ, from a normative perspective these differences should be irrelevant as both programs require exactly the same effort (10 paid tickets) for the same outcome (a free ticket). Referring to this example, the first program is characterized by a high medium magnitude, whereas the second exhibits a low medium magnitude.

Although a broad body of literature investigates consumers’ response to different loyalty program schemes (Dorotic, Bijmolt, and Verhoef 2011), research on medium characteristics is rather scarce. Hence, this study examines the effects of medium magnitude on the two key decisions in a loyalty program membership: the choice between (1) participation vs. non-participation in the program and (2) redemption vs. non-redemption of the accumulated points.

Research Hypotheses

Building on prospect theory (Kahneman and Tversky 1979; Thaler 1985), research on the effects of irrelevant attributes on consumer choice (e.g., Brown and Carpenter 2000; Carpenter, Glazer, and Nakamoto 1994; Hsee 1995; van Osselaer, Alba, and Manchanda 2004), and the approach of reason-based choice (Shafir, Simonson, and Tversky 1993) the following hypotheses were theoretically derived and empirically tested:

H1a: Medium magnitude has a positive impact on the likelihood of joining a loyalty program.

H1b: Medium magnitude has a negative impact on the likelihood of redeeming accumulated points.

H2a: The economic advantage of participation moderates the relationship between medium magnitude and the likelihood of joining the program. A decreasing economic advantage strengthens medium magnitude effects.

H2b: The economic advantage of redemption moderates the relationship between medium magnitude and the likelihood of redeeming accumulated points. A neutral economic advantage strengthens medium magnitude effects.

H3: The monetary amount required as partial payment of rewards moderates the relationship between medium magnitude and the likelihood of redeeming accumulated points. An increasing proportion of money in the payment of rewards attenuates medium magnitude effects.

Method and Results

To test the hypothesized effects in the participation and redemption context, we conducted three 2x2 full-factorial, between-subject experiments with a fictive railway company participants were asked to imagine they used regularly. In sum, results of analyses of covariance (ANCOVA) reveal that medium magnitude effects are asymmetric: Although medium magnitude has a positive impact on the willingness to participate in a loyalty program, it affects redemption behavior negatively. Moreover, identified interactions between medium magnitude and economic advantages improve the understanding of the integration of irrelevant attributes into decision-making. As medium magnitude effects predominantly appear in the absence of a clearly superior choice option – i.e., participation vs. non-participation and redemption vs. non-redemption – the irrelevant attribute of medium magnitude is principally incorporated if the focus on important attributes does not provide sufficient reasons for choice. Furthermore, our results indicate that a combination of loyalty points and money in the payment of rewards predominantly reduces perceived costs if the payment principally comprised loyalty points and thus enhance the tendency to redeem accumulated points. However, in this case medium magnitude is incorporated into the decision to redeem a reward very strongly producing high differences in redemption behavior between high
and low magnitude programs. In contrast, if the payment principally comprised money, the negative effect of medium magnitude disappears. But the willingness to redeem a reward in these conditions remains generally low.

Implications

This research’s findings supply important implications for a more efficient usage of medium-based loyalty programs in business practices. The acquisition of new members for a loyalty program should be realized either (a) via a high economic advantage of participation or (b) by means of a high medium magnitude design that significantly improves the participation likelihood in low economic advantage programs. However, the second implementation strategy holds the risk of a high participation but low redemption intention. From the company’s perspective, this is both good and bad news. On the one hand, a high magnitude program is less cost-intensive as members participate to gain rather than to redeem points. On the other hand, such a program might lose its attractiveness in the long run if customers do not exchange their accumulated points for rewards. References are available upon request.

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THE BRIGHT AND DARK SIDE OF ENDOURED STATUS IN HIERARCHICAL LOYALTY PROGRAMS

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SUMMARY

Hierarchical loyalty programs are a commonly used relationship marketing tool. Within these programs, customers exceeding a certain spending level are awarded elevated customer status (e.g., “gold membership,” “platinum customer”). Elevating customer status has been found to be beneficial for firms due to increased customer loyalty (Drèze and Nunes 2011; Lacey, Suh, and Morgan 2007) and the firm’s possibility to align the cost to serve a customer to his value. Examples of hierarchical loyalty programs encompass many different industries, including airlines, hotels, retailers, and banking.

In current business practice, it is observed that customers are not always awarded elevated customer status based on their past spending level. Rather, some companies award some of their customers elevated status although they did not achieve the spending level predefined in the loyalty program’s rules. That is, certain customers who typically are expected to be more profitable in the future are elevated to a higher tier without having met the spending level required for status elevation (Kumar and Shah 2004). In this case, elevated status compares to the notion of endowed status because its achievement is beyond customers’ control (Drèze and Nunes 2009). Examples of companies endowing elevated customer status include Hilton Hotels & Resorts (HHonors), Starwood Hotels & Resorts (Starwood Preferred Guest), or Hertz Car Rental (Hertz Gold Plus Rewards). Firms assume to profit from this practice as they expect the same loyalty effects as from assigning achieved status.

However, according to literature from social psychology, endowment potentially differs from achievement in its impact on customer loyalty. Specifically, we expect endowed status to entail both a bright and a dark side effect on customer loyalty. On the one hand, based on social identity theory (Tajfel and Turner 1979) and the concept of gratitude (Palmatier et al. 2009), we assume endowed status to initiate a loyalty-enhancing effect via customer gratitude. On the other hand, referring to the theory of psychological reactance (Brehm 1966), we propose endowed status to result in a loyalty-reducing effect via customer skepticism. Comparing endowed with achieved status, we suggest endowed status to entail a dark side effect that does not occur for achieved status. Further on, we argue that the dark side effect of endowed status depends on its specific design. In line with attribution theory (Weiner 1985), we expect that designing endowed status in a way that fosters customers’ attributions of status endowment to their own behavior can induce skepticism-alleviating mechanisms. Our paper aims at answering three research questions: What is customers’ loyalty response when they are endowed elevated status, taking into account a bright and a dark side loyalty effect? How does the loyalty effect compare to that of achieved status? How can companies alleviate the dark side loyalty effect of endowed status?

To address these questions, we conducted two laboratory experiments in the context of a hierarchical loyalty program of a fictitious hotel chain. Study 1 analyzes the bright and dark side effect of endowed elevated customer status on customer loyalty and compares it to the loyalty effect of achieved elevated customer status. We employed a posttest control group design and manipulated customer status on three levels (endowed elevated status versus achieved elevated status versus no elevated status). A total of 221 participants took part in the experiment. Respondents were randomly assigned to one of the three groups. The mean age of the sample was 33.1 years and 53.3 percent were female. Our results show the proposed bright and dark side loyalty effect of endowed status. Via customer gratitude, endowed status increases customer loyalty. Via customer skepticism, endowed status decreases customer loyalty. As compared to achieved status, endowed status reduces customer loyalty by generating customer skepticism.

In Study 2, we examine whether two design characteristics of status endowment, i.e., customers’ freedom of decision and their proximity to achieving elevated customer status, can attenuate the dark side loyalty effect. We conducted a 2 x 2 between-subjects factorial design in which we manipulated the freedom of decision (active decision versus no active decision) and proximity to achieving elevated customer status (high proximity versus low proximity). In total, 284 participants took part in the experiment. The four groups were completely randomized. Our sample had a mean age of 32.5 years and 50.5 percent of respondents were female. Results reveal customer skepticism-alleviating effects of both custom-
ers’ freedom of decision and their proximity to achieving elevated customer status, which indirectly increase customer loyalty.

Our findings allow for the following implications: First, the detected positive impact of endowed status on customer loyalty implies that awarding customers elevated status although they did not regularly achieve it can be an effective loyalty-enhancing instrument. Thus, managers of hierarchical loyalty programs can make use of elevated customer status beyond the established employment as an award for the heaviest buyers. The general appeal of status can be applied as a stimulus to elicit gratitude and hence greater loyalty. Second, however, the identified negative impact of endowed status on customer loyalty impairs its effectiveness and suggests that managers must be cautious when elevating customers’ status through endowment. To alleviate skepticism, companies should give customers the opportunity to take an active decision and select customers that already feature a high proximity to regularly achieving elevated status. References are available upon request.
NEW INSIGHTS IN THE MODERATING EFFECT OF SWITCHING COSTS ON THE SATISFACTION-LOYALTY LINK

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SUMMARY

Due to empirical evidence questioning the impact of satisfaction-related constructs on behavioral loyalty (Mittal and Kamakura 2001; Seiders et al. 2005), research on explaining customers’ repurchase behaviors has been broadened. Most notably, an increasing number of studies investigate the role of switching costs (SC) as moderator of the relationship between satisfaction and loyalty (e.g., Jones, Mothersbaugh, and Beatty 2000; Patterson and Smith 2003; Woisetschläger, Lentz, and Evanschitzky 2011). As these studies reveal inconclusive results, we conducted an extensive literature review and two empirical studies to investigate the moderating effect of SC on the link between satisfaction and behavioral loyalty. The main contribution of this research is to resolve existing inconsistencies by suggesting an inverted u-shaped moderating effect of SC.

The literature review reveals empirical evidence for positive as well as negative moderating effects of SC: 12 studies report a negative interaction between satisfaction and SC, five report a positive interaction, and five find no effects.

Considering theoretical approaches that explain the moderating role of SC, we found evidence for two opposing effects:

First, there is theoretical evidence that SC moderate the relationship between satisfaction and loyalty in a negative way (“lock-in effect”). Decreasing satisfaction levels do not necessarily result in lower loyalty if SC are high because customers face psychological and/or economic effort if they switch (Bell, Auh, and Smalley 2005; Jones, Mothersbaugh, and Beatty 2000). The benefits from switching to a more satisfying provider are encumbered by increasing SC. Thus, increasing SC weaken the satisfaction-loyalty link as intentions to switch might be hindered (linear, decreasing curve).

Second, there is theoretical evidence for a positive moderating effect (“amplifying effect”) which is especially important for low SC. This effect suggests that increasing SC strengthen the relationship between satisfaction and loyalty (e.g., Blut et al. 2007). Research has shown that a high number of alternatives (i.e., low SC) may lead customers to choose others than their preferred providers and switch to less satisfying alternatives (Sela, Berger, and Liu 2009). One explanation for these irrational decision behaviors is customers’ need for variety (Ratner, Kahn, and Kahneman 1999; Seetharaman and Che 2009) which induces customers with low SC to switch because switching is so easy. With increasing SC, customers will no longer switch to less satisfying alternatives. Thus, satisfaction is more likely to translate into loyalty. In line with existing results (e.g., van Trijp, Hoyer, and Inman 1996), we assume the satisfaction-loyalty link to strengthen with increasing SC at a decreasing rate (concave up, increasing curve).

Combining these two effects, the moderating effect of SC can be described as follows: The amplifying and the lock-in effect complement each other depending on the SC-level: For low SC, the amplifying effect overlaps the lock-in effect as the former increases faster. For high SC, the lock-in effect exceeds the amplifying effect as the latter decreases faster. Thus, the moderating effect of SC is supposed to follow an inverted u-shape. We assume the satisfaction-loyalty link to be strongest for intermediate SC-levels. Customers with low SC switch retailers due to reasons other than satisfaction (weak link). Customers with high SC are hardly able to switch regardless of their satisfaction (weak link). For intermediate SC, the amplifying effect is already strong whereas the lock-in effect is not yet strong enough to compensate (strong link).

Contrary to existing studies that propose either a positive or a negative linear moderating effect of SC, we hypothesize a non-linear (quadratic) effect:

SC moderate the relationship between satisfaction and loyalty in a curvilinear (inverted u-shape) way. The relationship is strongest for an intermediate level of SC.

We empirically tested this hypothesis with data from two retailing companies (food and DIY). Questionnaires were sent to customers via postal mail. In total, we
received 1,816 (food) and 5,695 (DIY) usable responses. Satisfaction and SC were measured with established scales (Fornell et al. 1996; Ping 1993). To measure loyalty, we refer to actual purchase data (customers’ spending at the focal retailer). These transaction data from the retailers’ loyalty card programs were available for 12 months (food) and 6 months (DIY) after the survey. By including objectively measured data, we reduce the common method bias (Siemsen, Roth, and Oliveira 2010).

Using hierarchical regressions, we find positive main effects of satisfaction (food: $b = 359.49, t = 4.94, p < .01$; DIY: $b = 4.61, t = 2.01, p < .05$) and SC (food: $b = 97.59, t = 2.80, p < .01$; DIY: $b = 2.39, t = 2.24, p < .05$) on repurchase behavior (loyalty). We also show that the linear interaction term between satisfaction and SC is insignificant, whereas the quadratic interaction term is significant in both studies (food: $b = -88.65, t = -2.19, p < .05$; DIY: $b = -.14, t = -2.23, p < .05$). The negative sign of the quadratic term indicates that the moderating effect is inverted u-shaped. Thus, our results confirm that the effect of satisfaction on loyalty is strong for medium SC and weak for low and high SC-levels.

This has important implications for retail managers regarding customer retention management. Retailers should consider customers’ SC-levels when defining future investments in satisfaction management. While focusing on satisfaction is a viable and rewarding strategy for customers with medium SC, it is not sufficient for customers with low or high SC.

To sum up, our paper offers new theoretical insights and contributes to a better understanding of the link between satisfaction and behavioral loyalty. It brings together the conflicting results on the moderating role of SC and gives a reasonable explanation for existing inconsistencies. References are available upon request.

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MANAGING SALESFORCE SELLING BEHAVIORS AND PERFORMANCE: THE INTERACTIVE EFFECTS OF SALES CONTROL SYSTEMS

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SUMMARY

For many firms their salesforce is the only organizational unit that generates sales revenues, which is especially true for business-to-business relationships where salespeople are key boundary-spanners between the company and its customers. Sales control systems represent an important managerial tool in directing salesforce selling behaviors such as adaptive selling and selling effort. However, majority of prior sales control research has focused on their main effects only. While sales force control systems can be either outcome- or behavior-based, in practice most sales organizations typically use a hybrid control strategy by integrating both behavioral and outcome control elements in directing their sales forces. Although prior research has suggested potential positive synergies of behavioral and outcome control styles in affecting sales performance (Cravens et al. 2004; Jaworski et al. 1993; Onyemah and Anderson 2009), important research gaps remain. First, these studies take the configuration perspective and link hybrid sales control systems directly to sales performance. Therefore, how exactly such hybrid sales control systems may bring about positive synergies remains in a black box because these studies did not explicitly investigate the mechanisms through which such synergies may be created. Second, studies on hybrid sales control systems treat behavioral control as a unidimensional construct without distinguishing between capability control and activity control. While both embedded in the global domain of behavioral control, capability control and activity control may have differential and even opposite psychological and behavioral consequences (Evans et al. 2007; Miao et al. 2007). Indeed, prior research on hybrid control systems that did not distinguish between capability control and activity control produced inconsistent results (Cravens et al. 2004; Jaworski et al. 1993), which begs the question: Do hybrid control strategies characterized by high degrees of behavioral and outcome control elements always produce positive synergies? By treating capability control and activity control as separate behavioral control constructs, we may be able to shed light on the seemingly inconsistent findings reported in prior research.

Our conceptual framework investigates the differential interactive effects of activity control, capability control, and outcome control on sales performance via two mediating variables (i.e., adaptive selling behavior and selling effort). This conceptualization is consistent with the Job Demands – Resources (JD-R) Theory (Bakker and Demerouti 2007; Bakker et al. 2010). Although each job has its own associated characteristics, JD-R theory suggests that most job-related factors can be grouped into two general categories: job demands and job resources. JD-R theory further posits that job demands and job resources can interact to affect important job outcomes through two different mediating processes. One process focuses on health-impairing effects mediated by job stress/strain, and the other process investigates performance-enhancing effects via job engagement (Bakker and Demerouti 2007). Within the current study, we focus on the job engagement mediation process. In the terminology of JD-R, outcome control can be understood as job demands imposed on salespeople due to its high pressure and risky nature (Anderson and Oliver 1987); in contrast, activity control and capability control can be perceived as job resources because they are specifically designed to enable salespeople to achieve their work goals and cope with job demands (Challagalla and Shervani 1996; Fang et al. 2005; Kohli et al. 1998). Moreover, given that adaptive selling behavior and selling effort reflect the extent to which salespeople are invested in the selling process, we consider these selling behaviors as indicators of salesperson’s job engagement. Therefore, the causal ordering of the constructs in our conceptual model are consistent with the overarching framework of the JD-R perspective, which is tested with a cross-sectional sample of salespeople in the US manufacturing sector.

A Partial Least Squares (PLS) structural equation model finds substantive support for most hypothesized relationships as predicted by the JD-R theory. Specifically, capability control and outcome control have positive interactive effects on both adaptive selling behavior and selling effort; activity control and outcome control have a positive interactive effect on selling effort but a negative interactive effect on adaptive selling behavior; capability control and activity control have a negative interactive effect on selling effort. Noteworthy is that only the main effects of outcome control (but not activity or capability control) on selling behaviors are significant when sales control interactions are considered simulta-
neously, which reveals the complementary (moderating) role of activity control and capability control in directing salesperson’s selling behaviors. These results provide compelling evidence that activity control and capability control are two types of qualitatively different job resources that can motivate salesperson’s job engagement in different fashions. Researchers studying hybrid sales control systems can benefit by considering their interactive effects with outcome control separately. References are available upon request.

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DO SALESPERSON PERCEPTIONS OF MANAGEMENT-DIRECTED TECHNOLOGY-ENABLED TRANSPARENCY INFLUENCE THEIR BEHAVIORAL ETHICALITY?

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SUMMARY

Salespeople are often more at risk to deviate from desired societal and organizational ethical behaviors than are other firm employees (Osborn and Hunt 1974; Ferrell and Gresham 1985). This lack of direct supervision puts sales agents in a position to engage in behaviors that may not be considered very ethical; which is why it has been suggested that, “deceptive practices are often found in many areas of sales,” (Carson 2001, p. 275). Research shows salespeople experience ethical conflicts regularly in the performance of their duties (Dubinsky, Berkowitz, and Rudelius 1980). Such struggles can lead to lower job performance, increases in turnover, customer dissatisfaction, and negative word-of-mouth about the selling organization (Walker, Churchill, and Ford 1977). Schwepker and Ingram (1996, pp. 1151–1152) recognize that increasing pressure on salespeople to perform could be a catalyst for unethical behavior stating, “personal selling is an area of marketing that is particularly susceptible to ethical dilemmas.”

Salespeople who participated in a recent dyadic qualitative study on sales technology and ethics professed the ability to easily use technology in order to engage in unethical behaviors when dealing with clients and supervisors. Respondent managers in the same work countered that they have the ability to use technology to engage in surveillance of salesperson behavior, thus increasing salesperson transparency and holding salespeople more accountable for accuracy in their communications (Bush et al. 2007). This paper extends existing scholarship by focusing on the effect of salesperson perceptions of management’s technologically enabled behavioral monitoring ability on the likelihood of salesperson engaging in unethical selling behavior.

The construct perceived salesperson transparency is introduced in this paper as a multi-dimensional concept incorporating both a salesperson’s perceptions related to management’s ability to access to information and salesperson perceptions of management’s willingness to use said accessed information to influence or manipulate behavior during the selling process. Information cannot be used to influence or persuade unless it has been accessed (obtained) to begin with. Similarly, if an individual’s perception is such that management may be accessing potentially incriminating salesperson behavioral information but that management will not use that information against them, i.e., there is no threat of punishment or adverse consequences, they may perceive that their behaviors are, for all practical purposes, the opposite of transparent.

Agency Theory (AT) provides theoretical grounding as, “the relationship between a sales manager and salesperson is an agency relationship,” (Bergen, Dutta, and White 1992, p. 8). It is hypothesized (H1) that salesperson perceived use by management of technologically accessed behavioral information has a mediating effect on the relationship between salesperson perceived access by management of behaviorally relevant information and the likelihood of unethical salesperson behavior. In other words, any ethical influence on behavior due to perceived managerial access to information is itself influenced by perceived use of that information.

Self-report surveys were completed by 253 business-to-business salespeople. The sample was found to be representative of the current population of salespeople according to the United States’ Bureau of Labor Statistics (www.bls.gov). Confirmatory factor analysis (CFA) using structural equation modeling (SEM) with maximum likelihood estimation was used to verify both factor loadings (in accordance with the Kaiser-Guttman rule) and construct validity. The resulting levels of the standardized item loading estimates were significant with values ranging from .67 to .92. T-values were each greater than 2.0, providing further empirical support for convergent validity. Discriminant validity was supported, as the largest value for shared variance between all construct pairings is 0.27, which was less than the lowest value for AVE (0.60) (Fornell and Larcker 1981).

The hypothesis, H1, stated that salesperson perceived managerial use of information accessed by technology-enabled management would have a mediating effect on the relationship between salesperson perceived managerial access to information as enabled by technology, and the likelihood of unethical...
cal salesperson behavior. A chi-square difference test was performed between the fully mediated and partially mediated models to determine if there was a significant difference between the models. Fornell and Larcker (1981) report, “the critical value for a chi-square with one degree of freedom at the .01 level of statistical significance is 6.63," (p. 44). The results exceed this criteria ($\chi^2_{1} = 16.877$, $p = 0.000$), thus providing empirical support for a partially mediating effect of the salesperson perceived managerial use of information (Fornell and Larcker 1981; Babin and Boles 1996) and thus indicating empirical support for H1.

This research helps explain a very important area that has been greatly affected by technology - salespeople and their relationships with management and clients. The former relationship is the heart of agency theory, the relationship between principals (i.e., management) and agents (i.e., salespeople). The enabling of management by technology to monitor more thoroughly its salespeople (access information relevant to their actions and behaviors) should - in theory - lessen the issue of moral hazard. However, as shown by the results of this study, that lessening is mediated by the agent’s perception of how the principal will use the knowledge obtained by accessing information. What is shown by this study is that the agent’s behavior will be predicated not by who benefits the most by the behavior in question, but by how the knowledge of their behavior will be used and that its use provides more benefit to the principal than the agent. Further, this study has important applications for sales managers by providing empirical support for the idea that if salespeople do not perceive any information accessed by management will actually be used by management, they will likely behave as if there is no transparency in their agency relationship. Reference are available upon request.

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SUMMARY

Sales researchers have long advocated for tailoring personal selling efforts to the needs of the individual customer (Weitz, Sujan, and Sujan 1986; Homburg, Müller, and Klarmann 2011). Customers vary in preferences and needs surrounding the products being sold, and thus salespeople should alter their sales presentations to highlight the products that would best fit each customer’s needs. Customers also vary in their needs and their disposition surrounding the sales process itself (Merrill and Reid 1981; Williams and Spiro 1985). For example, some customers prefer to ask more questions in a conversational sales interaction while others prefer a more abrupt and decisive sales interaction (Wilson 2003). The effectiveness of a sales tactic is contingent upon the customer’s needs and disposition as pertaining to the sales process (McFarland, Challagalla, and Shervani 2006).

Underlying Dimensions of a Customer’s Disposition Toward Salespeople

The customer-salesperson interaction is a complex and ubiquitous aspect of market behavior, set apart by its interpersonal nature and the persuasion motives of the seller. We propose that through frequent interaction with a variety of salespeople, most people develop a multifaceted disposition that guides their behavior in any salesperson interaction. In specifically examining the personal selling interaction, we take a more focused approach than the persuasion knowledge literature, which examines consumer reactions to persuasion attempts from a broad base of marketing agents and media (Friestad and Wright 1994). However, our examination also exhibits a great deal of breadth, in two ways. First, the disposition we examine extends across all personal selling interactions. Second, we explore seven unique dimensions of this disposition, and not simply customers’ resistance to salesperson persuasion attempts, making it a broader examination in this regard than persuasion knowledge studies.

A major intended contribution of this paper is a broad examination of the dimensions that make up a customer’s disposition toward salespeople. As such, we sought to be thorough in determining the makeup of this disposition. The determination of a construct’s makeup should be guided by either an empirical investigation of the construct or an investigation of the theory surrounding the construct (Mowen and Voss 2008; Whetten 1989). We employed both methods. The empirical aspect of the construct investigation utilized an iterative scale development and purification process. This empirical procedure was guided by a thorough investigation of the theory surrounding the construct, which was taken from two different literature streams: social psychology and marketing/personal selling. Our investigation yielded seven dimensions that make up a customer’s disposition toward salespeople (CDS): convincibility, avoidance, empathy, distrust, relationship seeking, self-presentation, and information seeking.

Overview of Studies

We performed two studies with the goal of demonstrating that enduring differences in CDS have real, measurable effects on marketplace behavior. In Study 1, we seek to find whether a person’s enduring disposition toward salespeople can predict actual marketplace behaviors. Specifically, we expect that one’s disposition toward salespeople will predict consumers’ likelihood to engage the help of an expert salesperson. We examine this in the context of real estate. In Study 2, we examine how CDS affects observable behavior within a personal selling interaction. Prior research has examined how salespeople cope with various negative emotions induced by the sales situation (Belschak, Verbeke, and Bagozzi 2006; Verbeke and Bagozzi 2002). We complement these prior results by examining the customer’s behavior in a high-pressure personal selling interaction, particularly how CDS determines the customer’s involuntary anxiety and protective behaviors.

Research Implications

Our research focus makes a unique contribution to the sales literature as it is among the first to focus on the impact of individual differences on the customer side of the interaction. By more thoroughly investigating the underlying dimensions of customers’ orientation toward salespeople, we generate novel insights into the determinants of customer behavior in the customer-salesperson interaction. Perhaps more important, our research provides a foundation for further inquiry in the area. By determining the structure and dimensionality of the underlying heterogeneity of customer preferences in the area of personal selling interactions, future researchers have a framework to generate and test hypotheses in this area.
Our findings also contribute to the adaptive selling literature by expanding its scope. Adaptive selling usually focuses on adaptive behaviors that a salesperson can undertake within a customer interaction to better meet the customer’s needs. But some customer types are better served with a more fundamental change to the structure of the customer-salesperson interaction. For example, some customers are disposed to avoid salesperson interactions altogether, so a company seeking to adapt to the needs of these customers would need to seek a more fundamental re-structuring of the entire buying process to allow these customers to minimize their personal interaction with salespeople. Our customer typology enables examination of customer needs that require more fundamental adaptations, thereby providing sellers additional considerations for improving their sales efforts.

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SALESPERSON’S ACCULTURATION BEHAVIOR AND ITS IMPACT ON BUYERS’ COMMITMENT

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SUMMARY

In today’s plural market, salespersons are not only expected to achieve sales target, but are also required to build and maintain a healthy relationship with buyers (Crosby, Evans, and Cowles 1990). To build this fruitful relationship, salespersons should have integrity and adaptability to buyers’ requirements and have the sense of cultural sensitivity to match buyers’ culture (Schultz, Evans, and Good 1999). This cultural sensitivity or adaptability is known as the process of acculturation (Ebin et al. 2001). The acculturation creates better intercultural relationship (Lerman, Maldonado, and Luna 2009) and facilitates buyers’ tendency to maintain their original consumption patterns in relation to their own native culture (Penaloza 1994). Schultz et al. (1999) suggest that a failure to display sufficient cultural sensitivity can jeopardize the relationship and ultimately drives buyers away and therefore, threaten business continuity and sustainability. The concept of acculturation has started to gain momentum among marketing scholars. These scholars (Quester and Chong 2001; Bojavic and Xu 2006; Pio 2007; Lerman, Maldonado, and Luna 2008) have investigated the concept of acculturation from buyers’ perspective. Despite their invaluable findings, their study has been very limited to buyers’ acculturation perspective and do not provide any empirical investigation into the impact of salespersons’ acculturation behaviors on buyers from the perspective of salespersons. An attempt is therefore made in the present study to fill this gap in the research by examining how these behaviors impact the buyers’ commitment. Within this study, salesperson acculturation is broadly defined as salespersons’ tendency to adjust and adapt their sales approaches to buyers from different culture, and based on Berry (1997), salespersons acculturation is classified into four dimensions; assimilation (an acculturation behavior whereby one prefers to have more involvement with the others’ culture and have little interest in maintaining their own culture), separation (an acculturation behavior that occurs when one prefers to maintain own culture and have little involvement with others’ culture), integration (an acculturation behavior that happens when ones maintaining their own cultural values with pride while at the same time respecting the culture of the others) and marginalization (an acculturation mode whereby ones lose connection with their own culture but do not replace it with the dominant culture). We also attempt to enrich the knowledge in this area by further exploring the mediating role of buyers’ satisfaction in the relationship between salesperson acculturation and buyers’ commitment.

Method

Sample for this study was drawn from the population residing in Auckland, the most cosmopolitan and the most populated area of New Zealand (NZ). The survey was carried out under the personal supervision of the one of the author. A total of 556 responses were collected, of which 178 had to be dropped due to incomplete information for a few questions. Finally, a usable sample of 378 was obtained. The respondents consisted of 50.6 percent females and 49.4 percent males. Seventy-six percent of respondents have been living in NZ for more than five years and 46 percent of respondents have been banking with NZ banks for more than five years.

The research instrument contained items related to all the variables and few demographic characteristics. Four dimensions of acculturation were measured using scale presented by Barry (2001). Items for measuring buyers’ satisfaction with the service firms were drawn from the studies of Levesque and McDougall (1996) and Macintosh and Lockshin (1997). Buyers’ satisfaction with service salespersons was measured using items developed by Ramsey and Sohi (1997) and Cohen, Gan, Yong, and Choong (2006).

Major Research Findings

As hypothesized, this study shows that various acculturation dimensions influence buyers’ satisfaction differently. While assimilation and integration were found to be positively associated with buyers’ commitment, separation was found to be negatively associated with buyers’ commitment. The relationship between marginalization and buyers’ commitment had no significant effect on buyers’ commitment. Our study also found that buyers’ satisfaction mediates the relationships between assimilation, integration and marginalization and buyers’ commitment. However, buyers’ satisfaction was found to have no mediating effect on the relationship between separation and buyers’ commitment.

Overall, our findings have important implications for practitioners. Our study shows that salespersons should exercise assimilation and integration acculturation be-
haviors in order for them to improve intercultural relationship and to facilitate buyers’ tendency to maintain their original consumption patterns in relation to their own native culture in New Zealand. These acculturation behaviors then will help salespersons to improve buyers’ commitment. References are available upon request.

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SOLUTION SELLING TEAMS: A MULTI-PERSPECTIVE REVIEW OF THE IMPACT OF CROSS-FUNCTIONALITY

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SUMMARY

The solution selling literature demonstrates an increased use of cross-functional solution selling teams (Sharma, Iyer, and Evanschitzky 2008; Johansson, Krishnamurthy, and Schlissberg 2003, p. 121). For example, Storbacka et al. (2009) reveal that while sale is changing from an isolated activity to a cross-functional one, the case study companies create cross-functional teams or business units to sell solutions. Cross-functionality reflects the number of different functions that are represented within a team (Gebert, Boerner, and Kearney 2006, p. 432). It causes differences in terms of members’ information and knowledge bases as well as their experiences. It is argued that this kind of diversity leads to improved problem solving and qualitative better decision making (Williams and O’Reilly 1998), as well as a higher level of creativity (Amabile 1997). However, functionally diverse team composition may also lead to problems (Keller 2001; Horwitz and Horwitz 2007). For example, different goals, mind-sets, and terminology may cause conflict and misunderstanding among team members, which consequently erodes team performance. Surprisingly, research in the field of solution selling seemingly abstains from investigating the effects of cross-functional selling team composition on selling team performance. This paper addresses this research gap by answering the following research question: How does cross-functional selling team composition influence solution selling team performance and which moderators influence that relationship?

To answer this question, we reviewed firstly the literature dealing with cross-functionality in small group diversity research. To summarize the findings, positive relationships between functional diversity and outcome dominate negative – or no – relationships (Bell et al. 2011; Joshi and Roh 2009; Horwitz and Horwitz 2007). However, findings are mixed and positive relationships are often weak, which is why empirical studies increasingly account for moderating effects of the context. Team type and task characteristics are the most studied moderators. Cross-functional (solution) selling teams are underrepresented in the empirical studies and so quite nothing is known about that specific team type.

Secondly, we reviewed three theories which are often cited in small group research and provide the most insights into team diversity variables and their potential effects on team performance. The Attraction Paradigm states that people are attracted to one another if they are similar in their values and attitudes. Furthermore, there is a preference for working with similar people (Byrne 1997). Assuming that members of a functional department are similar to one another, functional diversity is likely to negatively influence affective reactions such as satisfaction, commitment and cohesion (Jackson, Joshi, and Erhardt 2003, p. 809). Another common theoretical foundation for research on diversity is the Social Identity Theory, developed principally by Henri Tajfel and John Turner. People tend to classify themselves and others in social groups, e.g., according to their functional affiliation. They strive for a positive social identity, defined as “that part of an individual’s self concept which derives from his knowledge of his membership of a social group together with the value and emotional significance attached to that membership” (Tajfel 1981, p. 255). To achieve this positive social identity, people compare their own group (e.g., marketing department) with relevant out-groups (other functional departments) and seek positive differences among these groups. This ambition often results in rivalry. Assuming that employees identify themselves with their functional department and view other functional departments as relevant out-groups, conflicts between functions might result and cross-functional integration and cooperation within cross-functional teams might be hampered (Ashforth and Mael 1989, p. 31). The Cognitive Diversity Hypothesis offers an explanation for the positive impact of functional diversity. Cognitive diversity is defined in terms of differences in expertise, experiences, perspectives, preferences, and knowledge and beliefs held by the team members (Horwitz and Horwitz 2007). In particular, task-oriented diversity attributes such as functional background are associated with cognitive diversity (Bell et al. 2011; Jackson, Joshi, and Erhardt 2003, p. 804). In this sense, functional diversity might be especially beneficial because the functional background offers task-related information and knowledge. Different perspectives and experience are assumed to be positively related to problem solving, innovation, and creativity (Horwitz and Horwitz 2007; Amabile 1997).

In summary, according to attraction paradigm and social identity theory, cross-functionality may negatively influence team performance, if the team members perceive a greater affiliation and similarity with their func-
According to the diversity hypothesis, functional diversity has positive effects on the outcome if effective team performance requires creativity, different ideas and knowledge as well as various experiences. Thus, it depends on the team’s task and the identification of the team members how functional diversity influence team performance. In the paper, we assume that the solutions characteristics influence the selling task. Furthermore, solution selling’s task characteristics influence the positive effects emanating from cross-functionality. Complex, interdependent, and uncertain tasks mostly profit from functionally diverse information, knowledge, and expertise. In this analysis we came to the conclusion that solutions consisting of a high amount of different but interdependent and customized parts, especially, lead to complexity, interdependence and uncertainty in selling. It is proposed that:

P1: The solution’s complexity influences the complexity of the solution selling task. Selling task complexity moderates the relationship between functional diversity and selling team’s performance in such a way that as the task becomes more complex the influence of cross-functionality becomes more strongly positive.

P2: The solution’s level of integration influences the task interdependence of solution selling. Task interdependence moderates the relationship between functional diversity and selling team’s performance in such a way that as the task becomes more interdependent the positive effect of cross-functionality becomes more strongly, but the negative effect becomes more weakly only if goal and reward interdependence is also high.

P3: The higher the level of customization, the higher the amount of service, the longer the solution selling project, and the newer the customer’s problem, the higher is the task uncertainty of solution selling. Selling task uncertainty moderates the relationship between functional diversity and selling team’s performance in such a way that as the task becomes more uncertain the influence of cross-functionality becomes more strongly positive.

P4: Team identification moderates the relationship between functional diversity and selling team’s performance in such a way that as identification with the selling team is high the negative influence of cross-functionality becomes weaker.

For further research in the solution selling business the following is needed: Firstly, empirical research is needed to find evidence for our propositions that solution selling is a complex, independent, and uncertain task. This would show that cross-functionality is beneficial for solution selling due to the functional specific information and knowledge of the selling team members. Secondly, it is necessary to find out if solution selling team members identify with the team or their functional background and which factors influence this identification. Such insights would lead to important managerial implications about how to minimize the negative effects of functional diversity in solution selling teams. References are available upon request.

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THE STRATEGIC ALIGNMENT OF ORGANIZATIONAL DEVELOPMENT INTERVENTIONS FOR SALESPERSON VALUE MANAGEMENT WITH A SALESPERSON LIFECYCLE MANAGEMENT MODEL

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SUMMARY

Introduction

As of 2011, more than 11 percent of the U.S. workforce, or 15.08 million individuals, are engaged within sales and related occupations (U.S. Bureau of Labor Statistics 2011). Their average annual turnover is high, at 30–40 percent, and their average tenure is only nine months (Covett 2010). Managing such mobile salespersons is a challenging task for sales organizations and requires sound strategies to align their workforce to organizational imperatives. However, as claimed by Attia, Honeycutt, and Leach (2005), a lack of understanding on the part of organizations of how to measure and evaluate their salesperson development interventions has discouraged their efforts, and often their training objectives and salesperson development efforts are not aligned with their organizational goals. Therefore, a strategic alignment of organizational development interventions for sales force development is a captivating research subject that invites the attention of academic as well as practitioners.

Research Background

Earlier studies have discussed on such individual factors as motivation, retention, and productivity in relation to effective and productive sales force management. This study, in contrast, focuses on organizational factors, such as organizational development interventions, which are critical in developing and managing salespeople but have not gained significant research attention (Zoltners, Sinha, and Lorimer 2006). This study, in addition, argues that organizations need to continuously enhance their methods of managing salespersons because, as salespersons evolve, their needs and demands differ in stages (Cron and Slocum 1986), making the alignment of people strategies to organizational imperatives challenging. In response to the research gap and to provide a heuristic alternative to the identified challenges, this study, leveraging experiential learning theory and the life cycle model, presents a salesperson lifecycle management (SLM) model for providing sales organizations with a practical solution for a strategic alignment of their sales force development interventions to their organizational imperatives.

SLM Model

The SLM model is conceptually based on the life cycle model, which depicts a process of change in an entity as a progression through stages or phases (see Van de Ven and Poole 1995). This study makes a conceptual extension in line with the life cycle model to claim that salespersons progress through stages while developing value perception within an organization, which changes throughout their professional career. Salesperson value (i.e., salespersons’ net contributions to firms) thus needs to be identified and further measured to determine the strategic implications for organizational development intervention decisions and a validation of the interventions made.

The SLM model also leverages experiential learning theory, which identifies experience as a critical element for learning and knowledge development (Kolb 1984). In this study, another extension is made from the experiential learning theory in explaining the knowledge construction process: Salespersons construct knowledge via an experience transfer process. Based on this extension, this study claims that salespersons’ experience is not a simple aggregation of experiences that they encounter during their professional careers but the result of certain stimuli (e.g., [advanced] training and developmental programs) triggering either the replication or the transformation of earlier stored experiences for selectively constructing knowledge through a transfer process, which is then further developed into competency or competitive advantage (Grant 1996).

The SLM model is a three-stage model, reflecting the changes in value perception and the knowledge construction process within the stages, and is a function of organizational development investment (ODI) and salesperson contribution (SC, e.g., revenue generated from new sales closings). This distinction between the stages will lead to the provision of different organizational development interventions for salespeople at specific stages. In addition, the stage-specific interventions will ensure a better alignment of organizational strategies for effective and productive sales force development and management. References are available upon request.
DEMYSTIFYING NETWORK STRATEGIES: INCREASING PRODUCT QUALITY, CUSTOMER SATISFACTION, AND PROFITABILITY THROUGH THE STRATEGIC DEPLOYMENT OF INFLUENTIAL HUBS

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SUMMARY

The deployment of work teams is a popular and effective way to manage complex and intensive projects. Team effectiveness has been shown to have significant consequences for both service and physical goods providers that range from, on the negative side, disastrous airline accidents, to, on the positive side, sales growth of 864 percent and net income growth of 438 percent. It is therefore obvious why firms would want to understand how to configure teams in a way that maximizes team performance.

The decision to use teams and how to configure them to maximize performance is especially critical for service firms and sales organizations, because deliverables are often an intangible solution to a complex problem. For example, in a consulting firm, projects are often knowledge intensive and complex. Higher complexity and intangibility lead to ambiguity in recognizing and successfully implementing an optimal solution to a task or problem.

Despite the numerous studies that have tackled the question of team design, companies still struggle to configure teams in a way that maximizes performance. The present study suggests that the key to unraveling the problem may be approaching it from a network perspective. One provocative insight that has come out of the network perspective is the existence of highly connected individuals, or influential hubs, that link global networks. These hubs play a powerful role in the flow of information and resources across a network. The role of hubs has been of considerable interest to academics in many disciplines, from communications to medicine to theoretical physics. Because of their powerful role, leveraging these influential hubs is an intuitive and appealing team design strategy.

Given that leveraging hubs shows potential to improve team performance and effective team performance can be a critical indicator of both product quality and firm performance, further exploration seems merited. To that end, the present study tackles the two obstacles to developing and implementing strategies based on influential hubs: finding influential and leveraging them appropriately in teams. By doing so, the study clears the way for managers to use information about the informal networks in their organization to improve product quality by configuring more effective teams.

The authors use diversity theory and the social capital metaphor as theoretical foundations for the exploration of hub-based strategies. Furthermore, we employ multi-level network analysis to identify team characteristics and locate influential hubs. Finally, the interactions between various team types and influential hubs in the organization are examined. Cohesive teams that also include an influential hub are hypothesized to be most effective in creating a higher quality product; in turn, higher product quality leads to increased customer satisfaction. Customer satisfaction is then linked to the profitability of the project. Results provide new insights about the importance of strategically crafting effective teams using internal network structures, and the subsequent effects on product quality, customer satisfaction, and ultimately, project profitability. References are available upon request.
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SUMMARY

The extant literature on market orientation captures the central idea that, in order to create superior customer value, firms need alignment between all parts of the organization. Marketing and sales should be well-equipped for effective cooperation: they both serve customers, with marketing supporting the sales function and building a consistent brand image, while sales perform tactical tasks such as contacting customers, executing marketing strategies and closing the sale in the field. Unfortunately, it has been shown that the marketing-sales interface is not always harmonious and constructive. Researchers have attributed the frictions, animosity and lack of mutual respect between these two departments to various factors, including goal differences, different perspectives toward the business environment, cultural and thought world differences, lack of interfunctional integration, physical separation and poor communication and poor coordination during planning and goal setting.

Recently, there has been a surge of interest in researching the marketing-sales interface. Initially, these studies focused on the cultural differences between marketing and sales, their antecedents and their results in terms of interfunctional conflict and organizational effectiveness, but later studies elaborated on these differences between marketing and sales and identified taxonomies describing several marketing-sales configurations that are found in organizations. Unfortunately, the extant literature is strongly biased toward firms with separate marketing and sales departments, which are not always present in B2B firms; especially small B2B firms often lack a dedicated marketing department. But that does not mean that these firms fail to “do marketing.” Rather than having a separate marketing department, marketing activities are typically carried out by employees in several other departments such as Sales, Business Development, Applications, Customer Service, and Technical Sales Support. Recent studies into the organization of the marketing function emphasize that traditional marketing activities, such as advertising and pricing, are increasingly allocated to different functional groups inside the firm and this dispersion of marketing activities is found to increase firm performance. One of the primary functions involved in market-related decisions is sales.

For our study we collected interview data from both U.S. and Dutch small B2B firms. Firm size ranged between 20-60 employees and their annual sales were in the range of $5–35 million. Our firms came from varied industries such as pharmaceuticals, IT, telecom, industrial equipment, capital equipment, and industrial raw materials. Our questions focused on the role of marketing in the informants’ firms, the key individuals involved in marketing and sales activities, their backgrounds, interaction patterns and day-to-day functioning. Based on our findings, we argue that marketing-sales interface research stands to gain from adopting an activity-centric lens and examining the interplay between firm’s marketing and sales philosophies and activities (in addition to departments) that are espoused/performed interchangeably by the same group of people who may or may not have formal marketing training. Our findings are summarized below.

Dispersed Marketing Activities Despite Absent Marketing Department. Many informants remarked that while their firms recognized the importance of doing marketing, they lacked a dedicated marketing department. Nevertheless, these firms were constantly engaged in performing marketing activities such as customer service, product customization, or handling customer complaints. Such activities were being performed by organizational members as part of or in addition to their “regular job” irrespective of their background or job function.

First Forays into Performing Marketing Activities. Two key drivers prompted individuals to engage in extramural marketing activities: (a) top management predisposition to marketing and (b) presence of marketing ambassadors and employee affinity.

Interface Between Marketing and Sales Activities. Employees often struggled to maintain a delicate balance between performing marketing activities and insuring that they were also keeping a track of their everyday sales figures. Long-term marketing planning was occasionally hijacked by short-term sales pressures, resulting in a perpetual activity-orientation tug of war. Marketing is largely operationalized as tactical marketing communications and interpersonal relationships function as facilitators.

Transition to Marketing-Sales Departmental Interface. Several executives were mulling over the idea of creating a separate marketing department in the near future; e.g., because of the firm’s growth and increasing customer base.
Our study highlights the fact that small B2B firms exhibit dispersed marketing activities despite the absence of a formal marketing department. In addition, these marketing activities are not a prerogative (or responsibility) of a single department or individual in such firms. Our findings also show how the marketing-sales activity interface is characterized by a constant tug of war between short-term sales activities and long-term marketing orientation philosophy. In short, we argue that the extant literature on the marketing-sales interface may benefit from using an activity-centric lens in addition to the conventional department-centric lens used in traditional studies of the marketing-sales interface. References are available upon request.

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INVESTMENTS IN CUSTOMER RELATIONSHIPS AND RELATIONSHIP STRENGTH: EVIDENCE FROM INSURANCE INDUSTRY IN CHINA

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SUMMARY

Relationship investments have been shown to generate strong customer relationships that enhance customer loyalty (De Wulf, Odekerken, and Robert 2001; Liang, Chen, and Wang 2008; Yoon, Choi, and Sohn 2008). As Yoon, Choi, and Sohn (2008) pointed out that the best point of their models is to use a global construct, relationship quality, by a combination of trust, commitment, and satisfaction, which offers the best assessment of relationship strength. However, relationship quality as a construct has its intrinsic weaknesses. It has no clear definition itself and different researchers may include different dimensions for relationship quality. For example, Crosby, Evans, and Cowles (1990) and Liang, Chen, and Wang (2008) consider relationship satisfaction and trust to be the dimensions of relationship quality, De Wulf, Odekerken, and Robert (2001) and Yoon, Choi, and Sohn (2008) add relationship commitment besides satisfaction and trust, while Palmatier (2008) includes commitment, trust, reciprocity norms, and exchange efficiency as the indicators of relationship quality. Another weakness of the existing studies of customer relationship investments is the common method bias caused by the fact that all the variables are measured from the same source in terms of customer’s self report.

With the aforementioned existing gaps in mind, this paper’s objectives are threefold. First, we want to use a more appropriate construct named relationship strength as outcome variable instead of relationship quality to determine whether relationship investments have differential impacts on different dimensions of relationship strength. Second, we want to provide empirical evidence for the impact of relationship investment efforts on perceived relationship investment and ultimately on relationship strength with much less common method variance through dyadic data, one from the seller and the other from the buyer. Third, we want to analyze whether the effect of perceived relationship investment on relationship strength is contingent on consumer characteristics.

The agent-client relationship in the Chinese life insurance industry was chosen as the research context for the empirical testing. To avoid common method variance, we have collected data from both agents and clients although it was difficult to do so. A random sample was generated from the database of a major Chinese life insurance company. In the survey, two versions of the questionnaire were used: an agent questionnaire and a client version. Both questionnaires contained same items, but presented from different perspectives. In total, 450 agent questionnaires and 450 client questionnaires were distributed. After deleting uncompleted and unmatched questionnaires, a total of 354 sets of agent-client questionnaires remained and constituted the sample for the main study.

The empirical results indicate that clients value financial effort most followed by social effort and structural effort; Perceived relationship investment influences affective strength most followed by cognitive strength and conative strength; Both customer innovativeness and complaint propensity acts as moderators of the effectiveness of perceived relationship investment on two of the three dimensions of relationship strength. References are available upon request.

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SALESPERSON’S PERSONALITY AND RELATIONSHIP QUALITY: ARE YOU A FRIEND OR A CUSTOMER?

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ABSTRACT

This study investigates the quality of buyer-seller relationships from the seller’s perspective, by addressing the influence of salespeople’s personality traits on the quality of the relationships with customers as compared to friends. Results indicate that the personality traits of salespeople influence both of these relationships, but in different ways.

INTRODUCTION

The past two decades have seen a resurgence of interest among academics and practitioners in the development and maintenance of long-term relationships between buyers and sellers (Foster and Cadogan 2000; Grönroos 1994; Parsons 2002). Since then, relationship quality has become a key subject of research. While researchers have begun to investigate the determinants of the success or failure in relationships between exchange partners by looking at both seller characteristics and at the quality of interactions between buyers and sellers (Crosby et al. 1990; Morgan and Hunt 1994; Parsons 2002), these factors have not been considered jointly. Hence, the role of salespeople in service firms, mainly those of a long-term relational nature, has received limited attention.

Salespeople involved in relationship marketing are often “relationship managers.” It is, in part, the quality of the relationship between the salesperson and the customer that determines the probability of continued interchange (Crosby et al. 1990). Customer-oriented behavior by salespersons helps create good-quality buyer-seller relationships (Williams and Attaway 1996). Therefore, dispatching the right salespersons to manage specific business relationships is critical for businesses.

Furthermore, individual personality traits have been important components of buyer-seller relationships (Dion et al. 1995). As the main influence on individual behavior, personality as the complex set of unique psychological qualities, influences an individual’s characteristic patterns of behavior across situations and over time (Morris 1996; Zimbardo and Weber 1994). Since buyer-seller relationships often require frequent negotiations on price, product specifications, quantity, delivery and other terms, this interactive process may require cooperation among conflicting interests and needs. Thus, the personality of the salesperson affects his/her behavior in managing the relationship, thus affecting a customer’s perceptions of the quality of service provided by salespersons. The literature on personality shows that purchasing behavior is linked to individual personality traits and that similar personality traits between buyers and sellers will result in a better and longer-term relationship (Barrick and Mount 1991; Dion et al. 1995; Lamont 1977). The first objective of this research is therefore to investigate the quality of buyer-seller relationships from the seller’s perspective and to address the question – what personality traits of a salesperson influence the quality of buyer-seller relationships?

Moreover, from a personal selling perspective, the literature suggests that good customer relationships, in which salespeople and their clients interact frequently and over an extended period, during which they exchange information, develop into close friendships (e.g., Grayson 2007; Price and Arnould 1999; Swan et al. 2001). Friendships between clients and salespeople are frequently unquestioned phenomena, following the thought that “[o]verall, sheer frequency of interaction and outcome dependency, whatever the setting, promotes friendship” (Price and Arnould 1999, p. 51). Salespeople are often encouraged to treat customers like their best friends. What if this exhortation rests on a false premise, and customers are not the same as friends?

Accordingly, the second objective of this paper is to compare the impact of a sample of salespeople’s personality traits on the quality of his or her relationships with friends and customers. The intention is to identify how the influence of salespeople’s personality traits on the buyer-seller relationship quality differs between the seller’s customers and his or her friends. While one would naturally expect there to be a difference, it is hoped that the study will identify the similarities and the differences between friends and customers. Where there are similarities, it follows that salespeople can treat good customers as friends. Where differences exist, salespeople might want to be more careful about the simple incorporation of the friendship metaphor into their selling strategies.
CONCEPTUAL BACKGROUND AND HYPOTHESES

Customers, Friendship, and Relationship Quality

Tansuhaj et al. (1988) suggested that firms should give greater consideration to the “employee-customer interaction” nature of service. Relationship marketing rests on the premise that this interaction between salespeople and their customers has more in common with other human relationships than mere exchanges or transactions (cf., Gummesson 1998). Hence, there is some emotional or other connection between the parties in a relationship in the context of service firms, not just a simple commercial exchange.

The categorization of customers as friends then gives insights into how to manage these relationships to the firm’s advantage (e.g., Swan et al. 2001). Salespeople and other employees are often encouraged to treat customers like their best friends (Geller 2006) and to engage in friendships instead of transactions (Tan and Steinberg 2007). According to Wang, Liang, and Wu (2006), research on the effectiveness of relationship bonding tactics works is scarce. Wulf et al. (2001) argue that relationship-bonding tactics would improve relationship quality. Thus, a thorough understanding of the characteristics of an interpersonal relationship is essential for the implementation of relationship marketing programs in a salesperson-customer setting.

Mustillo et al. (2005) examined the factor structure and psychometric properties of the Trusting Relationship Questionnaire (TRQ). As cited by Mustillo et al. (2005), Vance and Sanchez (1997) state that the TRQ was developed by clinicians in North Carolina in an attempt to evaluate the relationships between professionals and paraprofessionals and youth in community-based treatment self-measurement scale programs. The resulting questionnaire was designed to assess the quality of the adult-child relationship from both the children’s and the adults’ perspective (Mustillo et al. 2005).

Hence, the TRQ appears to capture relationship quality (Mustillo et al. 2005). Somewhat surprisingly, these authors do not describe how relationship quality is operationalized; however, in view of their construction of the scale, relationship quality can be defined (and therefore operationalized) as follows: “Relationship quality has to do with the perceptions of the two parties to a relationship regarding the value of the information they share, the time they spend, the perspectives they share, and their mutual considerations.”

Personality Traits

Personality, a psychological (hypothetical) construct, has been defined as “a stable set of responses that individuals have to their environments” (Dion et al. 1995; Kassarjian 1971; Lamont 1977). Although there are several approaches to the study of personality, one of the most commonly employed is trait theory (Pederson et al. 1988). Traits, according to this theory, are identifiable characteristics that define a person (Dion et al. 1995; Solomon 1992). Examples of such characteristics are whether or not a person is an extrovert or an introvert and whether he or she primarily uses thinking or emotions in problem solving.

Studies employing trait theory to explore salespersons’ personalities have suggested that a salesperson’s performance may be a function of his or her personality traits, meaning that “sales success would be a result of the degree to which she or he possessed certain specific personality traits” (Dion et al. 1995). Accordingly, Barrick and Mount (1991) found that different personality dimensions may predict variations in job performance among different occupations. There is a widely accepted five-factor personality classification, the Big Five, in the personality literature (Barrick and Mount 1991, 1993; Digman 1990). The Big Five framework suggests that most individual differences in human personality can be classified in terms of five domains (Gosling et al. 2003; John and Srivastava 1999; McCrae et al. 1998). It has been used in investigations with different theoretical frameworks, with a variety of instruments and samples (including samples from diverse cultures), and with ratings obtained from several sources (e.g., Barrick and Mount 1993; Barrick et al. 2002; Digman 1990; McCrae and Costa 1985; Norman 1963).

The Big Five factors have distinctive meanings. Extraversion is characterized by being sociable, gregarious, assertive, talkative, and active (McCrae and Costa 1985; Norman 1963). Agreeableness is defined by flexible, trusting, good-natured, cooperative, forgiving, soft-hearted, and tolerant (Guilford and Zimmerman 1949; McCrae and Costa 1985). Conscientiousness is described by trustworthiness, as well as being careful, thorough, responsible, organized, resourceful, hardworking, achievement-oriented and persistent (Norman 1963). Openness to experience is characterized as imaginative, cultured, curious, original, broad-minded, intelligent, and artistically sensitive (Digman 1990; Norman 1963). Finally, Emotional (in)stability (viewed from the negative pole) is characterized by being tense, insecure, depressed, angry, embarrassed, worried, anxious and nervous (Barrick and
H2: There is a difference between how a salesperson’s personality traits influence the quality of the relationship she/he has with customers and also friends. To assess this impact and address the objectives stated in the Introduction, the following hypotheses are formulated:

H1: A salesperson’s personality traits influence the quality of the relationship she/he has with customers and also friends.

H2: There is a difference between how a salesperson’s personality traits impacts his/her relationship with customers compared to how these traits affect his/her relationship with friends.

METHODOLOGY

The Trusting Relationship Questionnaire, or TRQ (Mustillo et al. 2005), was used to measure the perceived relationship quality between salespersons and customers. In the original study, both the adult and child versions of the questionnaire were found to be reliable and valid. Since this study focused on the seller’s perspective, we used the adult version of the TRQ, using salespeople as respondents. To more accurately reflect the relationship that a salesperson might have with a friend and a customer, the word “child” was replaced with “friend” and “customer.” For the same reason, we also changed “times of crisis” to “times of need,” and added, “when things go wrong” to the two items that concerned apologizing. As recommended by Mustillo et al. (2005), four of the items in the original scale were excluded due to poor validity. The final scale employed for Relationship Quality thus consisted of 12 items, scored on a 5-point Likert-type scale anchored by 1 (“Never”), through 5 (“Always”), indicating how well each item characterizes the relationship (see Appendix A). The questionnaire included two sets of the Relationship Quality questions; first considering a friend and then considering a customer.

RESULTS AND DISCUSSION

To make the items easy for the respondents to understand, friend was conceptualized by asking the respondents to “think of a person with whom you have a close and positive personal friendship. This could be a spouse or partner, a close family member, or a good friend.”

In order to measure salesperson’s personality, the Big Five scale was used, including the personality domains of Extraversion, Agreeableness, Conscientiousness, Emotional stability, and Openness to experience. We used the short version of the Big Five self-measurement scale developed by Gosling et al. (2003).

Data for hypothesis testing were collected through a survey. As the unit of analysis was salespeople’s perspectives, we administered the questionnaire to the salesforce of a large Swedish company in the financial services industry. We used judgement sampling as this sample fulfilled some important criteria specified by the researchers (cf., Hair et al. 2010). That is, the firm had employed large enough sales force (198) for a sufficient number of responses to be gathered; its products involved high-contact personal selling; and the management cooperated with the researchers to facilitate access to the sample. The questionnaires were distributed to all the salespeople in the company in the internal mail, accompanied by a letter from management explaining the purpose of the study, that participation would be anonymous, and that it was important to answer all the items in the questionnaire. Usable responses were received from 119 salespeople, for an overall response rate of 60.1 percent.

To identify the dimensions of the Relationship Quality construct in this particular context, an exploratory factor analysis with Varimax rotation was used on the TRQ items. Four factors were obtained by applying the latent root criterion of retaining factors with eigenvalues, sum of squared correlations of each factor with its variables, greater than 1, implying that each can be considered as an independent factor (Hair et al. 2010). Factor 1 has been labeled “Sharing” and Factor 2 was called “Caring.” Factor 3 concerns whether each party to the relationship considered the other’s point of view; therefore, it was labeled “Point of View.” Finally, Factor 4 was labeled “Time Enjoyment” since it concerns how much salespeople enjoy spending time with their customers/friends. All items had factor loadings in excess of .60 and each converged on its separate factors. The factors represented 70.1 percent of the variance of all the analyzed variables, which is higher than the suggested limit of 60 percent (Hair et al. 2010).

To test the internal consistency of the Big Five personality domains, Cronbach’s alpha reliabilities were estimated. Extraversion had an alpha of .82, Agreeable-
ness .76, Conscientiousness .81, Emotional stability .83, and Openness to experience .80. Hence, values for all constructs are above the suggested threshold of .70, indicating that the Personality scale is reliable.

In order to test the first hypothesis, a regression analysis was conducted on the relationship between Relationship Quality and the Big Five Personality Traits. The $R^2$-squares and t-values suggested that all salespeople’s personality domains, except Openness to experience, influence the quality of their relationships with both customers and friends. $H_1$ was therefore supported.

Moreover, to test the second hypothesis, regression analyses were done separately in order to determine the differences and similarities in the ways in which salespeople’s personality influenced their relationship quality with friends and customers. In total, eight regression analyses were performed; i.e., one regression for each of the four Relationship Quality dimensions, first for friends and then for customers. Tables including results of all regressions are provided in Appendix B. Table 1 summarizes the results by showing the $R^2$ for the relationship among each of the four factors of relationship quality and the Big Five personality domains.

The observations to be made from the regression results can be summarized as follows: A salesperson’s personality has a partially greater impact on the quality of relationship with friends than with customers. In other words, the more extraverted, agreeable, conscientious, and emotionally stable a salesperson is, the better the relationship he or she will have with customers and friends, albeit in a different way. When we consider the four items that explain how parties contribute to a relationship, it is evident that from the salesperson’s perspective, friends are not the same as customers.

Data provide support for the second hypothesis, as there is a difference in how the dimensions of Relationship Quality are influenced by the personality domains of salespeople. Three out of four Relationship Quality dimensions; i.e., Sharing, Caring, and Time Enjoyment (see Table 1), were more affected by the salesperson’s personality traits when the relationship concerned friends, than when it concerned customers. Primarily, the relationship with friends is influenced by the salesperson’s degree of extraversion, conscientiousness, and emotional stability.

However, for the Point of View dimension, which pertains to whether one party in the relationship considers the other’s point of view (see Appendix A), the salesperson’s personality seems to have stronger influence on the quality of the relationship with customers than on the relationship with friends. In the field of personal selling, where salespeople are encouraged to treat customers like their best friends (Geller 2006) and where trust is an important construct of relationship quality (Wang et al. 2006; Wulf et al. 2001), it would be problematic if salespeople considered the viewpoints of friends, but not of customers. Therefore, it is very interesting that the personality of a salesperson had a significant effect on the extent to which he or she considers the customer’s point of view, but no significant influence on the Point of View dimension when it comes to friends.

Based on the $R^2$-squares, one interesting interpretation pertains to Time Enjoyment. As shown in Table 1, the level of influence of personality traits in a salesperson on the time she/he enjoys to spend is much more with friends than customers.

Furthermore, as the regression results in Appendix B show, the only personality trait that affects the relation-

<table>
<thead>
<tr>
<th>Dimension of Relationship Quality</th>
<th>$R^2$ for the Effects of Personality Traits on Relationship Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Friend</td>
</tr>
<tr>
<td>Sharing</td>
<td>.13**</td>
</tr>
<tr>
<td>Caring</td>
<td>.21**</td>
</tr>
<tr>
<td>Point of View</td>
<td>.04</td>
</tr>
<tr>
<td>Time Enjoyment</td>
<td>.43**</td>
</tr>
</tbody>
</table>

** p < .01 * p < .05
ship quality with customers is Agreeableness, which, however, does not influence relationships with friends. On other words, the more sympathetic and warm the less critical and difficult the salesperson is, the better the relationship he or she has with customers. With friends, however, other personality traits than being agreeable are more important when it comes to the quality of the relationship in terms of sharing time and information, caring about the relationship, and enjoying spending time together.

LIMITATIONS AND FURTHER RESEARCH

Like all research, this study has several limitations. The first limitation is the psychometric cost of using short measures as we did for the Big Five measurement scale. Brief measures also have the limitation of being unable to measure individual facets of multi-faceted constructs (Gosling et al. 2003).

The original TRQ questionnaire was developed with the intention of interviewing both parties to a relationship concerning their perceptions of its quality; this was not done in this study. Future academic research would do well to examine salesperson-customer relationship quality from both sides of the dyad. This study has focused only on the issues related to relationships from the seller’s perspective. However, because relationships involve more than one person, it is also important to look at these issues from the customer’s perspective. It would be worthwhile applying and studying the TRQ scale by using customers as respondents, in order to compare their perceptions of the quality of their relationships with friends to those of salespeople.

CONCLUSIONS AND IMPLICATIONS

This study has described the relationships among salesperson personality traits and their relationship quality with friends and customers. The results of this study suggest that in the financial services industry, salespeople’s personality traits influence the quality of their relationships with customers and friends. Managers can benefit from taking advantage of this correlation between personality and relationship quality. For instance, personality tests may be useful in the selection of salespeople if management wishes to make distinctions among individuals. However, less represented personality types can be also effective in a sales career since other variables can be significant in understanding sales performance too, especially in our study that concentrated on the salesperson’s perception of relationship quality.

Moreover, the study found that among five personality traits, a salesperson’s agreeableness has the most significant effect on all four dimensions of the quality of his or her relationship with customers (cf., Appendix B). This finding suggests that managers can stress the importance of agreeableness while recruiting salespeople, and can hire agreeable salespersons.

Furthermore, the results reveal that these traits do not affect the relationship quality with customers in the same way as they do relationships with friends. This finding is contrary to much of the literature on the nature of friendships in marketing and relationship selling, which has suggested that good customer relationships develop into close friendships (e.g., Grayson 2007; Price and Arnould 1999; Swan et al. 2001).

Using the TRQ questionnaire in a business context for the first time is the main academic implication of this study. Furthermore, the findings of this study have implications for the practice of personal selling, and also for sales managers. In order for salespeople to be successful in developing and maintaining good relationships with customers, they must know what to expect. This study indicates that when it comes to the other party’s contribution to the relationship in terms of sharing time and information, customers may differ fundamentally from friends. In this relationship domain, as well as in the domains concerning caring about the relationship and enjoying spending time together, attempts by a salesperson to treat the customer as a friend, and indeed to rely on this, will probably be less successful. It might even make the customer suspicious of the salesperson, which in turn could diminish trust and lead to miscommunication. The finding that the salesperson’s agreeableness is the only personality trait that affects relationship quality with customers underlines this conclusion. Thus, no matter how good the relationship with the customer is, the salesperson should always remain professional.

These findings are important for several reasons. First, in line with literature, the results of the current study found that individual personality traits must be considered as important components in trade relationships; thus, managers should pay more attention to the personalities of their sales force. Second, the results suggest that instructing salespeople to treat customers as friends may not be worthwhile. Customers may detect insincerity and over-familiarity in the relationship, which at worst might cause them to withdraw from commercial interaction. Finally, for managers, when guiding salespeople in their interactions with customers, it may be helpful to alert them that—unlike a friendship, in a business relationship salespeople will have to contribute more and be prepared for the other party to contribute less. This will happen in an environment in which the time spent in the interaction will be significantly less enjoyable than the time spent with friends.
REFERENCES


### APPENDIX A

#### Scale Items

<table>
<thead>
<tr>
<th>Relationship Quality Scale</th>
<th>Construct</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Caring</td>
<td>Does [Other Party] seek counseling or advice from you? Do you apologize to [Other Party] when things go wrong? Do you talk to others in a positive way about [Other Party]?</td>
</tr>
<tr>
<td></td>
<td>Point of View</td>
<td>Does [Other Party] consider your point of view? Do you consider [Other Party’s] point of view?</td>
</tr>
<tr>
<td></td>
<td>Time Enjoyment</td>
<td>Do you enjoy spending time with [Other Party]?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personality Traits Scale</th>
<th>Construct</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Extraversion</td>
<td>Extraverted, enthusiastic Reserved, quiet (R)</td>
</tr>
<tr>
<td></td>
<td>Agreeableness</td>
<td>Critical, quarrelsome (R) Sympathetic, warm</td>
</tr>
<tr>
<td></td>
<td>Conscientiousness</td>
<td>Dependable, self-disciplined Disorganized, careless (R)</td>
</tr>
<tr>
<td></td>
<td>Emotional stability</td>
<td>Anxious, easily upset (R) Calm, emotionally stable</td>
</tr>
<tr>
<td></td>
<td>Openness to experiences</td>
<td>Open to new experiences, complex Conventional, uncreative (R)</td>
</tr>
</tbody>
</table>

*In the Relationship Quality scale, [Other Party] was substituted for friend and customer, respectively. (R) Denotes reverse-coded items.
### APPENDIX B
Regression Results

<table>
<thead>
<tr>
<th>Dimension of Relationship Quality: Sharing</th>
<th>( \beta ) for Friends</th>
<th>( \beta ) for Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraversion</td>
<td>.07*</td>
<td>-0.01</td>
</tr>
<tr>
<td>Agreeableness</td>
<td>.04</td>
<td>.17*</td>
</tr>
<tr>
<td>Conscientiousness</td>
<td>.08*</td>
<td>-0.01</td>
</tr>
<tr>
<td>Emotional stability</td>
<td>.01</td>
<td>.01</td>
</tr>
<tr>
<td>Openness to experience</td>
<td>-0.02</td>
<td>-0.02</td>
</tr>
</tbody>
</table>

\( R^2 \) for Model Sharing .13** .08

<table>
<thead>
<tr>
<th>Dimension of Relationship Quality: Caring</th>
<th>( \beta ) for Friends</th>
<th>( \beta ) for Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraversion</td>
<td>.06*</td>
<td>.00</td>
</tr>
<tr>
<td>Agreeableness</td>
<td>.04</td>
<td>.12*</td>
</tr>
<tr>
<td>Conscientiousness</td>
<td>.02</td>
<td>.03</td>
</tr>
<tr>
<td>Emotional stability</td>
<td>.06*</td>
<td>.01</td>
</tr>
<tr>
<td>Openness to experience</td>
<td>-0.02</td>
<td>.04</td>
</tr>
</tbody>
</table>

\( R^2 \) for Model Caring .21** .10*

<table>
<thead>
<tr>
<th>Dimension of Relationship Quality: Point of View</th>
<th>( \beta ) for Friends</th>
<th>( \beta ) for Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extraversion</td>
<td>.02</td>
<td>.02</td>
</tr>
<tr>
<td>Agreeableness</td>
<td>-0.01</td>
<td>.18**</td>
</tr>
<tr>
<td>Conscientiousness</td>
<td>.05</td>
<td>.00</td>
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<tr>
<td>Emotional stability</td>
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<td>-0.07</td>
</tr>
<tr>
<td>Openness to experience</td>
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<td>.10</td>
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\( R^2 \) for Model Point of View .04 .18**

<table>
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<th>Dimension of Relationship Quality: Time Enjoyment</th>
<th>( \beta ) for Friends</th>
<th>( \beta ) for Customers</th>
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<td>Extraversion</td>
<td>.10**</td>
<td>.05</td>
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<tr>
<td>Agreeableness</td>
<td>-.11**</td>
<td>.11*</td>
</tr>
<tr>
<td>Conscientiousness</td>
<td>.09**</td>
<td>-.01</td>
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<td>Emotional stability</td>
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\( R^2 \) for Model Time Enjoyment .43** .07

** p < .01 * p < .05

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KNOWLEDGE TRANSFER ANTECEDENTS AND CONSEQUENCES: A CONCEPTUAL MODEL

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ABSTRACT

The authors examine antecedents and consequences of the Knowledge-Transfer Circumplex model. They propose that different forms of intelligence (i.e., emotional, practical, and cognitive) influence the different styles of communication in the KT-Plex (i.e., relational, direct, and analytical), resulting in different forms of trust (i.e., affective, behavioral, and cognitive).

INTRODUCTION

Since the popularity of emotional intelligence (EI) some 20 years ago, studies of EI have been emerging in the marketing literature. Kernback and Schutte (2005), for example, found that higher EI in service providers leads to greater customer satisfaction, while Rozel, Pettijohn, and Parker (2004) found that EI is significantly related to a salesperson’s level of customer orientation. Recent work from Kidwell, Hardesty, Murtha, and Sheng (2011) indicates that EI mediates the relationship between customer relationship and sales performance. Despite the importance of EI in marketing, the reason behind its effectiveness remains unclear. Also unclear is how EI relates with other forms of intelligence and knowledge transfer techniques.

This paper sheds light on why EI is effective by arguing that the Knowledge-Transfer Circumplex (KT-Plex), developed by McGinnis, Glibkowski, Gillespie, and Lemon (2011), mediates the relationship between EI and trust. We begin with an explanation of the KT-Plex, followed by an examination of its antecedents. We chose emotional, practical, and cognitive intelligence as our antecedents because research indicates that these forms of intelligence are common, distinct, and present in expert communicators (McGinnis et al. 2011). We then examine consequences to the KT-Plex model. Specifically, we chose affective, behavioral, and cognitive trust as our consequences because trust has been linked to several important marketing outcomes, including commitment (Morgan and Hunt 1994), loyalty (Sirdeshmukh, Singh, and Sabol 2002), and satisfaction (Singh and Sirdeshmukh 2000).

THE KT-PLEX: UNDERLYING DIMENSIONS

In analyzing how top teaching professionals in golf transferred knowledge to their students, McGinnis et al. (2011) revealed six communication modes grouped within three styles. The relational style includes metaphorical and analogical communication, the direct style includes general and experiential communication, and the analytical style includes causal and technical communication. Underlying these styles are two dimensions: locus of knowledge and comprehension.

A circumplex structure implies that all variables (i.e., communication modes) are related to each other in a two-dimensional space (Fabrigar, Visser, and Browne 1997). In the KT-Plex, the comprehension dimension refers to the level of knowledge, which is represented by a continuum defined by use knowledge at the low end and procedural knowledge at the high end with declarative knowledge at the intermediate point. The locus of knowledge dimension distinguishes between knowledge in the foreground (i.e., the object of understanding) and knowledge in the background (i.e., context within which the foreground is understood). While Polanyi (1966) indicates in absolute terms that all knowledge is a gestalt (i.e., foreground and background are indistinguishable), in relative terms, the foreground and background are distinct and contain unique properties. Polanyi (1966) refers to the background as proximal knowledge because it is nearer to a knower and represents internalized experiences that are difficult to communicate. The foreground represents knowledge that is the focus of attention and epistemologically distal or further from the background (Polanyi 1966). There is a functional relationship between the background (proximal) and foreground (distal) such that the “we know the first term only by relying on our awareness of it for attending to the second term” (Polanyi 1966, p. 10).

The foreground and background are distinguished by the manner in which knowledge can be integrated to form gestalt meaning. If the starting point of integration is the foreground, Polanyi (1966) describes that “explicit integration” occurs whereby the relation between particulars
is explicitly stated. Conversely, if the starting point of integration is the background, Polanyi (1966) describes that “tacit integration” occurs whereby the particulars (i.e., foreground) are integrated into a coherent whole that resists explication. In sum, the locus of knowledge dimension refers to knowledge that is achieved through explicit integration or tacit integration.

As Lange (2008) suggests, a circumplex is useful for unranked typologies. Because the communication styles in the KT-Plex are not weighted by importance, the circumplex structure indicates neither a beginning nor an end. Another defining characteristic of a circumplex is that the proximity between variables indicates the strength of the relationship between those variables. All communication modes are positively related to each other and the strength of the association between the variables increases commensurate to the variable’s proximity to each other (see Fabrigar et al. 1997 for a review). Adjacent variables (e.g., general and experiential communication) are most related to each other, whereas opposite variables (e.g., experiential and causal communication) are least related because they are located 180° from each other.

**ANTECEDENTS: FORMS OF INTELLIGENCE**

Research from McGinnis et al. (2011) indicates that different forms of intelligence were prevalent among their sample of expert golf instructors. We disentangle the different forms of intelligence and propose connections to the communication styles found in the KT-Plex model. The intelligence antecedents are from the sender’s perspective, and the trust outcomes are from the receiver’s perspective.

**Emotional Intelligence**

An early definition characterized EI as the ability to deal with emotions in relation to others’ feelings and emotions (Salovey and Mayer 1990). It involves understanding, expressing, and regulating one’s true emotions, as well as recognizing and interpreting the emotions of others (Davies et al. 1998). Adeptness in relationships, a key element of EI (Goleman 1998), involves identifying elements that motivate another person, which can lead to effective, persuasive, and mutually satisfying communication. Research indicates that people with high EI possess more social competency, higher quality relationships, and greater interpersonal sensitivity (for a complete review, see Mayer, Salovey, and Caruso 2008).

**Practical Intelligence**

Similar to street smarts and common sense (Sternberg 2000), practical intelligence (PI) is the ability to apply knowledge in real-life situations that are different from those presented in classrooms or other academic settings (Sternberg and Wagner 1993). Someone with high cognitive intelligence, for example, may struggle to apply that knowledge in real situations. Sternberg and Wagner (1993) discern the difference between academic intelligence and practical intelligence through how problems are defined and solved. Academic problems are generally rigid because they usually have only one solution and contain little or no intrinsic interest. Practical problems, however, possess multiple solutions, require recognition and formulation, and are embedded in real-life situations. The focus of PI is use value as opposed to analytical understanding.

**Cognitive Intelligence**

Cognitive Intelligence (CI), also known as Intelligence Quotient (IQ), academic intelligence, or simply “g,” is characterized by academic skills, such as reading, mathematics, and problem solving (Armor 2003). These skills are divided into two major forms: fluid and crystallized intelligence. Fluid intelligence involves reasoning and problem solving abilities, and it is typically measured by working memory capacity (Conway et al. 2002). Crystallized intelligence, on the other hand, represents accumulated knowledge over time. It focuses less on reasoning and more on factual information, such as verbal comprehension (Plemons, Willis, and Baltes 1978). People with high CI have a well-rounded intelligence because they possess reasoning abilities (i.e., fluid intelligence) and factual knowledge (i.e., crystallized intelligence).

**KT-PLEX MODES OF COMMUNICATION**

By depicting different communication styles, the KT-Plex provides insights into how different communication modes can be optimized to convey tacit and explicit concepts associated with the locus of knowledge, as well as procedural, declarative, and use knowledge associated with comprehension. In this section, we define each communication mode and develop propositions between the different forms of intelligence and the various components of the KT-Plex (see Figure 1).

**Relational Style**

The relational style of communication, comprised of the metaphorical and analogical modes, borrows meaning from other domains to relate understanding to a focal domain. As depicted by the KT-Plex, metaphorical communication transfers declarative knowledge, whereas analogical communication transfers procedural knowledge. Because these modes use symbolic language to convey knowledge, both convey tacit knowledge.

**Metaphorical Communication.** Metaphorical communication is defined as knowledge of one domain experience in terms of a different domain experience. For
example, Kotler and Singh (1980) popularized the metaphor, “marketing is warfare,” to clarify one domain (marketing) by comparing it to a different context (warfare). In that metaphor, the domain of marketing is known as the target domain because the metaphor clarifies this concept. Conversely, the domain of warfare is known as the source domain because it provides a source of knowledge to clarify marketing (Gibbs 1993). The inference or connection between the two domains is known as the ground (Murphy 1996). From the previous metaphor, one could infer that marketing involves two or more competitors strategically battling for the consumer’s money (Rindfleisch 1996).

Not only can metaphors effectively communicate product information to consumers, but they can also transform abstract concepts into tangible representations (Zaltman 2008). By comparing an intangible domain to a tangible domain, metaphors can provide a mental representation of an intangible characteristic, which can be a significant advantage for service marketers because of service intangibility. For example, Zaltman (2008) describes how “life insurance companies use ideas associated with various symbols such as umbrellas (Travelers), rocks (Prudential Insurance Company), and hands (Allstate) to convey qualities of protection, sturdiness, and support” (p. 35).

**Analogical Communication.** Like metaphors, analogies transfer knowledge by relating an unfamiliar domain to a familiar domain. The difference, however, lies in the relational structuring of each domain. Analogies involve structural parallelism between the areas being compared, focusing only on the relational characteristics between domains (Gentner 1983). Thus, analogies allow for cause-and-effect inferences to be drawn, which can lead to greater understanding of unfamiliar domains. For example, a causal inference could be drawn from the common “marketing is marriage” analogy. Based on the understanding that commitment, trust, and the right choice in partners leads to a successful relationship with a spouse (Hunt and Morgan 1994), one could infer that incorporating those characteristics in marketing exchanges should lead to a successful relationship with a consumer.

Relational communication is effective when the comparison between the target and source domain is relevant to the receiver. Celsi and Olson (1988) found that consumers devote more attention to and exhibit greater comprehension of advertisements when the information is personally relevant. Because EI involves understanding different points of view (Goleman 1998), communicators with high EI should be able to judge consumers’ knowledge, passions, and interests more effectively than communicators with low EI. Therefore, communicators with high EI should be able to structure metaphors and analogies that are relevant to consumers, thereby effectively transferring knowledge.

P1: Higher levels of emotional intelligence (relative to practical and cognitive intelligence) will lead to greater use of the relational style of communication.
Direct Style

Unlike the relational style, the direct style is most useful when a receiver’s pre-existing knowledge of the focal domain is very basic. Using general and experiential communication, the direct style transmits awareness knowledge so that receivers become more familiar with a domain. General communication conveys explicit knowledge, whereas experiential communication conveys tacit knowledge.

General Communication. McGinnis et al. (2011) define general communication as knowledge by symbols that represent basic human experiences. The language is viewed as universal because it applies across contexts and conveys the same meaning to people of different backgrounds. Examples of general communication by the sender (i.e., the golf pro) included verbal communication: “right hand over left hand,” “hit it harder,” and “slow down your motion.”

General communication effectively transfers knowledge because it communicates information in its simplest form, thereby creating a comprehensible message that is easy to understand. Structuring comprehensible messages is very important for marketers because comprehension moderates persuasion (Ratneshwar and Chaiken 1991) and increases ad credibility (Mick 1992).

Experiential Communication. Experiential communication is associated with structured experiences, wherein recipients gain multi-sensory experience in a domain. Golf professionals, for example, instructed students to hit golf balls on the driving range to gain direct experience in the golf domain (McGinnis et al. 2011). By incorporating experiential communication into marketing tactics, marketers create sensory experiences for consumers, thereby providing them with pleasure and excitement (Schmitt 1999).

One method of appealing to consumers’ senses is through experiential marketing, which involves marketing tactics that provide consumers with an extraordinary experience. Schmitt (1999) describes Procter & Gamble’s “Tide Mountain Fresh” campaign used by Tide laundry detergent, which portrays a particular fragrance as the scent from a mountaintop. Not only does the product’s advertising use colors that are “cool, vivid, and refreshing,” but the images display snow covered mountaintops, suggesting that the scent resembles crisp mountain air (Schmitt 1999, p. 101). Tide even incorporates scratch-and-sniff features so that consumers can receive direct pre-purchase experience with Tide’s laundry detergent.

The direct style of communication includes basic knowledge of a domain and real-world experiential exercises and simulations. Therefore, those with high practical intelligence, or real world know-how and aptitude, should be most inclined to use this style when conveying knowledge.

P2: Higher levels of practical intelligence (relative to emotional and cognitive intelligence) will lead to greater use of the direct style of communication.

Analytical Style

The analytical style contains both causal and technical communication. Technical communication uses explicit knowledge to transfer declarative information, whereas causal communication uses explicit knowledge to transfer procedural information.

Technical Communication. The language used in technical communication is explicit and more unique to the focal domain. This precision in language eliminates unnecessary verbiage, allowing the sender and receiver to communicate more efficiently. Because of the domain-specific language, recipients of technical communication must possess knowledge of the focal domain to understand the sender’s message.

Evidence suggests that marketers can use technical communication in transferring knowledge to expert consumers. Graeff (1997) presented expert consumers and novice consumers with a camera advertisement containing technical information. Although both groups inferred information from the advertisement, only expert consumers, who had previous experience using cameras, could infer benefits from the technical attributes. These inferences lead to greater comprehension of the overall advertisement.

Causal Communication. Similar to the analogical mode, causal communication conveys cause-and-effect knowledge within a domain. The difference, however, is that causal communication conveys explicit knowledge rather than tacit knowledge. Analogies rely on symbolic language to transfer knowledge, whereas causal communication clearly articulates causal understanding in a domain, an important foundation for developing procedural knowledge. One golf instructor in McGinnis et al. (2011) described the importance of cause-and-effect knowledge in golf by saying, “You have to understand why the ball goes where it goes.”

Causal communication can convey how products fulfill their proposed benefits. Although lower knowledge consumers lack means-end chain knowledge to understand connections between product attributes and respective benefits, higher knowledge consumers can infer causal connections between product attributes and certain benefits, an understanding that leads to greater comprehension (Graeff 1997).
As previously noted, those with high CI have high fluid and crystallized intelligence. Fluid abilities, which reflect problem solving, reasoning, and other working memory tasks, are crucial for understanding intricate information, such as causal relationships. Additionally, because crystallized intelligence (i.e., knowledge of factual information) involves verbal comprehension (Plemons, Willis, and Baltes 1978), people with high crystallized intelligence are more capable of grasping the technical language of a specific domain. Therefore, people with high CI should be more inclined to use the analytical style of communication.

P3: Higher levels of cognitive intelligence (relative to emotional and practical intelligence) will lead to greater use of the analytical style of communication.

CONSEQUENCES: FORMS OF TRUST

Although the communication styles in the circumplex (relational, direct, and analytical) can lead to several diverse and important marketing outcomes, we focus on what we believe to be an important mediator leading to trust. Adler (2001) declared that trust should be considered a central construct given the importance of knowledge-intensive activities in organizations. In the marketing literature, trust is defined as the perceived credibility and benevolence of a target of trust (see Doney and Cannon’s 1997 for a review). Johnson and Grayson (2005) describe three forms of trust – affective, cognitive, and behavioral – which are the forms of trust we examined.

Affective Trust

Affective trust constitutes the feelings and emotions generated from a partner due to felt care and concern, and it is characterized by a sense of security and perceived relationship strength (see Johnson and Grayson 2005). Compared with cognitive trust, affective trust is influenced by personal relationships, rather than firm-level relationships, and it is deepened when service providers focus on the customer’s best interest.

Because affective trust is influenced by personal relationships, we anticipate that the relational style of communication (a more personal variable compared to other styles) will have the strongest relationship with affective trust. Emotional intelligence, which we posited would have the strongest relationship with the relational style of communication, is also an individual-level construct, thus reinforcing our logic. Because expert communicators with high emotional intelligence can build strong relationships with receivers of knowledge, receivers should feel greater emotional attachment to the sender. This emotional attachment should, therefore, produce an emotional form of trust.

P4: Greater use of the relational style will lead to higher affective trust.

Behavioral Trust

Although affective and cognitive trust are characterized as a “willingness” to trust, behavioral trust exceeds mere willingness because it involves a commitment to action (Mayer, Davis, and Schoorman 1995). A person who has behavioral trust in another party commits to an action, trusting that the other party will fulfill its obligation.

Because behavioral trust requires reliance and dependence on another party (Gillespie 2003), risk is significantly related to behavioral trust (Mayer, et al. 1995). As Mayer et al. (1995) describe, “There is no risk taken in the willingness to be vulnerable (i.e., to trust), but the risk is inherent in the behavioral manifestation of the willingness to be vulnerable” (p. 724). Although a willingness to trust involves little risk because no action is taken, dependence on another party (i.e., behavioral trust) is largely affected by risk because the action can produce negative consequences. Clearly, minimizing risk should increase the development of behavioral trust.

Because it structures comprehensible messages, general communication avoids ambiguity and lowers perceived risk (Ghosh and Ray 1997). Experiential learning situations that provide consumers with direct, pre-purchase experiences (e.g., product samples or trial periods) can also lower perceived risk (Smith and Swinyard 1983). The direct style of communication, which is encompassed by general and experiential modes, should therefore lower perceived risk and produce greater behavioral trust. Whereas declarative and procedural knowledge are associated with “what” and “why” knowledge, general and experiential communication are the only modes in the KT-Plex that are associated with the use of knowledge to achieve results – i.e., they are associated with “how” outcomes are achieved. Therefore, we maintain the following:

P5: Greater use of the direct style will lead to higher behavioral trust.

Cognitive Trust

Cognitive trust is described as the confidence in another party’s competence and reliability, which is built upon a history of transactions with that partner (see Johnson and Grayson’s 2005 for a review). The golf experts in McGinnis et al. (2011) demonstrated the greatest competence and reliability when they delved into the technical and causal components of the structure. These components allowed the experts to relate with their clients.
in terms of specific golf mechanics (e.g., grip terms, balance, angle of attack) and provide causal explanations for ball flight patterns. As a result, informed clients developed trust in the professional’s expertise.

In marketing, informed consumers can also develop trust through causal and technical communication. Szulanski, Cappetta, and Jensen (2004) found that causal ambiguity moderates trustworthiness. As causal ambiguity increases in communicating information, receivers become more skeptical regarding the accuracy of the message, which then decreases the sender’s perceived trustworthiness. However, consumers who understand a marketer’s causal communication will likely view that marketer as competent and reliable. In addition to producing greater trust in the marketer, this perceived competence should also lead to a justification of that trust (i.e., cognitive trust).

Not only does technical communication indirectly affect trust because it is a building block toward cause-and-effect knowledge, but it also directly affects trust through its use of domain-specific language. Because technical communication demonstrates superior knowledge of a domain, it can increase perceived expertise (French and Raven 2001). In addition, this perceived expertise has been found to influence consumers’ trust in the marketer, (Busch and Wilson 1976), specifically, cognitive trust (Johnson and Grayson 2005).

P6: Greater use of the analytical style will lead to higher cognitive trust.

**DISCUSSION/CONCLUSION**

Despite the importance of EI in marketing, little research has examined why EI is effective. The present study proposed mediating constructs (relational, direct, and analytical styles of communication in the KT-Plex) to explain how different forms of intelligence (EI, PI and CI) might produce positive outcomes in marketing (affective, behavioral, and cognitive trust).

The propositions in the present study have several managerial implications. First, our model can help marketers pinpoint weaknesses in their ability to build trust with consumers. For example, marketers who lack cognitive trust with consumers (e.g., consumers are unaware of “what” factors are involved and “why” they are important) should use the analytical style of communication because it leads to greater cognitive trust. The technical mode can answer the “what” question, and the causal mode can answer the “why” question.

If a trust outcome is still lacking despite using the respective communication style, the salesforce may need training in the corresponding intelligence antecedent. If a salesforce lacks affective trust with consumers, the salesforce may be using the direct style of communication ineffectively, or perhaps not conveying information in a jargon-free, easy-to-understand manner. Because EI, the antecedent to the relational style of communication, can be improved with time and training (Boyatzis, Stubbs, and Taylor 2002), a company might build greater affective trust by training the salesforce in emotional intelligence. After training, the salesforce might use the relational style of communication more effectively, which may then produce greater affective trust with consumers. Conversely, if cognitive trust is lacking, the sales staff may need to focus more on the analytical style of communication, conveying more specifically the inner workings or processes of their products relative to competitors’ products. This implication may especially be the case with highly complex technical products.

Though empirical support is needed to validate inclusion and determine the extent to which these relationships occur, we feel that the support provided here and the research on how experts transfer knowledge will open the doors to future research opportunities. These opportunities include potential moderating relationships, such as product category, sales context (B2B versus B2C), and forms of communication (unmediated versus mediated). We believe that knowing how to communicate is a key ingredient to knowledge transfer, and, ultimately, trust.

**REFERENCES**


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INTRAFLRM INFORMATION ADVANTAGE AND BROKERAGE: 
EFFECTS ON SALESPERSON PERFORMANCE

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SUMMARY

A continued shift in the role of the sales force toward customer relationship management has resulted in the recognition that salespeople are embedded in their own sales team and within marketing and other intrafirm functions (Bradford et al. 2010). Central to this research stream is the notion that salespeople must form intrafirm ties in order to access diverse and unique information that can lead to the development of better solutions for customers and to gain the cooperation needed to implement those solutions (Steward et al. 2010).

The goal of this research study is to further identify the strategies salespeople take to embed themselves in their organization’s intrafirm advice network in order to acquire the knowledge and resources needed to improve their performance. Our conceptual framework draws on social network literature to identify the ways in which salespeople position themselves as a go-between in order to broker information gained from individuals in other functions such as marketing and product development for exchange with other salespeople in the sales force. We identify the impact of the proportion of ties that salespeople maintain with marketing members, product development members, and higher-ranking members on performance. We explore the interaction effects of combining a go-between position in the advice network with a high proportion of ties to marketing, product development, and higher ranking organizational members. By drawing on relationship selling and social network theory, we provide a unique perspective from which to understand a salesperson’s ability to leverage firm resources in order to create and deliver value to customers.

Conceptual Framework

Information advantage may impact sales performance in three distinct ways. First, research demonstrates that strong communication ties between the sales and marketing functions are important for managing relationships with customers and improving sales performance (Biemans and Rencic 2007; Smith, Gopalakrisna, and Chatterjee 2006). In addition, salespeople who actively exchange information with members of their firm’s product development function improve the performance of their firm’s products in the marketplace (Joshi 2010). Last, communication with hierarchically higher ranking organizational members, who are more aware of and reflect the organization’s strategies, can enhance performance (Workman, Homburg, and Jensen 2003). Therefore:

H_1: A greater proportion of intrafirm advice ties to those in (a) marketing, (b) product development, and to those in (c) higher-ranking positions positively affects salesperson performance.

To influence those in their immediate set of ties to act in a supportive and cooperative fashion salespeople often need influence. Interpersonally, influence has consistently been linked to an individual’s ability to broker information in order to gain cooperation (Fernandez and Gould 1994). When a salesperson acts as a go-between for a fellow salesperson and another organizational member in a function other than sales, she is a broker. Because she stands between unconnected actors, the salesperson controls the flow of information from the outside function (e.g., marketing) to her fellow salesperson, thus increasing the fellow salesperson’s dependence on her. Therefore:

H_2: Occupying a go-between position in the advice network, between a fellow salesperson and an organizational member outside of sales, positively affects salesperson performance.

When brokerage positions are established across several functional boundaries, the composition of the outside group affiliations that a salesperson maintains becomes relevant. Brokering information for one particular function (i.e., marketing and product development) outside of sales may prove to be more advantageous in comparison to others. In order to sustain high value information flow between functional areas, salespeople should be connected to higher-ranking management in order to be able to exchange short term and tacit knowledge, resource opportunities, and information about the long-term direction of the firm and policy issues (Flaherty et al. 2012). Therefore:

H_3: The impact of a go-between position on sales performance is enhanced by a greater proportion of ties to (a) marketing, (b) product development and (c) higher-ranking people.
Method and Conclusions

We collected data from salespeople of a provider of IT services, market intelligence, and credit assessment. The survey produced a response rate of 69 percent yielding 204 completed questionnaires. The results of OLS regression support H1b, H2, H3a, and H3c. The results suggest that marketers should extend relationship marketing beyond (1) an interfirm perspective by accounting for the intrafirm relationship effects that occur across a web of relational ties, (2) a focus on relational trust and commitment as the primary performance-enhancing mechanism to include other informational and cooperative mechanisms, and (3) relational assets built between firms as the key source of competitive advantage to include the benefits of relational assets (information & brokerage) built within firms. This study extends the domain of relationship marketing across all of these areas simultaneously by demonstrating that some knowledge pools within the firm better help salespeople to manage relationships with customers and that being able to broker a wide range of knowledge for fellow salespeople can lead to cooperation which in turn leads to improved performance. Managers should focus on improving relational ties among coworkers as a strategically viable alternative to focusing solely on customer-centric relationship programs. References are available upon request.

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BEFRIENDING SPORT CELEBRITIES THROUGH MEDIATED RELATIONSHIPS: PARASOCIAL INTERACTIONS AND RELATIONSHIPS WITH ATHLETES IN SOCIAL MEDIA

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SUMMARY

Millions of consumers have a desire to follow the lives of their favorite athletes as a matter of usual practice and social media sites have nourished this desire by facilitating the opportunity of keeping up with the lives of celebrities. This conceptual paper, employing the sports context for theory assessment and enhancement, is an attempt to highlight and integrate the subjects of athletes as a distinct point of attachment, the consumers parasocial interactions (PSI) and relationships (PSR) with media personae, and social media. Thus, adopting PSI and PSR, which, to date, have been mostly investigated by communication and psychology literature, the paper focuses on the athletes as a distinct point of attachment with regard to the impact of new media, specifically social media, on the relationship between consumers and athletes as sport celebrities. Particularly, the paper intends to make an effort to explain a special form of consumer behavior pertaining to athletes on display through some form of mass media and how social media enhances this behavior. References are available upon request.

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THE EFFECT OF SPORT EVENT ADVERTISING ON BRAND ATTITUDE

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SUMMARY

To increase advertising effectiveness, event marketers put substantial effort into the selection of advertising messages used for each target group based on their psychological differences (Ruiz and Sicilia 2004). Previous literature has suggested that both types of product (Vaughn 1980) and consumers’ involvement level (Petty, Cacioppo, and, Schumann 1983) being significant variables in the selection of advertising appeals to improve attitude toward the brand (sport event), however insufficient empirical evidence exists to fully understand each condition. Accordingly, the purposes of the current study was to examine the potential moderating effect of consumer’s involvement level and sport event type in the formation of sport event attitude.

In the context of marketing and advertising, the planning model suggests that hedonic products are most effectively communicated through emotional appeals, while, utilitarian products are most effectively communicated through informational appeals (Puto and Wells 1984). Although, this planning model is reasonable in supporting the effectiveness of these two different message strategies, in the context of service, several scholars found that when consumers process their information for hedonic consumption such as sport activities, they utilized all available messages since their motivation derived from fun and enjoyment compared too utilitarian (i.e., document and visualization; Hill et al. 2004; Wakefield and Inman 2003). Furthermore, psychology researchers found that consumers’ attitude formation process would be different based on their involvement level (Petty et al. 1983). Under high-involvement conditions, consumers’ utilize more cognitive processing and focus more on the informational advertising to form their attitude. Meanwhile in low-involvement conditions, individuals are likely to form their attitude with less effort and time (affective processing), and pay more attention to emotional tone of message (Petty et al. 1983). However, recent studies have found that cognitive processing can co-occur with affective processing (Ruiz and Sicilia 2004). Although, the authors found that both product type and consumers’ involvement level moderate sport event consumers’ attitude formation, no existing empirical studies fully explain those conditions.

This study employed a 2 (Sporting event: utilitarian vs. hedonic) x 2 (Advertising: emotional vs. informational) x 2 (Involvement: high vs. low) factorial between-group experimental design. The utilitarian sporting event selected for the experiments was sports job fair and the hedonic event was a golf tournament. The two advertising appeals employed in the present study were emotional and informational. Additionally, purchase decision involvement (PDI) was used for involvement manipulation (Mittal 1989).

The results of current study indicated that for utilitarian sporting event, attitude formation was equal across advertising appeals under low involvement, while, highly involved subjects responded favorably to informational than emotional appeals. On the other hand, for the hedonic sporting event, under low-involvement conditions, subjects rated higher for emotional than informational appeals on attitude toward the sport event, whereas, highly involved subjects responded favorably to both informational and emotional appeals.

The general implication of our study was that the choice of advertising appeal for sports event advertising can make a substantial difference in developing consumers’ sports event attitude. The results of our study revealed that both the dual-process and planning model perspective are appropriate in evaluating hedonic sporting event (Petty et al. 1983; Vaughn 1980). Thus, the authors suggest that the traditional advertising planning model must shift to the co-occurrence approach for use with highly involved consumers who are forming their attitude toward the hedonic sporting event. However, in terms of the utilitarian sporting event, consistent with the dual-process model, highly involved individuals develop their sporting event attitude by using the cognitive processing (Petty et al. 1983). However, types of message appeal did not affect low-involvement consumers’ attitude formation (Samuelsen and Olsen 2010). Overall, current study offered numerous meaningful managerial implications for creative advertising agencies. Particularly, advertising agencies can develop favorable consumer attitude toward their sport event by using different message strategies for highly involved consumers. References are available upon request.
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BRANDING HIGHER EDUCATION THROUGH PSAS: PRODUCING GLOBAL CITIZENS FOR THE 21ST CENTURY

Michael J. Clayton, American University, Washington
Kevin V. Cavanagh, College of William & Mary, Williamsburg

SUMMARY

While prices for advertising time during college athletics continue to rise, the custom of networks allotting a single ad unit to each of the competing schools has remained in place. Most college sport fans have grown accustomed to seeing these thirty second Public Service Announcements (PSAs) sprinkled in among the clutter of Fortune 500 marketers. The placement of these PSAs in such prominent media, adjacent to Madison Ave produced commercials has forced American universities to invest substantial resources in the creation of these videos, which is justified by the free exposure provided through this valuable airtime. Recent reports estimate that nearly a quarter of the U.S. population follows college football regularly (Silver 2011), thus making the audience for these PSAs extremely diverse, unlike the majority of institutional communications which are clearly targeted at potential students or alumni.

This research extends work by Tobolowsky and Lowery (2006) and Harris (2009) to identify and examine message strategies and executional devices used by NCAA FBS (Football Bowl Subdivision) universities in their PSAs. During the 2010 season college football season the researches recorded and solicited PSAs for the purpose of this study. These collection methods, which are detailed in Clayton, Cavanagh, Hettche (in press), yielded active PSAs for 110 of the 120 schools which comprise the NCAA FBS category. A content analysis was performed on the 110 PSAs, with each video being coded by two coders, with a third coder serving as tie-breaker to resolve any coding discrepancies. Sixteen variables commonly identified in institutional messaging were defined in a codebook and were identified as being either present or absent, from an audio and visual standpoint, in each of the videos in the dataset. These institutional specific variables included; scenic beauty, students in a classroom, individuals in a lab, NCAA athletics, intramural sports, performance arts, graduation imagery, alumni of distinction, faculty of distinction, history/nostalgia, belonging, international reach, study abroad, student scholars, and volunteerism. Intercoder reliability was satisfactory (Cohen’s kappa > .40) (Fleiss 1981) for all of the variables examined in this study.

The authors used the official U.S. News & World Report data to perform a median split on the sample to separate the top schools (“high-rank”) from the bottom schools (“low-rank”). Fifty-six schools were allocated to the “top half,” while 54 schools resided in the “bottom half,” academically. A chi-square analysis was then performed to identify what differences existed between the two bodies. This analysis identified five variables that had a greater presence in the PSAs of higher-ranked institutions: “international reach” and “volunteerism” being significant at p < .01, “faculty of distinction” significant at p < .05, and “study abroad” and “history/nostalgia” marginally significant at p < .10. While the explanation for “faculty of distinction” and “history/nostalgia” may be self-evident, the other three variables are a bit more surprising given that over 90 percent of all higher education institutions in the U.S. offer study abroad opportunities (Green, Luu, and Burris 2008).

In the two previous qualitative studies examining institutional PSAs, Harris (2009) failed to make any observation or statements about international images of global statements, while Tobolowsky and Lowery (2006) mentioned the frequent presence of “changing the world” messaging in their samples during the 2003-2004 and 2004-2005 bowl seasons, but collapsed this messaging into their theme of “embracing the future.” Given that “international reach” was present in over a third of the videos in this study, and was the fifth most common variable present among the 110 PSAs viewed, the omission of this message as a stand-alone theme was a bit surprising. Given that “international reach” and “study abroad” are also more prevalent among higher ranked academic institutions, we believe that this topic deserves further discussion, specifically as it relates to extant theoretical models on institutional messaging.

Extensive research has been conducted on the proliferation of study abroad programs in the U.S. and the focus on “global citizenship” among the modern universities (Lewin 2009). We believe the prevalence of “international reach” and the focus on this and “study abroad” programs by higher-ranked institutions in the U.S. signals a fundamental shift in the mission/purpose of top universities. Harris (2009) identified mission/purpose as a common theme in institutional PSAs and we see “global citizenship” as an evolution of what it means to be a top institution of higher education in the U.S.. Future research should seek to explore the varying ways in which institutions convey this message in their institutional communications. References are available upon request.
A CUTTING EDGE APPROACH TO ACHIEVE VIVID DESTINATION FOR SPORT SPONSORSHIP

Alireza Faed, Curtin University of Technology, Australia
AfSaneh Ashouri, Curtin University of Technology, Australia
Morteza Saberi, Curtin University of Technology, Australia

ABSTRACT

Marketing has always been the answer to the companies as; using that, one can rectify and satisfy the needs. The only thing that companies try to stick with is to compete with their competitors in the marketplace of today in a way to win them. Moreover, not only do they fulfill the requirements of the clients, they must gratify the needs of their own employees, as well. The purpose of this study is to acquire the knowledge of advantages and disadvantages of engaging in sports sponsorship activities in electronic marketplace domain. To this aim, the researcher chose some research questions and three qualitative case studies have been conducted. The sample organizations which questionnaires and interviews have been conducted are Iranian. This research clarifies the most significant advantages and disadvantages of sport sponsorship in electronic markets. It is found that image making, public awareness, the brand’s visibility, publicity image and building good-will are some of the advantages. In addition, bad-will risks, ambush marketing, lack of standardization and evaluation are of disadvantages involved in sponsorship procedure which need to be addressed in sport sponsorship processes. A novel approach is proposed in present study in order to ranking the suitability of different industrial companies for a destination of sport sponsorships and the way to target their final clients. Twelve pros and six cons as a standard feature for proper destination in sport sponsorship domain are defined. Positive image association, Eliminate media noise, Generate awareness, Leverage public preferences, Leverage public preferences, internal motivation, Good-will, Same theme in diverse media, Create exclusivity, Create pride, Difficult to avoid target audience, Create publicity and Cost effective are mentioned advantages. Also, Ambush marketing, Controversies and negative attitude, No standardization, Inflexible, Difficulties in evaluation are disadvantages in sport sponsorship domain. Three companies are used in order to show the applicability of proposed approach as a case study. Pars electric as a famous and distinguished Iranian manufacturer of electronic device fields is considered as the first case. The second and third cases are LG and Samsung which are well known and pioneer companies in the world. This is the first study that considers electronic device manufacturing companies as a competitive destination for sport sponsorship. Also, regarding to the literature numerical approach has not been proposed in sport sponsorship domain. Key words: Marketing; Sport Marketing; Event Marketing; Sponsorship; Sport sponsorship.

SIGNIFICANCE

This paper will explore, describe and possibly start to explain how Iranian and International companies which work in Iran are involve in sports sponsorship activities. The research purpose is partly exploratory, since we explore our purpose in order to gain a deeper understanding of how Iranian and international companies engage in sponsoring of sport. There have been quite a few researches in this field which companies launch their sponsorship activities with a single or group of athletes, particular brand or service. However, this is the first study that considers sport sponsorship as a main marketing communication tool in electronic industry.

INTRODUCTION

In cutting edge marketing, organizations are competing strongly to hold existing and to gain new market shares. To this aim, marketing communication is of higher significance (Brassington-Pettit 2000). The increased globalization has made the marketing mix a necessary element for organizations to become successful or even to stay in business (Hollensen 2003).

The marketing mix involves four components which are price, place, product and promotion. The promotion element is often recognized as a tool which marketers use to communicate with their specific target markets (Jobber 2001). According to Vignali (1997), promotion was formerly comprised of advertising, public relation and sales promotion. However, as sponsorship has leveled-up in importance, it is engaged as an element of the promotion mix (ibid). It is important to keep the elements in the promotion mix apart, since they are considerably different. One difference between sponsorship and advertising is for example that sponsorship is an indirect promotional tool and viewed as bringing benefits to society, while advertising by contrast is a more direct and forceful communication tool, perceived as beneficial to the company itself (Meenaghan 2001b). Lardinoit and Derbaix (2001) further claim that there is an increased belief that
(2001b) Lardinoit and Derbaix (2001) further claim that there is an increased belief that sponsorship is becoming a substitute for traditional advertising. In the past, companies perceive sponsorship as an obligation toward the community. Sponsorship was associated with charitable donations and public relation opportunities (Gwinner 1997). Today, however, companies perceive sponsorship as a marketing communication tool, intended to increase the brand and service image of the company (Madrigal 2001). The definition of sponsorship as perceived by Meenaghan (1983) is “the provision of assistance either financial or in-kind an activity by a commercial organization for the purpose of achieving commercial objectives.” The outstanding growth of perceived sponsorship effectiveness has resulted in increased investments in sponsorship activities among companies all around the world (Meenaghan 2001a). The worldwide sponsorship expenditure increased from US$2 billion in 1984 to US$23.16 billion in 1999 (Meenaghan 2001b). Sport sponsorship has become an effective marketing strategy for many corporations and an equally effective revenue producer for sport organizations during to differentiate their products and services from the growing number of advertisers in the market place, and to get more return for their promotional dollars (O’Neal, Finch, Hamilton, and Hammonds 1987).

THE HISTORY OF SPORT SPONSORSHIP

Sponsorship has come to the world in 1600 which was the period of patronage followed by the advent of advertising in 1632 that was a great step in the enhancement of modern day sponsorship. During 1910 to 1970 the early pioneers came to the world of sponsorship that first supports radio programs, motor sports and golf. From 1970 to 1984 a real enhancement illustrated and although many managers refused to accept this phenomenon but sport sponsorship come to the sport as an inclusive approach. The decade of 90 was the era of value added and sponsors due to the latest technology became more sophisticated. Finally, the technological era which has initiated from 2000, and is in the process currently (Wiley 2003).

Sponsorship

Sport sponsorship is an evolving area of interest to academicians and business practitioners. In spite of recent enhancements, scholarly reviews of sponsorship attest to a lack of underlying theories and conceptual foundations on which to base empirical questions to build this procedure (Sam, Batty, and Dean 2005). Sponsorship of large sporting and cultural events has become a significant marketing communication tool, specifically when companies acquire exclusive rights and accumulate the hype associated with this honor. Sponsorship is an increasingly popular marketing communication tool. Sponsorship is one of the main elements of the communication mix where a company prepare some financial support to an entity, which may be an individual, an organization or a group, in order to allow this entity to pursue its activities and, at the same time, advantage from this association in terms of global image and consumer awareness of the firm’s market offerings (Pitt, Parent, Berthon, and Steyn). Meenaghan (1983) reports that the practice of sponsorship is quite developed and has become a standard component of the marketing plan. As sport becomes an ever-more popular entertainment medium for TV and radio broadcasters, sponsorship becomes an ever more popular way for large corporations to market themselves: it is a very effective way of associating their brand or identity with the values represented by a particular sport. As professional sport becomes increasingly driven by money (players demanding high wages, equipment needing to be the latest technological advance) then sponsors seem to be the only way to provide the cash necessary to keep the sport running to the standards that TV viewers demand. Olkkonen et al. (2000) propose that much of current research is empirically driven and shows a serious lack of theory development. Sponsorship which Tripodi (2001) claims, has the potential to become the marketing communication tool of the twenty-first century is a form of promotion that should be managed on strict commercial lines.

The Role of Sponsorship in the Promotion Mix

Sponsorship normally practices as a facilitator in the middle of Information and Interaction process and as, both of the processes are vital in organizations, companies must concentrate on various ways to absorb data and turn them into legitimate information. What is more, it is best to focus on interaction and different ways of optimizing interaction methods within the company. While the company wants to launch the process of sponsorship they should initiate informing different clients via advertising and different channels of sales promotion. Finally, the companies got to prepare an appropriate image for themselves and best ways to supply their products and services (Eriksson and Hjalmsso 2001).

Problem Definition

Over the past decades, sport sponsorship has been shown to be an effective tool with which to alter and enhance a company’s image and reputation. The use of sport sponsorship is becoming more and more common. Most of the companies are sponsoring sport event or teams due to the fact that the teams and events tend to draw a very variable audience and also they can introduce their latest products to the market by advertising. However, as sport sponsorship is nowadays widespread among companies, companies are not aware of advantages and disadvantages engaged in sport sponsorship process. The ques-
tion is how the companies, in sports sponsorship activities, perceive and describe the advantages and disadvantages?

**Demarcations of this Study**

Due to the time limitation, it is beyond the scope of my study to cover all the aspects of the research purpose. So, I restricted my research to answer my research question from the sponsoring companies’ perspectives. My sample companies include the domestic and international firms, which are working in Iran.

**Objectives of Sponsorship**

A common objective for sponsors is to create a close association between the brand or the company and the event sponsored (Quester and Farrelly 1998). Sponsorship objectives can be divided into two groups: namely direct or indirect objectives. Direct sponsorship objectives pay attention to sales increase and have a short term influence on customer attitude. Indirect sponsorship objectives are, on the other hand, objectives that ultimately result in the desired goal of increasing sales, such as for example to meet competition, build relations, create awareness, improve the image, as well as to get in touch with new target markets (Shank 1999). Other researchers have also described objectives for corporations involving in sponsorship, and these will therefore be presented below.

Public awareness: This objective is mainly used to increase awareness of a company or its products, in other words, its aim is to generate exposure (Mullin 2000). This is further strengthened by Meenaghan (1983), who states that sport sponsorship has been widely employed to increase a company's public awareness.

Corporate objectives: Maintaining and image building is one the most outstanding objectives of sport sponsorship. The opportunity for sponsors is to associate the company or its brands with the positive images produced by the exclusive characteristics of the sporting events. Before deciding upon an event, it is important to conduct an analysis of the unique features of the event, as well as of the product or brand (Shank 1999).

Public perception: By connecting itself to a specific sport or event, a company can benefit from image association or image transfer. The choice of the sponsored activity can help to improve a company’s image, as well as reinforce or change the consumer’s perception of the company and its product (Mullin, Hardy, and Sutton 2000). Client entertainment: The opportunity to host clients at an event, especially those for which it is almost impossible to get tickets, sometimes pays for the entire sponsorship (Skinner and Rukavina 2003). Employee relations: According to Meenaghan (1983), sponsorship can enhance relations with employees, as the engagement can result in that employees feel proud of belonging to the company.

Reach target market: The main aim of marketing objective with sport sponsorship is to reach target markets. Sport sponsorship has the capacity to reach people that share a mutual interest sports. The opportunities for sponsors are to target disable people and women that participate in sports (Shank 1999).

Increase sales: Sponsorship itself with other promotional activities is usually seen as an element to influence the buyers to purchase a product or service. At a result, the final marketing goal for firms is to raise their sales or profitability. To increase the sales is an objective that all sponsoring companies have. Companies would not spend their money on a specific sport s event if they did not feel that they would get some kind of return on their investment (Shank 1999).

Compete with other companies: In a long term commitment or when the sponsorship fee is high, companies can create product or category exclusively. This implies that a particular product is the only of its kind to be associated with the event (Shank 1999).

**RESEARCH APPROACH**

For this research, we have employed a deductive research approach. We have based the empirical study work on already existing theories and models, which I later will compare with the reality. This way of approaching a study corresponds to what the theory calls a deductive research approach. For this thesis, I have employed a deductive research approach. I have based the empirical study work on already existing theories and models, which I later will compare with the reality. This way of approaching a study corresponds to what the theory calls a deductive research approach.

**Step 1: Data Collection**

For this paper, archival records, observation, and artifacts are not utilized since they do not fit into the cope of the study (i.e., Archival records are precise and quantitative which does not fit a qualitative study, observations are too expensive and time consuming, as well as they may be biased, and the study does not need evidence on cultural features, thus artifacts are excluded). Consequently, the methods of data collection in present paper are interviews, which is considered primary data, and documentation, which is secondary data. Interviews are suitable when in-depth information is desired, and this
kind of information is required in order to fulfill the purpose of this research. The detail of interviews process and raw questionnaires are explained in Appendix I.

**Step 2: Data Analysis**

The data collected for each research question is reduced and simplified through use of within case analysis.

The within case analysis is performed by comparing the empirical findings with the already existing theories and concepts brought up in the conceptual framework.

A cross-case analysis is also performed through displaying and reducing the data from each research question and comparing it between the two selected cases in order to find similarities and differences in between them.

Once the data reduction and the data display are done through within- and cross-case analysis respectively, conclusions on each research question are drawn based on the findings of the study.

**Numerical Data Analysis.** Regarding to the obtained result from above step, the numerical analysis will be done. The yes answers in advantage status are considered as an advantage raw score for a given company, then for scaling the score, raw score is divided by total advantage features. Similarly, the negative answers in disadvantage status are considered as a disadvantage raw score for a given company. Scaling operation will be done similar to above. Following formulas show the calculation of raw and scaled scores in both advantage and disadvantage status.

\[ SA = \frac{NPA}{NA} \]
\[ SDA = \frac{NNDA}{NDA} \]
\[ TSS = SA + SDA \]

That:
- \(SA\): Score of sport sponsorship on selected case based on advantage features.
- \(NPA\): Number of positive advantage in selected case.
- \(NA\): Number of advantage features.
- \(SDA\): Score of selected case based on disadvantage features.
- \(NNDA\): Number of negative disadvantage in selected case.
- \(NDA\): Number of disadvantage features.
- \(TSS\): Total scaled score.

Above formulas are utilized to compare chosen companies and finally select the best destination for a given sport sponsorship. Some of the sport sponsorship companies have not equal preference for both advantage and disadvantage features; therefore, it is better to improve above formulas to consider their preference. Following formulas shows the improved version:

\[ TWSS = WA*SA + WDA*SDA \]

That:
- \(WA\): preference of given sport sponsorship for advantage features.
- \(WDA\): preference of given sport sponsorship for disadvantage features.
- \(TWSS\): total weighted scale scored.

Determining critical advantages and disadvantages features: After calculating the rank of destination companies, determining the features that cause mentioned ranks is important and useful from management view. Determining is done in two ways for advantage and disadvantage section. For each feature in advantage section, the number of ‘no’ in destination companies is the grade of feature. Finally, the features are ranked regarding to their grades and critical features is determined as well. Above procedure is done in disadvantage section with this difference that use ‘yes’ for calculating grade of given feature.

**CASE STUDIES**

**Case 1: Pars Electric**

Pars electric Mfg Co. was established in 1963 and located in Tehran. Pars Electric’s activities were begun with the objective of establishing an industrial factory for the assembly of TV and radio sets. Today it cooperates with some well known companies in the world and benefiting from the latest technology. www.parselectric.com.

Sport sponsorship increase the visibility of the brand increasing the sole and creating the development of image in every art that is why firm wants players and coaches to wear its brand one of the most important advantages of the firm is that it generate the perception of the brand image as well also to create an association to the sport. Also, sport sponsorship can eliminate media noise better than other promotional tools. Other very important advantages of sport sponsorship are creating publicity and it builds goodwill which shows positive attitudes and feeling toward a company. Controversies are regarded as disadvantages. He claims that if they have not standardization they will have a major disadvantage. Also he mentioned that inflexibility as a disadvantage, so we must consider the sponsorship as a flexible promotional method as long as there are so many sports and leagues that need to be sponsored. Additionally he says that, there is no difficulty for evaluation because there are many ways for measurements like surveys and estimating the sales. Also, sometimes the bad will risks make the sponsors to drawback.
Case 2: Samsung’s Perceived Advantages and Disadvantages of Sport Sponsorship

Samsung is a Korean company which was founded in 1938 it has go about 1200 employees all around the world of who about 450 people work in Iran. About 10 percent of the entire marketing budget allocates to the sport sponsorship. www.samsung.com.

Media visibility, building an image and reaching to the target market as well as competing with vigorous competitors. The company has chosen the repetitive exposure to increase its brand’s image and achieve a positive image. Elimination of media noise is another advantage of sponsorship. Brand awareness is another important advantage which will meet by sponsoring different kinds of sports. The marketing manager claims that, these days a big worry for sport sponsorship is the managerial problem in Big and prominent Teams (A-Teams). Ambush marketing and controversies are two disadvantages that the marketing managers are encountering these days. Lack of standardization is another major disadvantage that provides some bans in sponsorship process.

Case 3: LG’s Perceived Advantages and Disadvantages of Sports Sponsorship

LG Electronics, Inc. was established in 1958 as the pioneer in the Korean consumer electronics market. The company is a global force in electronics and information and communication products with more than 66,000 employees working in 16 subsidiaries in 39 countries around the world. In Iran headquarter is located in Tehran and the marketing section comprise of 30 employees. The company’s turnover in 2004 was US$38 billion. www.LGE.com.

Sponsorship procedure generates media visibility, image making and reaching the target market. One of the major advantages of the company is building a positive image association. Other very important advantages are building goodwill same theme in diverse media and create exclusivity, as the company tries to create unique methods to publicize their products and while the brand only involves as a main sponsor of variety of sports. Additionally, the public preferences as an advantage as well as receiving internal motivation, generating publicity always is an advantage for the firm and has a positive effect on the brand, also they should be careful that, too much advertising may, sometimes, decreases the values of the brand, and its image. He says that cost-effective promotional method is an advantage for LG. Negative publicity and too much advertisement in inappropriate place create negative image for the firm. According to the marketing manager the ambush marketing has not considered as a disadvantage for LG’s sponsorship activities. The brand sometimes faces with ambush marketing, as well.

Case Analysis Regarding Advantages and Disadvantages of Sport Sponsorship:

Examination of Table 1 shows that in the majority of the factors respondents have the same opinion, except from being cost-effective which is regarded as a critical component in sponsorship bases.

Ambush marketing defined as attempts by competitors to exploit the event has also increased in prominence. Moreover, The term ambush marketing was first coined by Bayless (1988) to describe the purposeful and false association by a company not sponsoring an event toward the end of deriving benefits similar to those afforded official sponsors (Pitt et al.).

<table>
<thead>
<tr>
<th>Number</th>
<th>Advantage</th>
<th>Situation</th>
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<tbody>
<tr>
<td>1</td>
<td>Positive image association</td>
<td>Yes</td>
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<td>2</td>
<td>Eliminate media noise</td>
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<td>3</td>
<td>Generate awareness</td>
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<td>4</td>
<td>Leverage public preferences</td>
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<td>5</td>
<td>Internal motivation</td>
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<td>6</td>
<td>Goodwill</td>
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<td>7</td>
<td>Same theme in diverse media</td>
<td>Yes</td>
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<tr>
<td>8</td>
<td>Create exclusivity</td>
<td>Yes</td>
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<tr>
<td>9</td>
<td>Create pride</td>
<td>Yes</td>
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<tr>
<td>10</td>
<td>Difficult to avoid target audience</td>
<td>Yes</td>
</tr>
<tr>
<td>11</td>
<td>Create publicity</td>
<td>Yes</td>
</tr>
<tr>
<td>12</td>
<td>Cost effective</td>
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### TABLE 2
Case Analysis of Pars Electric Cons

<table>
<thead>
<tr>
<th>Disadvantages</th>
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<tbody>
<tr>
<td>1 Ambush marketing</td>
<td>Yes</td>
</tr>
<tr>
<td>2 Controversies and negative attitude</td>
<td>Yes</td>
</tr>
<tr>
<td>3 No standardization</td>
<td>Yes</td>
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<tr>
<td>4 Inflexible</td>
<td>No</td>
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<tr>
<td>5 Difficulties in evaluation</td>
<td>Yes</td>
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<td>6 Time consuming</td>
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</tbody>
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### TABLE 3
Case analysis of Samsung Pros

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### TABLE 4
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<td>No standardization</td>
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<tr>
<th>Expert Priority of Advantage and Disadvantage Impact on Destination Company</th>
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Critical advantages and disadvantages features:

Table 9 and 10 shows the critical features in both advantage and disadvantage section.

Exploring of Table 9 shows that the grade of cost effective feature is the highest grade among other advantage features. Therefore, destination companies need to improve . . . in theirs organization. More assessing the Table shows that Create publicity and Difficult to avoid target audience with grade 1 is other important advantage features. Thus, it is an acceptable strategy to improve themselves in mentioned features. Finally, other advantage features regarding to present case studies has been equal.

Exploring of Table 10 shows that the grade of No standardization, Inflexible and Difficulties in evaluation features are the highest grade among other disadvantage features. Therefore, destination companies need to improve . . . in theirs organization. More assessing the Table shows that Controversies and negative attitude with grade 2 is other important advantage features. Thus, it is a acceptable strategy to improve themselves in mentioned feature.

**RESULTS AND CONCLUSIONS**

The results and outcomes of this research have obtained from above tables. The main common advantages are that it increases the visibility also the popularity of sports that influence on the companies and attract them to sponsorship involvement. The three sample cases regard following Items as advantages involve in sports sponsorship: – Builds positive image association – Eliminates media internal motivation-Build goodwill – same theme in diverse media – creates exclusivity and publicity and these advantages are the consequence of preferences for the companies products against other competitors. Moreover, Pars Electric and Samsung consider that creating pride and difficult to avoid target audience as advantages. In addition Samsung and LG consider the cost effective promotional method but Pars Electrics reject this idea,
CROSS-CASE ANALYSIS

In this part the cases that has been investigated, will be compared through a cross case analysis:

<table>
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<td>-Media visibility</td>
<td>Generate media visibility</td>
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<td>-Developing the visibility</td>
<td>-Builds an image association</td>
<td>-Image making</td>
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<td></td>
<td>-Popularity of sport</td>
<td>-Generates awareness</td>
<td>-Reach to the target market</td>
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<td></td>
<td></td>
<td>-Popularity of sport</td>
<td>-Building positive image association</td>
</tr>
<tr>
<td>Builds positive image association</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Eliminate media noise</td>
<td>Yes</td>
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<tr>
<td>Generate awareness</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Influence public preferences</td>
<td>Yes</td>
<td>Yes</td>
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<td>Achieves internal motivation</td>
<td>Yes</td>
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<tr>
<td>Build goodwill</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Same theme in diverse media</td>
<td>Yes</td>
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<td>Yes</td>
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<tr>
<td>Creates exclusivity</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Creates pride</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Difficult to avoid target audience</td>
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<tr>
<td>Generates publicity</td>
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<td>-Restrictions from clubs or teams</td>
<td>-Inflexible</td>
<td>-Negative publicity because of too much advertisement</td>
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<td></td>
<td>-Ambush marketing</td>
<td>-No standardization</td>
<td>-Negative image</td>
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<td></td>
<td>-Negative image association</td>
<td>-Negative image association</td>
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<td></td>
<td>-unwanted and bad behavior of the fans</td>
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</tr>
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<td></td>
<td>-Lack of client entertainments</td>
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<td>Yes</td>
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because of some difficulties in effectiveness of sport sponsorship measurement. Regarding disadvantages involved through the process, negative image association is a main disadvantage in the process of sponsorship. This is some how because of the Bad-will risks and inappropriate advertising. Ambush marketing is one the disadvantages that is exclusive for pars electric as a domestic company. Regarding the controversies and negative attitude involved in sports sponsorship in Electronic Industries, LG considers it as a Major drawback and Pars Electric Regards it as a disadvantages and put less emphasis on it. Also LG, Samsung, and Pars Electric found the lack of standardization as a common Major disadvantage among three companies, but put less emphasis on Pars Electric. Ultimately, Difficulties in evaluation were also perceived as a disadvantage in three companies.

REFERENCES

Faed, A. (2007), “Strategic Assessment of Sport Sponsorship as a Marketing Communication Tool in Electronic Industries of Iran,” [epubl.ltu.se].

APPENDIX I

<table>
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<td>Mr. Shahram Bozorgi, Marketing Manager of LG</td>
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<tr>
<td><a href="http://www.LGE.com">www.LGE.com</a></td>
<td>Mrs. Nazila Arbabiyan, Marketing Manager of Samsung</td>
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For further information contact:
Alireza Faed
Curtin University of Technology
Perth, Australia
Phone: 0061425879722
E-Mail: alireza.faed@postgrad.curtin.edu.au / faed68@yahoo.com
## AUTHOR INDEX

<table>
<thead>
<tr>
<th>Name</th>
<th>Page</th>
<th>Page</th>
<th>Author</th>
<th>Page</th>
<th>Page</th>
<th>Article</th>
</tr>
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<tbody>
<tr>
<td>Acevedo, Claudia Rosa</td>
<td>266</td>
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<td>Bruns, Andrea</td>
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<td>Brusco, Michael</td>
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<tr>
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<td>42</td>
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<td>Aiken, K. Damon</td>
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<td>Habel, Johannes</td>
<td>334</td>
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<td></td>
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<tr>
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<td>133</td>
<td>Hammerschmidt, Maik</td>
<td>12, 21, 268, 397</td>
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</tr>
<tr>
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<td>Hammes, Eva</td>
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<td>325</td>
<td></td>
<td></td>
<td></td>
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<td>121</td>
<td>Handrich, Matthias</td>
<td>294, 399</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Drumwright, Minette E.</td>
<td>92</td>
<td>Hansen, John D.</td>
<td>14, 330</td>
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<td></td>
<td></td>
</tr>
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<td>Eastlick, Mary Ann</td>
<td>178</td>
<td>Hansen-Addy, Joseph</td>
<td>45</td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>10, 299</td>
<td>Harmeling, Colleen</td>
<td>242</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eggert, Andreas</td>
<td>490</td>
<td>Harris, Milton</td>
<td>296</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ehrich, Kristine</td>
<td>109</td>
<td>Hattula, Stefan</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eisingerich, Andreas B.</td>
<td>135</td>
<td>Hawkins, Matthew A.</td>
<td>143</td>
<td></td>
<td></td>
<td></td>
</tr>
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