Volume 25

2014 WINTER MARKETING EDUCATORS’ CONFERENCE PROCEEDINGS

Engaging Customers

February 21 – 23, 2014
Orlando, FL

Editors: Gary Hunter, Case Western Reserve University
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Preface and Acknowledgments

As buying patterns continue to evolve, companies search for new and creative ways to engage their customers. In business-to-consumer markets, consumers are taking greater control over the information that they consume, using DVRs to skip through commercials and caller ID to screen phone calls. Marketers are responding through inbound marketing, shifting their focus toward engaging customers through social media and fostering an interactive dialog. In business-to-business markets, global customers are demanding more from a smaller set of suppliers. Suppliers are responding by creating strategic account organizations with elaborate networks of salespeople that strive to co-create value early in the buying process. This conference reflects the efforts of global marketing and sales scholars to examine these trends by focusing on the many new ways marketers embrace, acquire, build, and maintain strong customer relationships. With a wide range of marketing interests and topics, we hope that you will challenge yourself as well as the other attendees to think new thoughts and reexamine existing assumptions.

Putting together a conference with an ambitious agenda is not an easy task and involved more than a year of planning and hard work from many people. This conference would not be possible without their dedication, and we are grateful for their help. First, we thank Sandy Jap and the Academic Council for giving us this opportunity to serve the American Marketing Association. We are honored that they entrusted us with the conference, and we hope we have lived up to their expectations. More importantly, we thank them for their guidance and insight throughout the planning process.

We also would be remiss if we didn’t thank Matt Weingarden, the AMA’s Conference Program Manager. Under the best conditions, it is no easy feat to organize what is among the world’s largest and most prestigious research conferences. Yet, remarkably, Matt diligently addressed numerous issues associated with managing more than 700 submissions to the greatly reduced set of acceptances presented at the conference and published in its proceedings. Matt easily and readily adapted to our requests as well as those from track chairs and conference participants, invariably making our jobs much easier as a result. Matt is truly a “can do” guy, and the AMA is lucky to have his services. We are particularly grateful for his help.

Finally, we thank the Track Chairs as well as the hundreds of you who reviewed for the various tracks. As we all know, the real work of the conference happens at the track level, and this conference was strengthened by the Track Chairs’ collective efforts. We thank the 2014 AMA Winter Marketing Educators’ Conference Track Chairs for their service to the field:

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We hope that you enjoyed the conference and your time in Orlando. We welcome any feedback you have to make the conference even better next year.

Gary Hunter
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“The Financial Impacts of Brand Knowledge, Affect, and Trust on Firm Value”
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**Business-to-Business Marketing**
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“Can the Emerging Prediction Market Methodology Aid in Improving Demand Forecasting of New Products?”
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“Using Available Data to Estimate Firm Marketing Mix Spending: A Novel Approach to an Old Problem”
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**Marketing of Services**
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*Conor M. Henderson, University of Oregon*  
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**Marketing Strategy**
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*Kimberly A. Whiter, Indiana University*  
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*Martin Eisend, European University Viadrina, Germany*  
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**Sales and Customer Relationship Management**
“Performance Effects of Sales Controls: A Comparison of Alternative Conceptualizations”
*Nikolaos G. Panagopoulos, University of Alabama*  
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**Social Responsibility and Sustainability**
“Corporate Social Responsibility: Energy Efficiency and Sustainability in Franchise Systems”
*Aaron Gleiberman, University of Oklahoma*  
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**Special Topics**
“Engaging Customers in Co-Production Processes: How Value Enhancing and Intensity Reducing Communication Strategies Mitigate the Negative Effects of Co-Production Intensity”
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Exploring the Effectiveness of Cross-Ruff Coupons: An Experimental Approach

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Keywords: cross-ruff coupons, complementarity, coupon effectiveness, sales promotions

EXTENDED ABSTRACT

Research Question
Cross-ruff coupons are cents-off coupons that consumers get with the purchase of a particular product, to redeem for a different product. Cross-ruff coupons appear to be of particular interest. Among all other coupon types, cross-ruff coupons was the only type whose distribution and redemption rates increased dramatically in 2012. However, empirical research has thus far paid only little attention to cross-ruff coupons. The present study attempts to address this gap in the literature. Firstly, it compares the effectiveness of peel-off and of cross-ruff coupons in frequently bought product categories. Secondly, it addresses carrier and target brand characteristics for optimal cross-ruff effectiveness. Demand interdependencies between product categories comprising the cross-ruff coupon dyad may influence consumers’ value perceptions and purchase intentions. The product categories involved can be complementary, substitute or independent. The consideration of such interdependencies is pivotal when developing cross-promotional offers.

Method and Data
Initially five pretests were conducted to select product categories, promotion depth, and low/high share brands. Based on the pretests, we chose “whole plum tomatoes in tomato juice” as focal category, “slightly condensed tomato juice” as the substitute category, “spaghetti” as the complementary category, and “paper napkin” as the independent category. The selected categories were equally priced according to market data, unisex in nature, equally utilitarian in order to be congruent with the utilitarian monetary incentive of the coupon and had similar purchase frequencies. The chosen high-share brands were equally strong in terms of market share and attitudes. A 25% promotion depth was the best in terms of believability, motivation to purchase, and frequency of occurrence in grocery stores.

After the pretests, 171 undergraduate students participated in a between-subjects, unifactorial experiment with seven conditions. Subjects were randomly assigned to experimental conditions, resulting in at least twenty one observations per condition. The controlled experiment took place during regular class sessions. All participants were volunteers. From respondents’ answers to an open-ended question, it was obvious that no one surmised the real purpose of the study. Therefore none of them was excluded because of courtesy bias and self-generated validity. Moreover, the vast majority of participants reported a sufficiently recent grocery shopping experience. This fact further enhances respondents’ suitability to participate. Age, gender and household size also had non-significant effects on the dependent variable (p > .10), corroborating past findings that simple individual demographics are poor predictors of coupon behavior. The manipulation checks were successful and no confounding effects were detected. To test our hypotheses, we employed univariate ANCOVA and conducted pairwise comparisons with Bonferroni adjustment.

Summary of Findings and Key Contributions
The results of this study reveal that cross-ruff coupons are at least as equally effective as peel-off coupons in inducing

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consumers to buy low-share brands. This finding contra-
dicts previous studies suggesting that immediate promotion incentives are more effective than delayed ones. As these studies did not address cross-promotional effects, our finding suggests that addressing such effects provides a better understanding of the effectiveness of the immediacy of incentives offered by coupons. In line with extant research on bundling and premiums involving product complementarity, we found that cross-ruff coupons reach their full potential when complementary products are involved. The use of independent products seems to backfire and yields purchase intentions similar to peel-off coupons. It can be argued that consumers activate thought processes when facing these unrelated products and question the offer. It should be noted that participants were encouraged to list some of their thoughts about the offer. From the 53 subjects exposed to an independent cross-ruff coupon almost 40% reported that the unrelated nature of the offered products led them to form negative feelings towards the offer or believe that they were manipulated by companies. Their purchase intentions were significantly lower than the ones of those not reporting similar thoughts.

Cross-ruff coupons comprising substitute products seem as the middle case. Specifically, they are better than peel-offs, but not as effective as cross-ruff coupons with complementary products, where purchase probabilities are enhanced for both products because of their joint functional use. It is also worth noting that the “stimulate carrier brand sales” and the “stimulate target brand sales” strategies are equally effective in boosting sales of a low-share brand for interrelated products promoted with cross-ruff coupons. Coupon proneness arises as another important factor influencing purchase intention and coupon effectiveness.

The results yield useful managerial implications. It is advisable that marketers of low-share brands take into consideration cross-ruff coupons and the type of products involved each time they design coupon campaigns. Cross-ruff coupons with complementary products appear to be the best choice. Though less effective than cross-ruff coupons with complementary products, cross-ruff coupons containing substitute products may also be used instead of peel-off coupons. Issuing cross-ruff coupons with independent product categories is less advisable both because of negative consumer perceptions and of their equifinality with peel-off coupons. The identification of the coupon prone consumers can further enhance responsiveness to coupon promotions.

References are available upon request.
Effective Comparative Ads: The Role of Comparison Ad Format, Strategy, and Market Position

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Keywords: 'multi-brand' and 'market leader' comparisons, comparative advertisements and competition, market position, perceived manipulative intent, attitude-toward-the-ad ($A_{ad}$)

EXTENDED ABSTRACT

Research Question
Comparative advertising is widely used in developed and emerging markets (Kalro et al., 2010). While there has been considerable research on comparative advertising (Bei et al., 2011), most of it deals with comparisons against a single brand (e.g. Chattopadhyay, 1998) particularly the market leader (Gorn and Weinberg, 1984). Contradictorily, in the market place more than 70% of comparative ads use ‘multi-brand’ comparison strategy (where a brand compares itself with multiple competitors) (Kalro et al., 2010).

Also, most extant research investigates the effectiveness of direct comparative ads over non-comparative ads. However, generalizing conclusions across direct and indirect comparisons is very difficult. While consumer markets have a mix of both direct and indirect comparisons, very few studies have looked at the effectiveness of different types of comparison formats like direct and indirect comparisons, across different moderating conditions (Kalro et al., 2013).

Apart from comparisons strategy (‘market leader’ vs. ‘multi-brand’) and comparison ad format (direct vs. indirect), the effectiveness of comparative advertising may also depend on the market position of the advertising brand (‘new’ vs. ‘established’) (Chattopadhyay, 1998). Hence, this study considers comparison ad format, comparison strategy and the market position of the advertising brand and examines a three-way interaction on both, perceived manipulative intent and attitude-toward-the-ad.

Method and Data
369 subjects processed a print ad comparing a ‘new’/‘established’ brand of powdered detergent with real brand(s) on three attributes on which the former was superior.

‘New’ Brand Condition. A fictitious ‘new’ brand, New Shield was introduced with the tagline ‘stronger than dirt’ as the advertising brand. In the ‘market leader’ condition, New Shield was compared favourably with Surf Excel Blue (Unilever’s Surf Excel Blue is the market leader). In the ‘multi-brand’ condition, New Shield was compared with Surf Excel Blue, Ariel Oxy Blue and Henko.

‘Established’ Brand Condition. Here, Biological Ariel (of P&G) was used as the advertising brand with the tagline ‘makes stain looks harmless’. In the ‘market leader’ condition, Biological Ariel was compared with Surf Excel Blue. In the ‘multi-brand’ condition, Biological Ariel was compared with Surf Excel Blue, Surf Excel Quick Wash and Henko.

Direct and Indirect Comparisons. In direct comparisons, the competitors were explicitly named. In indirect comparisons, the ad showed that New Shield (Biological Ariel) was better than the ‘market leader’; in the ‘multi-brand’ comparison it was compared to Brand X, Y and Z (using actual fonts / logos used in the market). We used standard scales for perceived manipulative intent and attitude-toward-the-ad ($A_{ad}$).

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Summary of Findings
The three-way MANOVA interaction was significant (F(1,361)=7.032, p<.01, ω²=.102). The results show that not only does the independent variable, comparison strategy have a significant main effect on the effectiveness of comparative advertising, it also influences the effectiveness of direct and indirect comparisons under differing market positions of the advertising brand (‘new’ vs. ‘established’).

For perceived manipulative intent, the interaction between comparative advertising formats, comparison strategies and the market position of the advertising brand is significant, but marginally (F(1,361)=2.777, p<.10, ω²=.03). Across ‘new’ and ‘established’ brands, direct ‘market leader’ comparisons are perceived as highly manipulative and this perception can be improved by using ‘multi-brand’ comparisons. However, it is not the case that ‘multi-brand’ comparisons are always effective. In the case of ‘established’ brands using indirect ‘multi-brand’ comparisons to position the advertising brand against the entire market, may not see effective results unlike the case with a ‘new’ brand.

For Aad, the interaction between comparative advertising formats, comparison strategies and the market position of the advertising brand is highly significant (F(1,361)=7.032, p<.01, ω²=.102). For ‘new’ brands, indirect ‘multi-brand’ comparisons are effective in creating superior attitude-toward-the-ad. On the contrary, for ‘established’ brands, direct ‘multi-brand’ comparisons are effective in enhancing the attitude-toward-the-ad.

Key Contributions
Using the logic of Persuasion Knowledge Model and the Attribution Theory, this study shows that when ‘established’ brands explicitly compare themselves to multiple competitors, the effectiveness of such advertisements is higher rather than in indirect comparisons. To the best of our knowledge, this study is one of the pioneering efforts to investigate the positive effects of using ‘multi-brand’ comparisons, which is a common practice among advertisers.

Prior research has shown that the effectiveness of direct and indirect comparative advertisements is moderated by certain conditions like culture (Jeon and Beatty, 2002), brand position in the marketplace (Snyder, 1992), and claim substantiation (WoonBong et al., 2006). This study adds to the literature by identifying moderating variables like comparison strategy and market position of the advertising brand, which influence the effectiveness of comparative ads.

Managerially, this experiment brings to light some practical implications for advertising executives before they engage in a no-holds-barred comparative advertising war. It provides a crucial insight that, even in consumer markets where consumer skepticism towards comparative advertising is high, when a comparative ad format is coupled with the right comparison strategy (and depending on the market position of the advertising brand), it augments the effectiveness of the advertising message.

References are available upon request.
Do Super Bowl Ads Build Brands?

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Keywords: brand equity, advertising effects, Super Bowl, duration of impact, ad quality

EXTENDED ABSTRACT

Research Question
Super Bowl advertising captures the public’s attention. It is the advertising event of the year. In 2012, the average audience was 108.7 million viewers (Nielsen 2013). In addition to providing advertisers with a rare opportunity to reach more than a hundred million U.S. viewers with a single ad, industry research is finding that slightly over half of consumers enjoy watching the ads more than they enjoy watching the game (Nielsen 2010). Moreover, Super Bowl advertising receives intense media coverage. With the average cost of a Super Bowl ad running at $3.8 million in 2013 game, Super Bowl ads represent a significant investment, and one that should be carefully considered by marketers. However, only limited research has focused on the bottom line impact of Super Bowl advertising. Moreover, results of those that have are not consistent, and a lack of study of the impact of Super Bowl advertising on brand equity represents a substantial gap in the literature (Tomkovic et al. 2011). Thus, our study examines the impact of Super Bowl advertising on measures of brand equity. Furthermore, we analyze how long this effect is persistent and whether it is moderated by perceived ad quality.

Method and Data
The data source for measuring brand equity is the BrandIndex provided by YouGov Group, which specializes in online-panels and monitors brands in several major markets worldwide on a daily level. We obtained a sample of 121 observations for the Super Bowls 2008 until 2012. We use ten days (t-10, t-1) prior to the Super Bowl event to calculate the pre-event brand perception scores as benchmarks. Then, we analyzed changes in brand perception scores up to 180 working days after the Super Bowl event. To rule out any sector specific effects each brand equity metric is adjusted by non-Super Bowl advertiser industry means. To test the wear out effects, we include the natural log of days after the Super Bowl event into the model. To measure the impact of ad quality perceptions on Super Bowl advertising effectiveness, we use the Kellogg School’s ADPLAN rating as the expert rating of ad quality and the USA Today Super Bowl Ad Meter to assess the ad quality form a consumer perspective. We augment this model with various control variables like ad placement or the brand’s country-of-origin.

Summary of Findings
Our results are indicative of Super Bowl ads, on average, having a positive impact on brand equity. Super Bowl ad generates positive buzz and, after a lag of a few days, results in higher consumer evaluations of overall brand equity for a period of about four weeks. At this point, the effect subsides. Our results also confirm the general existence of wear out effects in advertising, this time in the context of advertising on a single event with high viewership. In examining specific elements of brand equity, it is clear that Super Bowl ads were associated with improved product quality perceptions, higher employer reputation, and more positive brand affect. This may be suggestive of more Super Bowl advertising having image based objectives, such as improving perceptions of quality and company image. Finally, there was no correlation between USA Today’s ratings and brand equity measures. Our results suggest that expert ratings that take into account both short-term and longer term criteria for effectiveness are positively correlated with brand equity levels.

Key Contributions
The study contributes to the marketing literature in four ways. First, the study shows that Super Bowl ads, on average, make a positive contribution to brand equity (e.g., Aaker 1991, 1996; Keller 1993, 1998; Keller and Lehmann 2003). Second, the study serves as a test of signaling theory, which posits that companies signal to stakeholders that they are committed to the brand when they spend money on a Super Bowl ad (Kirmani and Wright 1989; Kir-
mani and Rao 2000). Third, prior advertising theory introduces the concept of wear out and has found that any ad has a “half-life” in terms of its effectiveness of meeting its goals such as building awareness, changing perceptions, or inducing purchases (Leone 1995). Taking this into consideration, this study finds an average duration of effects of Super Bowl ads impact on brand equity of about four weeks. Fourth, it seems obvious that the impact of advertising on brand equity is determined by “ad quality” (Siefert et al. 2009). However, our results call into question the usefulness of consumer-based ad likeability ratings for marketers. While such measures may make for interesting newspaper articles, our study suggests that expert ratings are better indicators for ad effectiveness.

References available upon request.
Innovations in Retail Branding: The Benefits of Alliances with National Brands

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Keywords: private label brands, store brands, co-branding, ingredient branding, differentiation

EXTENDED ABSTRACT

Research Question
Differentiation is a core success factor in competitive retail markets. Hence, retailers seek for strategies that help them to differentiate from competitors. One way of doing this is the use of private label brands (PLBs; syn: store brands). Retailers have applied several techniques that have already been successfully used by manufacturers to position their brands. For example, the positioning ranges from generic PLBs in the discount segment to premium PLBs that are offered in similar quality and price ranges compared to many national brands.

During the last decade, PLBs have gained increased attention from consumers and, hence, a majority of consumers buy PLBs at least in some categories. However, currently a stagnation in PLB-growth can be observed in several countries and new strategies need to be developed to continue growth. However, there is still a lack of knowledge, which strategies to choose.

In this paper, we suggest a widely new branding concept that refers to the adaptation of the ingredient branding concept to the context of PLBs. More precisely, our concept covers PLB-products that consist of at least one branded ingredient. For example, a PLB-pizza from WalMart’s Great Value store brand is offered (and labeled) with original cheese from a national brand (e.g., baby bel).

As this concept is relatively new, it has not been discussed thoroughly in the existing literature. However, for successfully using this concept as a differentiation mean, it is important to understand how customers, manufacturers and retailers evaluate this concept, which factors influence the attitude towards a specific co-branded product, and which consequences this strategic concept has for the manufacturer and the retailer brand. In particular, manufacturers and retailers may either suffer or benefit from spillover effects. Furthermore, engaging in this “hybrid” form of co-branding may move PLBs and national brands as mental categories closer together, resulting in positive image and preference effects for conventional PLBs.

Drawing up on prior research in private label branding (e.g., Batra & Sinha, 2000; Garretson, Fisher & Burton, 2002) and co-branding (e.g., Simonin & Ruth, 1998; Park, Jun & Shocker, 1996), and looking through the lens of attitude- and categorization theories, this paper studies the following research questions:

• How is the new concept evaluated by experts and potential consumers?
• Which drivers influence evaluations of the new concept, and which spillover-effects might occur?
• Which effects does the new concept have on the distinction between PLBs and national brands, and (how) does it affect consumers’ buying behavior?

Method and Data
To answer these research questions, we first conducted a comprehensive review of the literature, and surveyed managers and potential consumers in two qualitative pre-studies. Based on that, we developed a conceptual model that was tested using a variety of methodological approaches, including structural equation modeling. The model was tested in a survey based on evaluations of different combinations of PLBs and national brands. Respondents evaluated pre-
attitudes towards the PLB and the national brand (before presenting the co-brand), their attitude towards the co-brand and post attitudes towards the PLB and the national brand (after presenting the co-brand). Furthermore, we asked respondents for different fit measures between the brands and several individual difference variables.

Summary of Findings
We found that the suggested brand alliances are a promising strategy for retailers and national brands as well. Potential threats like a decrease in the national brand’s attitude were found to be unlikely to occur. Moreover, both brands can benefit from a positive attitude towards the co-branded product. Furthermore, our results show that engaging in these alliances moves the mental categories of national brands and private label brands together. Furthermore, we identified several moderators that highlight individual differences in processing these alliances.

Contribution
This paper contributes to the literature in private label branding, co-branding, and categorization theory. It shows that engaging in this form of co-branding moves the mental categories of PLBs and national brands closer together.

It furthermore provides valuable and unexpected results that are of interest for brand managers in industry and retailing. Generally speaking, both brands can benefit from positive spillover-effects, whereas the strengths of these effects depend on several individual difference variables.

References are available upon request.
The Financial Impacts of Brand Knowledge, Affect, and Trust on Firm Value

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EXTENDED ABSTRACT

Brand knowledge, affect, and trust refer to three key aspects of consumer responses to a brand and have been considered important constructs in the branding literature (Keller 1993; 2008; Keller and Lehman 2006). Brand knowledge refers to the cognitive representation of the brand in consumer memory and consists of all descriptive and evaluative brand related information (Peter and Olson 2001; Keller 2008). Brand affect reflects consumers’ emotional responses to the brand, while brand trust refers to consumers’ willingness to rely on the ability of the brand to implement its promise (Chaudhuri and Holbrook 2001; Delgado-Ballester and Munuera-Aleman 2001; 2005). Enhancing consumers’ brand knowledge, affect, and trust typically results in more favorable consumer evaluation and greater brand loyalty (Chaudhuri and Holbrook 2001). However, little is known about how these customer mindset measures can transfer to shareholder wealth. Mizik and Jacobson (2008) is the only study that directly examines the effect of brand knowledge as one of the five “pillars” in the Young & Rubicam Brand Asset Valuator model on firms’ stock returns, but it finds no significant effect. Meanwhile, the majority of studies focus on the financial impact of brand characteristics, such as quality, salience, differentiation, relevance, esteem, and energy (Aaker and Jacobson 1994; Bharadwaj, Tuli and Bonfrer 2011; Mizik and Jacobson 2008), but overlook the financial impact of consumer responses to the brand. Thus, it is necessary to conduct a thorough examination of how changes in consumer mindset affect firms’ stock performance.

Filling these gaps, our research explores the effect of changes in brand knowledge, affect, and trust on firms’ stock returns and stock volatility. To gain an insight into these potential effects with respect to firms that pursue different branding strategies with various levels of intra brand portfolio competition, and operate in product categories where brands are more or less important, we also investigate the moderating role of branding strategy, intra brand portfolio competition, and brand relevance in product categories (BRiC). Using a sample of 298 brands across 15 product categories during the period from 2005-2010, our research finds that changes in brand knowledge, affect, and trust do not have an equal effect on firms’ stock performance. Particularly, changes in brand affect and trust exert a stronger impact on firm value as compared to changes in brand knowledge. These effects become stronger for brands that are important to consumers and for firms that pursue the branded house strategy and have lower intra brand portfolio competition.

This research makes significant contributions to the branding and marketing-finance interface literature. First, whereas previous branding studies primarily examine the attitudinal impacts of brand knowledge, affect, and trust on consumer evaluations (e.g., Alba and Hutchinson 1987; Broniarczyk and Alba 1994; Chaudhuri and Holbrook 2001), the current study focuses on their financial consequences (i.e., stock returns and stock volatility). Second, this study extends previous work that link various aspects of brand assets, in particular, quality and salience (Aaker and Jacobson 1994; Bharadwaj, Tuli and Bonfrer 2011), attitudes (Aaker and Jacobson 2001), differentiation, relevance, esteem, knowledge, and energy (Mizik and Jacobson 2008), to stock returns. The current work suggests that changes in brand knowledge, affect, and trust have differential impacts on firms’ stock performance. Lastly, our research provides deeper insights into how firms’ branding strategy, intra brand portfolio competition, and brand relevance in product category (BRiC) moderate the effect of customer mindset measures of brands on firm financial performance.

References are available upon request.

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Negative Celebrity Endorser Publicity: How Critical Are Immediate Firm Reactions?

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Keywords: event study, celebrity endorsement, firm reaction, firm value

EXTENDED ABSTRACT

Research Question
During the last couple of years, celebrities have been increasingly involved in undesirable and harmful behavior, most recently Lance Armstrong and Oscar Pistorius. These incidents ranged from minor severity, such as buying competing products in public or making inappropriate comments on nationwide television, to serious and illegal actions, such as substance abuse, sexual assault or even accusation of murder. The rare empirical evidence in this area suggests that negative information concerning an endorser can reduce a firm’s value (Bartz, Molchanov, and Stork 2013; Knittel and Stango 2013). While this research was predominantly focused on the event’s direct impact on firm value, the efforts of affected firms to limit potential negative spillover effects found less consideration. However, in case of product harm crisis, previous research has pointed out the importance of a firm’s crisis response strategy for financial performance effects (Chen, Ganesan, and Liu 2009). Therefore, we first examine the effect of immediate firm reactions on firms’ immediate and subsequent value. We then investigate the match between the expected and the actual firm reactions and its financial implication on immediate and subsequent firm value.

Method and Data
Brown and Warner (1985) introduced event studies to measure the financial impact of events on the firm value of the endorsing firms. In short, the parameters of the market model are estimated by regressing a firm’s actual return on the returns of a weighted portfolio, using an estimation period of t = -255 to t = -11 relative to the event day t = 0. The event day is defined as the day the negative publicity of a celebrity became public in a major world newspaper. The difference between the estimated and the actual returns is called abnormal return (AR).

The sample of the event study consists of publically traded companies (NYSE, NASDAQ) which employed celebrity spokespeople who generated negative spokesperson publicity while being under contract. We scanned the archives of major world newspapers using the database LexisNexis Academic and conducted an internet keyword search. Some individuals endorsed more than one firm. We excluded several data points due to competing firm events around the event day (e.g., announcement of quarterly earnings), because these events would have biased the analysis. The final data set consists of 65 scandals from 1988 to 2012 for a total of 101 data points.

Summary of Findings
Our analysis reveals that it is not the negative event itself, but rather the immediate response of firms that is driving the subsequent financial performance. These results suggest that in choosing proactive versus passive strategies, firms can successfully minimize financial losses associated with negative spokesperson publicity. Investors use these crisis strategies to evaluate the financial impact of the negative publicity. Initially, investors are surprised by the event and might perceive a firm’s immediate public announcement as a negative sign about the event’s severity. While the celebrity scandal is emerging on the following days, however, they interpret fast and proactive strategies (e.g., immediate abandonment of an ad campaign) as a good sign of the firm’s ability to prevent and counteract negative follow-up media reports, whereas a passive strategy leads to substantial financial losses for the firm. We also demonstrate that the match between the expected and actual reaction of the firm can be essential for the subsequent financial performance.

Key Contributions
Recent history has shown that a substantial amount of endorsers is causing problems over the course of their career.

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Firms have to be prepared for this to happen. Even more so, they have to implement their plan as soon as possible. This paper demonstrates the importance of such immediate firm reactions to manage emerging crises caused by negative spokesperson publicity. In order to “steal thunder” (Coombs 2012) and to minimize losses, firms have to respond as quickly as possible. This finding extends the results of Chen et al. (2009), who looked only at the short-term effect (i.e., the event day itself). Our paper indicates the importance of examining a longer time period.

References are available upon request.
The Impact on Brand Equity of Product Recalls

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EXTENDED ABSTRACT

Wisdom suggests that brand equity is fragile and can be immediately destroyed by product recalls. When and how much recalls lead to brand equity loss (BEL) is difficult to quantify. We build a large-scale daily dataset with over two million panel users for more than 2,500 brands across countries matched with recall data from the CPSC during 2008-2011. While BEL is not immediate, it plunges on day 8 by 18.8%. We show the conditions under which BEL is greater. Google search behavior may explain why BEL is not immediate. Managers have a short, critical time window to stem the damage.

References are available upon request.

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How Customer-Centric Structures Leverage the Effects of Advertising and R&D on Brand Equity and Firm Performance

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Keywords: customer-centric structures, advertising, R&D, brand equity, firm performance

EXTENDED ABSTRACT

Research Question
Practitioners and academics emphasize the role of advertising and R&D in building brand equity to achieve superior financial performance. Yet, prior research fails to consider how these marketing mix variables (advertising and R&D) may vary in their effectiveness depending on a firm’s organizational structure. This is surprising given the growing interest in customer-centric structures in the domain of marketing. Recognizing this gap, the Marketing Science Institute (2012, p. 8) reports that research is “needed to better understand how organizational structure and marketing capabilities influence business performance.” Accordingly, this paper examines how structural sources of customer centricity leverage the effectiveness of advertising and R&D. We propose that investment returns from advertising and R&D may vary according to a firm’s overall organizational structure that supports customer centricity, a concept we refer to as structural sources of customer centricity. With this view, organizing a firm’s primary structure around customer groups (i.e., customer-centric structure), organizing structural divisions into smaller size (i.e., size-based centricity), or organizing divisions into a fewer markets (i.e., scope-based centricity) constitutes a higher degree of customer centricity. We shed light on how customer centricity differentially leverage the impact of advertising and R&D on performance through brand awareness and perceived brand quality.

Method and Data
We collected secondary data on publicly-traded firms from the Harris Interactive’s EquiTrend, COMPUSTAT databases, and firms’ annual and quarterly reports over the 2005–2011 period. Brand awareness was measured as the percentage of respondents who can rate the brand on perceived brand quality, and perceived brand quality was measured with consumer ratings on an 11-point scale. Firm performance was assessed by return on assets and Tobin’s q. Advertising (R&D) was measured as the average of advertising (R&D) expenditure over three (five) year period with an annual discount rate .60 (.15), and scaled by its total assets. A customer-centric structure was coded 1 if a firm exhibited a customer-centric structure and 0 if it has an internally-aligned structure. Size-based centricity was operationalized as the sum of squares of total sales revenue within the same business segment to the total sales of the firm. We subtracted one from this measure to capture the extent to which a firm’s divisions are smaller. Scope-based centricity was assessed by the percentage of a firm’s sales that came from each industry in which it operates. We used cluster-robust standard errors estimation to allow for correlation within a firm-level cluster.

Summary of Findings
We find that structural sources of customer centricity generally enhance the effectiveness of advertising and R&D on perceptions of brand quality, but reduce the efficiency of advertising on brand awareness. Specifically, advertising is less efficient at generating brand awareness when a firm organizes its divisions around customer groups (customer-centric structure), and when a firm has smaller divisions (high size-based centricity). Alternatively, customer centric structure makes
advertising investments more effective at enhancing perceived brand quality. For instance, the effects of advertising on perceived brand quality are stronger for firms with smaller divisions (high size-based centricity), and for firms that serve narrower end markets (high scope-based centricity). Similarly, all three structural sources of customer centricity enhance the effect of R&D on brand quality. Furthermore, both brand awareness and brand quality lead to higher firm performance. Only by simultaneously considering the nature of all three structural sources of customer centricity can a firm evaluate the ultimate impacts of advertising and R&D.

**Key Contributions**

We contribute to the marketing literature in three ways. This paper is the first to identify and integrate, into a single holistic model, three different structural sources of customer centricity that may leverage the effects of advertising and R&D on firm performance through brand equity. Each structural source of customer centricity provides benefits by aligning internal employee groups with external markets, but with different costs, complexity levels, and methods. Second, this paper shows structural sources of customer centricity affect the efficiency and effectiveness of advertising and R&D investments in parallel fashion. Advertising is less efficient at building brand awareness, but both advertising and R&D are more effective at building perceived brand quality. Third, our post hoc analysis shows differential effects across three structural sources of customer centricity. Depending on advertising and R&D profiles, the performance changes range, from –48% to +24% for a customer-centric vs. product-centric structure, from –37% to +36% for high vs. low size-based centricity, and from –24% to +40% for high vs. low scope-based centricity. Overall, this study provides theoretical and empirical insights to clarify the mixed picture around the returns to advertising and R&D by accounting for structural sources of customer centricity.

*References are available upon request.*
The Effect of Employer Evaluations on Employer Brand Attractiveness: An Empirical Investigation

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Keywords: employer brand attractiveness, employer evaluations, quantitative data analysis

EXTENDED ABSTRACT

Research Question
The research at hand grounds on the observation that knowledge on the strategic role of social media is in demand, especially when pursuing goals such as attracting qualified employees. Therefore, we investigate the role of user-generated content provided in the form of employer evaluations given by current or former employees. A discussion of relevant theoretical foundations helps understand the role of employer evaluations for labor market participants: First, the evaluation of fit is made through the signals that are transmitted through different informational sources such as employer evaluations. Second, employer evaluations can underline employer attractiveness on several dimensions that are relevant for the target groups’ evaluation of the fit or misfit between their values and those of the organization. Third, the credibility of the signals received as a combination of those send actively by the organization or passively through the evaluations of current or former employees, is crucial for potential employees. They determine the psychological contract that is established upon hiring. Based on these considerations the goal of the research was to identify the influence of employer evaluations on employer brand attractiveness and to differentiate between the effect of positive and negative employer evaluations.

Method and Data
We administered a quantitative analysis to investigate the described effects. First, we conducted a manipulation check to assess the influence of employer evaluations on employer brand attractiveness. As proposed, respondents in the positive primed group scored significantly higher than in the negative primed group when checking for the manipulation. Therefore, our results confirmed that employer evaluations influence employer brand perceptions. Second, we conducted an analysis of variance to investigate the priming effect on the perceived employer brand attractiveness of the focal firm. The results of this approach revealed a significant main effect. Third, we conducted Scheffé post-hoc analyses to investigate the effects in more detail. Here, the results indicated that a positive employer evaluation significantly increased the perceived employer attractiveness of the focal firm. In contrast, the decrease of the perceived employer attractiveness in the negative condition was not significant.

Summary of Findings
The aim of the present study was to assess the effect of employer evaluations on employer brand attractiveness. We assumed that positive employer evaluations enhance employer brand attractiveness and that negative employer evaluations decrease employer attractiveness. The survey results show that while the former effect was empirically significant and supported, the latter was not confirmed.

The current status of the research has a few limitations that merit discussion. First, we chose the focal firm for its high brand awareness. Future studies might rely on an imaginative organization to prevent biases from previous positive or negative brand experiences and associations even though they had no significant effect in our study. Second, the study
was subject to a specific cultural context. We relied on a German sample and used a German organization. As labor markets oftentimes possess characteristics specific to cultural surroundings, similar surveys might reveal different results in other cultural contexts.

**Key Contributions**

Altogether, our research drew on the observation that knowledge on the strategic role of social media in the pursuit of goals such as attracting qualified employees is in demand. While organizations can actively use social media for their communication objectives and the pursuit of their target group specific communication goals, the dynamics of user-generated content can also go beyond the direct influence of organizations. Therefore, understanding the effect of social media, such as through the role of employer evaluations, is inevitable for understanding the interactions between social media, organizations’ employer brand attractiveness, and the stakeholder group of potential or actual employees. Our research therefore shed light on employer evaluations as one area of social media that can be considered when seeking to improve the effectiveness and efficiency of employer branding activities. While still more knowledge on the qualified use and management of social media by organizations is in demand, the present research contributed to the continuously growing body of literature of social media and employer branding.

*References are available upon request.*
On Sustainability and Brand Affect

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EXTENDED ABSTRACT

Building brands is a top priority for firms. At the same time, firms are pressured to become more socially responsible. Consequently, firms are using sustainability to energize brands and win consumer love. To examine whether sustainability can increase brand affect, we use data from a unique unbalanced panel data set of 346 international firms from 2008-2011 across 14 industries, combined with firm-level sustainability performance scores and customers’ brand perceptions from several countries. Surprisingly, we find that on average environmental-based sustainability does not boost brand affect. In contrast, social-based sustainability increases brand affect. We also find that there is a substantial amount of heterogeneity in the brand effectiveness of social- and environmental-based sustainability across industries. These results may change the practices on how to build brands with sustainability.

References are available upon request.

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An Investigation on the Effects of Product Recalls on Brand Commitment

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Keywords: product recalls, brand commitment, affective commitment, calculative commitment, finite mixture model

EXTENDED ABSTRACT

Research Question
In this paper, we examine the effects of product recalls on brand commitment and revisit the role of brand commitment on post-recall consumer behavior. In particular, we introduce four consumer categories based on combinations of two levels of affective and calculative brand commitment (Gustafsson, Johnson, and Roos 2005; Gounaris 2003; Fullerton 2005), and show how product recalls have varying effects on their commitment levels and post-recall purchase intentions. These four consumer groups include (1) Hard Cores, who have high affective commitment and high calculative commitment; (2) Don’t-Cares, who have low affective and low calculative commitment; (3) Lovers, who have high affective commitment but low calculative commitment; and (4) Rationalists, who have high calculative commitment but low affective commitment. Next, drawing on attribution theory (Folkes 1984; Day and Landon 1977), we propose that these four consumer groups will respond differently to a product recall depending on internal and external attributions (e.g., consumer characteristics, and recall characteristics) of the situation.

Method and Data
We conducted a scenario-based experiment in a $2 \times 2 \times 2$ between-subjects mixed factorial design. With a pre and a post test, we measure the changes in consumer commitment and purchase intention within subjects before and after a product recall. Meanwhile, the $2 \times 2 \times 2$ between-subjects experiment in the post test provides insights on how characteristics of consumers and product recalls influence the change in commitment and purchase intention. In the experiment, three product recall characteristics, including problem severity, core-product recalls, and origin of responsibility, are manipulated as external attributions. Individual characteristics of consumers are measured as internal attributions in the pre-recall test in order to eliminate the order effect, using the extant scales of trust (Chaudhuri and Holbrook 2001), risk aversion (Burton et al. 1998), and thinking style (Ein-Gar, Shiv, and Tormala 2012). We examine the pre- and post-product recall changes with a paired t-test, and use a finite mixture model to capture the different effects on consumer commitment and purchase intention across the four consumer groups.

Summary of Findings
First, the study suggests that the changes in affective and calculative commitment vary across the four commitment groups. In general, affective commitment across all groups except Lovers decreases after a product recall, while only Lovers have no change in affective commitment. Hard Cores and Rationalists who have higher calculative commitment show an increase in their calculative commitment after a product recall since calculative commitment is driven by the lack of choices and switching costs. The damage to a preferred choice by a product recall increases switching costs to search alternative and a feeling of loss in terms of the number of choices. Third, a relationship between brand commitment and purchase intention varies across the four groups. In our study, only Hard Cores shows the expected relationship where the pre-recall affective and calculative commitment have positive association with purchase intention changes after a product recall. Finally, the negative effects on brand commitment vary across the four commitment groups depending on internal (i.e., consumers’ individual characteristics) and external attributions (i.e., characteristics of product recalls).

Key Contributions
From theoretical perspectives, our study is the first to introduce four types of consumers based on different levels of...
affective and commitment levels. We show that the effects of product recalls vary across the four groups. **Lovers** are the consumers who can endure negativity more firmly than any other groups. Second, this study identifies the effects of internal and external attributions on commitment and purchase intention for each group. Third, this study emphasizes that weighted commitment (i.e., **Lovers**, and **Rationalists**) rather than balanced commitment (i.e., **Hard Cores**, or **Don’t-Cares**) can be directly hurt by the external attributions of product recalls, even when their purchase intention is held. Thus, if the negative publicity continues, even the bumper effect of affective commitment in **Lovers** will be depleted in the long run. From managers’ perspective, this study suggests that managers should have different communication strategies for the four groups after a recall event. In the long run, marketing strategies to increase affective commitment among consumers will help the brand survive the hard times when it has negative publicity.

References are available upon request.
Sponsorship’s Internal Audience: Does Sponsorship Affect the Brand Behavior of Employees?

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Keywords: sponsorship, employee brand behavior, brand awareness, brand image, brand commitment

EXTENDED ABSTRACT

Research Question
Since its beginnings in the 1980s, sponsorship has become an important part of the communications mix of companies (Schwaiger, Sarstedt, and Taylor 2010; Wakefield, Becker-Olsen, and Cornwell 2007). While in 1982 worldwide sponsorship expenditure was estimated at USD 0.5 billion (Nickell, Cornwell, and Johnston, 2011), by 2012, thirty years later, it had reached USD 51.1 billion and, today, continues to grow (International Events Group 2013).

Most of the existing sponsorship literature focuses on measuring the impact of sponsorship on consumers; and within this field numerous studies can be found that examine various branding aspects. For example, they provide strong evidence that sponsorship – via the attitude concept – leads to positive brand behavior, such as positive word-of-mouth and brand loyalty of consumers (e.g., Martensen et al. 2007; Mazodier and Merunka 2012).

While many studies have dealt with the impact of sponsorship on consumer brand perception, few studies have focused on the impact of sponsorship on employees. The current research paper is devoted to shed light on this aspect by examining the effect of sponsorship on the brand behavior of employees. The brand behavior of employees plays a crucial role in brand success (De Chernatony 2002; Devasagayam et al. 2010; Harris 2007). This is due to the fact that employees, via their brand behavior, strongly influence the customer perception of the brand (Morhart, Herzog, and Tomczak 2009). On the one hand, employees are responsible for the creation of the brand and its products; on the other hand, they act outside the company as brand ambassadors.

Based on the insights gained from a literature review, we develop the conceptual model. We integrate sponsorship quality and quantity as independent variables in the model in order to globally assess employees’ sponsorship perceptions. Brand image and brand awareness are included as direct consequences. We posit that these variables are prerequisites for the development of brand commitment, which had been shown by several studies to capture an important consequence of external communication activities on employees (e.g., Hickman, Lawrence, and Ward 2005; Wolfinbarger and Gilly 2005; Hughes 2013). In the current framework, brand commitment is regarded as a direct determinant of employee brand behavior. Furthermore, we measure the effects of sports, cultural and ecological sponsorship engagements separately in this research paper. This allows us to gain differentiated insights about three of the most important sponsorship forms.

Method and Data/Summary and Findings
Our results from structural equation analysis confirm that sponsorship quality and quantity drive – via brand image, brand awareness and brand commitment – employee brand behavior. Specifically, the findings show that the effects of the sponsorship quality variables on brand behavior are stronger than the effects of the sponsorship quantity variables. An explanation for this finding is that the impact of sponsorship quality on brand image is noticeably stronger than the effect of sponsorship quantity on brand awareness.

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The relatively weak influence on brand awareness can be traced back to the omnipresence of the brand for employees. They are exposed to it every day at work, and they experience it in internal brand communications activities. As a consequence, it is difficult to increase brand awareness further by intensifying the quantity of sponsorship activities.

Moreover, the results indicate that brand image is mostly affected by cultural sponsorship quality, followed by ecological and sports sponsorship quality. However, the differences between the path coefficients are very small. One reason for the lower influence of sports sponsorship quality is that, in the specific case of the company that we evaluated, the sponsored sports events provide a lower fit to the brand than the sponsored cultural and ecological events. Therefore, it is more difficult to establish a transfer in attitudes from sports sponsorship quality to the brand image.

**Key Contributions**

The findings of the study imply that sponsorship quality is an important construct for determining brand behavior. Employees who like the sponsorship engagements of the brand they are working for, manifest a better brand image, show stronger brand commitment and contribute by their brand behavior to the brands’ success. Therefore, managers should assure that the employees evaluate positively the company’s sponsorship engagements.

*References are available upon request.*
The Impact of Implicit Theories on Consumers’ Personality Impressions and Extension Evaluations of Symbolic Brands

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Keywords: implicit theories, brand extensions, brand personality impressions, brand evaluation, brand engagement

EXTENDED ABSTRACT

Research Question
Psychologists believe individuals maintain two kinds of implicit theories: entity and incremental (Dweck and Leggett 1988). Whereas entity theorists view human personality as fixed, incremental theorists view human personality as malleable. Just as consumers make inferences regarding the malleability of human personality, they make inferences about the malleability of brand’s personality (Yorkston et al. 2010).

Past research finds, when exposed to extensions varying in fit, incremental theorists are more likely to change their brand personality impressions than entity theorists (Mathur et al. 2012). This finding applies to brands positioned on functional concept (e.g. product features). However, brands can also be positioned on symbolic concept (e.g. status, luxury) (Park et al. 1986). Our study extends previous findings and explores how incremental and entity theorists respond to symbolic brands’ extensions.

In addition to personality impression, our research also focuses on exploring consumers’ extension evaluations. Previous studies suggest that implicit theories affect the way individuals develop and maintain their self-concept (Molden and Dweck 2006). Since consumers’ engagement with brands depends on their self-concept (Sprott et al. 2009), we suspect that incremental and entity theorists evaluate brand extensions differently under high and low brand engagement scenarios.

Method and Data
Previous research finds Mercedes-Benz is a symbolic brand that is consumed mainly to depict wealth and luxury, as compared to functional brand like Toyota that is consumed for its product features (Monga and John 2010). Hence, the current study focused on Mercedes-Benz as the parent symbolic brand. Good and poor fit extensions were selected based on a pretest. Using Loken and John (1993) extension fit similarity scale, 34 respondents rated seven categories on their perceived similarity with Mercedes. Sports Cars and Furniture were chosen as the categories that had good and poor fit respectively.

Three hundred and fifty two female college students (18-28 years old) from five departments in a college participated in our survey study. We conducted the survey in a classroom setting. The first part of the survey measured respondents’ implicit theories and their brand engagement. In the second part, their pre-extension personality impressions for Mercedes-Benz were obtained. The respondents learned that the brand Mercedes-Benz was launching Sports Cars (vs. Furniture) in the third part and their extension evaluation and post-extension personality impressions were obtained. The survey instrument was based on the adapted scales from the previous studies (Aaker 1997; Levy et al. 1998; Sprott et al. 2009).

Summary of Findings
From the data collected, incremental and entity theorists were identified using k-means cluster analysis. Using a mixed-design ANOVA on both clusters, we find that as far as personality implications are concerned, incremental theorists’ parent brand personality dimension is likely to dilute for symbolic brand extensions with good fit because they might see less effort on part of the parent brand in launching the extension. On the other hand, entity theorists’ personality
impressions might dilute when symbolic brand launches a poor fit extension because it no longer helps them signal their ability to others.

Respondents with high and low brand engagement were also identified using k-means cluster analysis. Mixed-design ANOVA on these clusters show that consumers’ brand engagement plays a critical role in shaping extension evaluations of incremental and entity theorists due to difference in the way they approach self-enhancement. Specifically, incremental theorists’ who believe in learning new things for self-improvement purposes are likely to favor good (vs. poor) fit extensions when their brand engagement is low. In contrast, entity theorists who look for opportunities to signal their ability are likely to favor good (vs. poor) fit extensions when their brand engagement is high.

**Key Contributions**

Our findings have some insightful implications for brand managers. The study highlights the difference in consumer behavior for brands that are positioned on the basis of symbolic concept as compared to functional concept. Although symbolic brands are known to have strong personality associations and abstract brand concepts that are easily transferrable to other product categories (Monga and John 2010), it is not necessary that their brand extensions always result in enhanced personality impression of the parent brand. In fact, the current research shows that there is a good chance that the initial personality ratings will dilute, regardless of how elastic the brand is. Moreover, the research also implies that since symbolic brands are consumed for self-enhancement purposes, marketers need to understand that individuals follow different patterns to enhance their self. Incremental theorists might be better focal targets for marketing activity highlighting brand’s attributes that can be used in ‘improving their self.’ In contrast, entity theorists might be better focal targets for marketing activity that highlights brand’s image in ‘proving their self.’

*References are available upon request.*
The past decade bears witness to a growing interest in consumer-brand identification (CBI), motivated by the positive outcomes that can emerge from such psychological connections (Stokburger-Sauer et al. 2012; Tuskej et al. 2011). Although previous studies on CBI have provided important insights, three limitations are apparent. First, little research has examined the direct impact of CBI on consumers’ extra-role behavior (i.e. resilience to negative information). Second, regardless of the importance of CBI as a powerful predictor of consumer behavior (Lam et al. 2012), much less is understood about the drivers of CBI (Stokburger-Sauer et al. 2012). Finally, the intervention of mediating variables between CBI and its drivers have not been exclusively explored.

This paper proposes that entering volitionally into enduring relationships with brands may be attributed to self-verification theory. The basic premise underlying this theory is that people are motivated to verify, confirm and maintain their positive as well as negative self-concepts (Swan 1983). Self-verification or self-continuity leads to positive self-evaluations and positive evaluations toward the others and thus facilitating attachment to the other (Burke and Stets 1999). Marketing scholars postulate that self-continuity need is increasingly met through customers’ perceptions of congruence or similarity between their own self-concept and that of brand associations (Escalas and Bettman 2003; Lam et al. 2012). While most of the previous research on self–brand congruity focuses on brand personality (Lam et al. 2012), other research has suggested that values and other brand customers/users can also play an important role in enhancing consumer-brand relationships (Zhang and Bloemer 2008; Karaosmanoglu et al. 2011). Thus, we argue that both value congruence and customer-to-customer similarity, as enablers of self-verification, help forge consumers’ identification to the brand, which in turn enhances consumer in-role behavior (i.e. brand loyalty) and extra-role behavior (i.e. resilience to negative information). Moreover, we extend previous research by examining brand attractiveness as a mediator of the effect of both value congruence and customer-to-customer similarity on CBI.

We sampled consumers from a large metropolitan area in the Midlands of UK, using a mall intercept technique. Participants were asked to complete the survey with respect to their favorite brand in two product categories: Mobile phones and TVs, resulting in 293 complete responses (NTV = 135; Mobile Phone = 158). The data was analyzed using Partial Least Squares (PLS) approach for structural equation modelling with SmartPLS. The composite reliability values ranged from .84 to .90, indicating high levels of internal consistency. The resulting levels of the factor loadings were significant and AVEs greater than .60, providing empirical support for convergent validity. Discriminant validity was supported, as the lowest AVE value was .60 which is greater than the largest squared correlation of .435. Our results showed that value congruence has the greatest influence on CBI, followed by customer-to-customer similarity that has
similar magnitude to that of brand attractiveness. Unlike customer-to-customer similarity, value congruence had no significant relationship with brand attractiveness. Further, the results showed that brand attractiveness only partially mediated the relationship between customer-to-customer similarity and CBI. Lastly, compared to consumers’ in-role behavior (i.e. brand loyalty), CBI had a stronger effect on consumers’ extra-role behavior (i.e. resilience to negative information).

At the theoretical level, this study advances our understanding of consumer-brand relationships in three aspects. First, we build on previous CBI literature by introducing value congruence and customer-to-customer similarity as important drivers of CBI. Most importantly, the findings support self-verification theory arguments (Swann 1983), where consumers are willing to form strong relationships with a brand that verifies who they are. Another contribution of this research is that, with the application of similarity–attraction paradigm (Bryne 1971) to branding context, it is possible to explain why consumers are attracted to some brands and not others. Further, to our knowledge, our study is the first to investigate the mediating role of brand attractiveness in the relationship between both value congruence and customer-to-customer similarity and CBI. Third, our findings reveal that CBI triggers not only classic loyalty behavior, but also influences consumers’ extra-role behavior. Hence, an important implication of our findings is that CBI construct deserves more attention in marketing research.

This research has some important implications for managers regarding consumer-brand relationships. First, the results provide building blocks upon which managers may engender CBI and increase the likelihood of experiencing in-role and extra-role behavior from their customers. As value congruence turns out to be the strongest direct influence of CBI, companies must set its sights on creating the greatest possible congruence between the values of its target market and its brand. According to our study, the results invite managers to account for the impact of other customers when developing their targeting and positioning strategies as users of the brand can act as informational cues about the brand’s identity. The empirical results propose that a company can proactively enhance CBI to protect itself from the impact of negative information before it occurs. Moreover, our research findings demonstrate that strengthening consumers’ identification is likely to favorably influence their loyalty to the brand.

References are available upon request.
Feedback Effects of Step-Down Line Extensions: Chain of Effects from Brand Prestige and Self-Brand Connections to Brand Commitment

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Keywords: vertical line extension, feedback effects, consumer-brand relationships, luxury brands

EXTENDED ABSTRACT

Research Questions
Step-down line extension (SDLE) is attractive as a way for the brand to use its equity to increase profitability but also particularly dangerous (cannibalisation, core brand equity dilution). The risk of dilution of core brand equity is especially higher for luxury brands. This paper investigates feedback effects of step-down line extension (SDLE) of luxury brands on consumer-brand relationships. This article aims to go deeper in the examination of these effects by investigating the causal relationships network among the consumer-brand relationships variables (self-brand connections, brand attachment, brand trust and brand commitment). This research sets out to answer several research questions: what is the influence of a SDLE of a luxury brand on the brand prestige and consumer-brand relationships variables? Which are the variables most affected by this strategy? Do causal relationships identified by research on consumer-brand relationships and relational models also exist in the context of dilution effects of SDLE? To what level of relationship with the brand feedback effects are observed? What are the “ways” through which these feedback effects go?

Method and Data
In line with empirical studies on vertical line extensions, we focus on automobiles as the product category. BMW was selected because this brand is considered as a new luxury brand and it has been selected as a luxury brand in past empirical studies on vertical line extensions. Then we created an advertisement presenting a fictitious SDLE. Online questionnaires were administered on car forum websites and owners’ clubs on the Internet. We selected only respondents who were clients and the final sample comprised 154 clients. We used the before-and-after pseudo-experimental method to measure individual changes. The influence of the SDLE is investigated on five dependent variables: brand prestige, self-brand connections, brand attachment, brand trust and brand commitment. We selected existing and reliable scales to measure these variables. This study used seven-point Likert scales for all scales. As for the confirmatory factor analyses, as well as the structural equation modeling approach, we relied on the PLS approach because of its minimal demands on sample size and suitability to handle with model complexity and violation of multivariate normality. Results indicate that convergent validity and reliability of all the scales are good. Discriminant validity is also satisfied.

Summary of Findings
We perform a latent analysis of variance and a latent step-down analysis to examine the causal relationships network in order to deeper understand how consumer-brand relationships variables are related all together and diluted in a context of SDLE strategy. First, the results indicate that brand prestige, self-brand connections, brand attachment, brand trust and brand commitment are damaged after the SDLE. Indeed, when a simple latent MANOVA is performed, results show that the experimental manipulation has a significant influence on each of the dependent variables. Moreover, the intensity of these dilution effects is not the same for all the dependent variables. Second, the findings show that causal relationships identified by previous research on con-
sumer-brand relationships and relational models also exist in our study. A “chain of effects” from brand prestige and self-brand connections to brand commitment is identified in the specific context of feedback effects of vertical-line extensions. These causal relationships fully explain dilution effects (all the negative effects are due to the causal relationships between the dependent variables).

**Key Contributions**

This research provides major contributions to vertical line extension literature. Our study shows that core brand prestige is deteriorated after the SDLE and we bring new understanding by highlighting feedback effects of SDLE strategy on brand loyalty. Self-brand connections, brand attachment, brand trust and brand commitment are diluted after a SDLE. Variables located upstream causal relationships networks (self-brand connections for example) are more sensitive to this strategy. In other words, more we move to brand commitment, the less the influence of SLDE. Results are interesting because they indicate that causal relationships identified by research on consumer-brand relationships and relational models also exist in the context of SDLE and these causal relationships fully explain dilution effects. From a theoretical point of view, it means that a strong “chain of effects” from brand prestige and self-brand connections to brand commitment exists. Consequently from a managerial point of view, it means that luxury brand managers should firstly preserve variables located upstream causal relationships network (i.e., brand prestige and self-brand connections) to avoid dilution of the entire relational network. Further research on different categories of products and type of brands would be helpful to achieve a generalizability of the findings.

*References are available upon request.*
Why Firms Delete Brands: Findings from a Qualitative Study

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Keywords: brand deletion, qualitative research, grounded theory, brand portfolio management

EXTENDED ABSTRACT

Research Question
Firms invest huge amount of resources (financial and non-financial) in launching and/or acquiring new brands, leveraging existing brands, and introducing brand extensions and sub-brands (Kumar 2003). However, by the 80-20 rule, several brands in multi-brand portfolios of “house of brands” type firms (e.g., P&G, Unilever, Nestle, etc…) do not perform well. For example, in 1999, Diageo sold over 35 brands in over 170 countries, yet only 8 power brands contributed to 70% of Diageo’s profits (Kumar 2003). Despite knowing that several brands are not doing well in the portfolio, are negatively impacting the portfolio, and deleting them could be very beneficial, firms are reluctant to delete them because, “brand deletion is a traumatic process... for sentimental or historical reasons” (Kumar 2003, p.88).

Moreover, in marketing literature, despite the substantial importance of brand deletion, there is remarkably scant research about this area and so far, literature focuses mainly on the process and criteria (Kumar 2003; Varadrajan, DeFanti, and Busch 2006) and the consumer’s perspective of brand deletion (Mao, Luo and Jain 2009). However, there are several key questions about brand deletion that have not been answered yet and the purpose of this research is to address one of these questions – why firms delete some brands from their brand portfolio? – by applying a qualitative research approach.

Method and Data
In this research study, brand deletion is an under-researched, complex, and yet a very important marketing phenomenon; knowledge about it can be best achieved by conducting interpretive research where participants personally talk about their experiences with brands, brand management, and brand deletion. Thus, this study uses a qualitative approach by using interpretive analysis instead of statistical techniques or quantification to produce findings (Glaser and Strauss 1967; Strauss and Corbin 1998).

Using theoretical sampling (Glaser and Strauss 1967; Strauss and Corbin 1998), I interviewed 15 brand professionals from several countries (USA, Canada, India, Singapore, Netherlands, Colombia, UAE, and Sri Lanka) and industries (beverages, fast moving consumer goods, footwear, toys, health foods, wine, tools and equipment, and automobiles). For triangulation, these interviews were further supplemented by scrutiny of archival data in the form of 22 information sources (about brand deletion) from business/trade popular press recommended by informants. The quality of findings was also ascertained by using criteria for trustworthiness of data (1) credibility; (2) transferability; (3) dependability; and (4) confirmability (Guba 1981).

The intensive discovery-oriented interviews (40-60 minutes each) were audio-recorded and then transcribed verbatim. I then loaded these transcripts and articles in NVivo 10 for qualitative data analysis. As I collected new data, I analyzed it in the context of the previously collected data which led to a continuous comparison and contrast. I kept looking for categories and continued interviewing informants until saturation was reached. Then, I started exploring relationships between the categories and subcategories in order to identify the properties and dimensions of a category by sorting, integrating, and organizing large chunks of data and bringing them back together in new coherent ways. This process yielded few broad categories which were further reduced to four fundamental themes (by sorting and clustering) that explain the rationale based on which firms delete brands from their portfolio.

Summary of Findings
The data revealed four key reasons for brand deletion in the context of firms having a house of brands type brand archi-

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tecture and across several industries. According to the informants, brand deletion means discontinuing or removing a brand from a firm’s brand portfolio; this could either be done by *killing* the brand from one or more markets or *selling* the brand to another firm. Guided by the fit theory and based on qualitative data analyses of archival data and what the informants repeatedly stated, generally, a firm decides to delete a brand that does not fit with (1) the firm’s brand portfolio strategy; (2) consumer needs; (3) the firm’s financial considerations and brand performance metrics; and/or (4) the firm’s strategy and goals.

If a brand does not fit with the changing consumer needs, does not offer value to the consumers, and does not keep up to the market trends, its market starts shrinking; performance drops, and finally firms have to start considering it for deletion. Informants also repeatedly mentioned that if a brand is not performing well on (i.e., lacks a fit with) their financial and brand performance metrics it becomes difficult for them to justify the investment they are making in those weak brands. So, in order to efficiently use those resources, in many cases, it is essential to delete the weak brands that are draining out the valuable resources. Furthermore, if brands belonging to certain business units do not have a strategic fit with the firm’s new overall corporate strategy and goals, their contribution and importance to the firm’s brand portfolio reduces and thus the firm decides to delete those brands. In summary, these fit factors are not independent of one another. A firm does not generally delete a brand because of only one of these factors; there might be a combination of these involved. Many a times, these factors also influence each other.

**Key Contributions**

Brand deletion is an inadequately researched area under brand portfolio management. Theoretically, this research contributes in the context of discovery and provides a base for more empirical research in this field and opens several avenues for future research. This research study also extends the concept of fit into the brand deletion arena.

Practically, these fit factors demonstrate their managerial utility as a checklist to consider while adopting the brand deletion strategy. This research also encourages brand managers to overcome their hesitation in deleting weak brands and posits that if firms draw their attention to this neglected area of brand management and strategic decision making, brand deletion might no longer remain a traumatic ordeal for the firm.

*References are available upon request.*
What Is Brand Authenticity? Introducing the Entity-Referent Correspondence Framework of Authenticity and Its Application to Brands

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Keywords: authenticity, brand authenticity, brand management, indexical authenticity, iconic authenticity

EXTENDED ABSTRACT

Research Question
Despite the significant effort dedicated to brand authenticity in the academic literature, a precise meaning of brand authenticity has not emerged. Some researchers have defined the concept as being “genuine,” “real,” or “true”; however, such synonyms do not actually expound the concept. Additionally, the literature is replete with over thirty concepts that have been tied to brand authenticity, including distinct types of brand authenticity and specific components. Many of these types and components are incongruent or overlapping. Others include multiple meanings and are, thus, ambiguous. Further, previous researchers have not provided theoretical support for the inclusion of these types or components as part of brand authenticity’s conceptual domain. As a result, a lack of clarity and parsimony exists in the brand authenticity literature.

We suggest that before brand authenticity can be understood, a general meaning of authenticity must be established. Thus, our first objective is to clarify the meaning of authenticity. The Entity-Referent Correspondence Framework offers a higher-order, abstract meaning of authenticity and suggests three distinct authenticity types: True-to-Form, True-to-Origin and True-to-Self. Our second objective is to show how each type applies to brands at both concrete and abstract levels, which results in six distinct forms of brand authenticity.

Summary of Findings (The Entity-Referent Correspondence Framework of Authenticity)
Perceptions of authenticity involve determining whether an external entity in one’s environment (e.g., object, person, performance) is “true to” something, which we label a referent. Thus, perceived authenticity is the degree to which an entity is perceived to correspond to a referent.

True-to-form authenticity is defined as an entity-referent correspondence in which an entity is perceived to adhere to a prescribed ideal or standard. Because a general consensus about the form’s characteristics must first exist (Peterson 2005), the prescribed form is socially developed. As such, it is a social construct as described by social constructivism theory (Guba and Lincoln 1994; Wartofsky 1968). Social constructs do not exist outside of human consciousness; they are not absolutely occurring phenomena independent of human thought. Further, social construction is a dynamic process in which different groups may disagree about the form’s characteristics. Thus, because the “true” form can be disputed, true-to-form authenticity often exists in the “eye of the beholder(s).”

True-to-origin authenticity is an entity-referent correspondence in which an entity is perceived to possess a physical connection with an origin—a person(s), location, time, or object. In contrast to a socially-constructed form, an origin...
is concrete, actual, and absolutely existing. The referent (origin) for true-to-origin authenticity must be specified, as without it, there is no claim of true-to-origin authenticity.

True-to-self authenticity refers to an entity-referent correspondence in which an entity’s behaviors are perceived to be consistent with its intrinsic motivations as opposed to its extrinsic motivations. Self-determination theory posits that being “true to self” involves partaking in intrinsically-motivated activities (Ryan and Deci 2000). Like an origin, one’s “true” self is proposed to be an actual, fixed entity rather than a socially-constructed one. Nonetheless, an origin and self are distinguished in that an origin is physical, whereas a self is psychological, a distinction consistent with dualism theory, which attests that the mind or consciousness is a non-physical substance that is ontologically distinct from physical substances (Halverson 1976).

We apply the three authenticity types—true-to-form, true-to-origin, and true-to-self—to brands at two levels: (1) lower-level or concrete aspects of the brand and (2) higher-level or abstract brand meanings, resulting in six distinct constructs. This concrete-abstract distinction is based on Keller’s (1993) observation that brand attributes may relate to either (1) product factors, reflecting actual, intrinsic product components/ingredients or performance or (2) non-product factors, reflecting extrinsic product elements, such as brand personality.

Key Contributions
The Entity-Referent Correspondence Framework contributes to the brand authenticity literature in two key ways. First, the higher-order, abstract definition of authenticity—the perception of entity-reference correspondence—highlights the fundamental commonality across the different authenticity types. Doing so, the framework makes what MacInnis (2011, 146) describes as an integration contribution: “…integration draws connections between previously differentiated phenomena, finding a novel, simplified, and higher-order perspective on how these entities are related.” Second, the framework identifies two underlying dimensions that offer conceptual distinction among the six brand authenticity forms. As such, our framework offers what MacInnis (2011, p. 146) describes as a differentiation contribution: “Papers that contribute through differentiation demonstrate how entities are different. They may do so by revealing the underlying dimensions along which entities can be compared...”

Using this comprehensive framework, we are able to disentangle these various concepts. Specifically, the framework categorizes a large majority of the previous brand authenticity conceptualizations as one of the six forms. While these numerous prior brand authenticity types and components were identified using qualitative research, which is an inductive, bottom-up approach, our conceptual framework, generated using a deductive, top-down approach, complements this previous literature and clearly organizes these seemingly diverse concepts.

References are available upon request.
What Makes a Brand Authentic and Why Should We Care? Investigating the Antecedents and Consequences of Brand Authenticity

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Keywords: brand authenticity, brand perception, brand relationships, consumer behavior

EXTENDED ABSTRACT

Research Question
Recent research has emphasized the increasing relevance of the brand authenticity (BA) concept for the marketing discipline. Statements such as “authenticity is one of the cornerstones of contemporary marketing” (Brown, Kozinets, and Sherry 2003, p. 21), or “Quality no longer differentiates; authenticity does” (Gilmore and Pine 2007, p. 23) demonstrate the potential that is ascribed to authentic brands. However, a key question that arises in the light of BA is what determines the perceived authenticity of a brand and which consequences can be attributed to BA? Thus, companies have no indication of the influencing factors that might be employed to promote BA, nor do they know whether or not BA affects consumer behavior. This knowledge is yet essential to confirm the relevance of BA as a target dimension of marketing management. Against the backdrop of the research gaps, the present paper aims at investigating the determinants of BA as well as the consequences that authentic brands exert on consumer behavior.

Method and Data
Building on an extensive literature review, we identify five communication-based (i.e., brand commercialization, brand clarity, brand nostalgia, actual and ideal self-congruence), two cultural (i.e., brand legitimacy, brand heritage), and one company-based (i.e., employee’s passion) variables as relevant antecedents of BA. As consequences of BA we examine its effect on Brand Relationship Quality (BRQ) and its indirect impact on behavioral effects, namely purchase intention, the willingness to forgive mistakes, and the willingness to pay a price premium. Finally, we include brand involvement to test for moderator effects. The considered relationships are hypothesized to be positive with one exception, brand commercialization is assumed to have a negative impact on BA. For data collection, we conduct an online survey that generates 509 datasets. 18 brands are included in the survey covering several industries; the selection of the brands is based on 15 interviews with consumers. In order to test the hypotheses, we use structural equation modeling. The overall model leads to a good fit.

Summary of Findings
Our results show that BA is positively influenced by communication-based (i.e., brand clarity, brand nostalgia, actual self-congruence), cultural (i.e., brand legitimacy, brand heritage) and company-based antecedents (i.e., employee’s passion) and negatively affected by the communication-based construct brand commercialization. Only ideal self-congruence is found to have no impact on BA. BA predicts BRQ and, indirectly, purchase intention, the willingness to pay a price premium, and the willingness to forgive mistakes, which underscores the importance of BA for marketers. Thus, our findings confirm the positive consequences on consumer behavior ascribed to the authenticity concept by marketing literature. Moreover, our findings confirm that profit-oriented brands (e.g., Aldi [German discount store]; BA-value: 4.64) as well as young and

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innovative brands (e.g., Google; BA-value: 4.89) can be perceived as authentic, demonstrating that heritage can positively impact BA, but that a lack of heritage does not necessarily disqualify a brand from being authentic. This offers an answer to existing ambiguities in marketing literature whether profit-oriented or non-heritage brands are incongruous with an authentic brand perception. Contradictory to our assumptions, the effect of brand heritage as well as actual self-congruence on BA and of BA on BRQ is stronger for low involved consumers.

**Key Contributions**

In sum, the results confirm the assumed positive consequences of BA on key marketing outcomes. Regarding the antecedents, our findings demonstrate that a company can influence BA through different measures, and it is therefore important to analyze which of the factors (i.e., communication-based, cultural, and company-based) brand management should or can manipulate in order to positively impact the perception of the brand’s authenticity. According to our outcomes brand legitimacy seems to be of particular importance, since it has the highest impact on BA. Unfortunately, only few papers investigating this concept are available in marketing research. Further insights would therefore be interesting.

*References are available upon request.*
What Is True-to-Self Brand Authenticity? Understanding the Antecedents and Consequences of a Brand’s Passion

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Keywords: brand authenticity, self-determination theory, attribution theory, social desirability hypothesis, augmentation principle

EXTENDED ABSTRACT

Research Question
Different definitions of authenticity exist, yet one consistent meaning is being “true to oneself”—to be “real,” one’s behaviors should be intrinsically motivated rather than extrinsically motivated. While “true-to-self” most often refers to people, we suggest brands can be perceived this way as well.

We contend consumers are aware that a brand’s behaviors are controlled by a group of brand managers, and it is the shared motivation of these individuals that customers evaluate. As such, we define true-to-self brand authenticity as the extent to which consumers perceive that a brand is passionate about providing its goods and services. True-to-self (TTS) authentic brands are perceived to be in business because doing so is innately gratifying to those people directing the brand.

Attribution theory (Kelley 1973) suggests individuals will more likely attribute another’s behaviors to intrinsic motivations if the person’s behavior is (1) uncommon compared to others’ behavior and (2) is consistent or stable over time and in various situations. Based on this premise, we propose four antecedents of TTS brand authenticity—two related to uncommon brand behaviors, uniqueness and scarcity, and two related to stable brand behaviors, longevity and longitudinal consistency. Our model also suggests two outcomes—expected quality and trust.

Method and Data
We conducted two experiments to test the effects of the proposed antecedents on true-to-self brand authenticity, and the effect of true-to-self brand authenticity on expected quality and trust. Study 1 was a 2 (uniqueness) x 2 (longevity) between-subjects design; Study 2 was a 2 (scarcity) x 2 (longitudinal consistency) between-subjects design. The two samples consisted of undergraduate business students from a large university (n = 136, Study 1; n = 155, Study 2).

Subjects were told that they were evaluating a new online student edition of the Wall Street Journal. One article described a fictitious coffee shop, in which the factors were manipulated. They then responded to the dependent measures and the manipulation check items.

The data were analyzed using structural equation modeling with AMOS 19.0. Advantages of using SEM to analyze experimental data include (1) correction for measurement error in the measures and lower possibility of Type II error (Bagozzi and Yi 1989; MacKenzie 2001); (2) more rigorous testing of the experimental manipulations by controlling for non-hypothesized effects; and (3) ability to handle more complex relations among the dependent latent variable compared to MANOVA (Bagozzi and Yi 1989).

Summary of Findings
Study 1. All proposed relationships were positive and significant. The standardized effect of uniqueness was .36 (p < .001), and the standardized effect of longevity was .28 (p < .01). True-to-self brand authenticity also had a positive effect on expected quality (.64, p < .001) and trust (.62, p < .001). We also tested whether true-to-self brand authenticity...
mediated the effects of the two antecedents on the two outcome factors. True-to-self brand authenticity fully mediated the effect of uniqueness on expected quality and trust, and longevity on trust, but only partially mediated the relationship between longevity and expected quality.

Study 2. All proposed relationships were positive and statistically significant. The standardized effect of scarcity was .05 ($p < .05$), and the standardized effect of longitudinal consistency was .55 ($p < .001$). True-to-self brand authenticity also had a positive effect on expected quality (.76, $p < .001$) and trust (.76, $p < .001$).

As in Study 1, we also tested for mediation. True-to-self brand authenticity fully mediated the effect of longitudinal consistency on expected quality and trust and scarcity on trust, but only partially mediated the relationship between scarcity and expected quality.

Key Contributions
Concepts similar to uncommonness and stability have been purported to relate to brand authenticity. Our research suggests that these concepts are associated with a particular meaning of brand authenticity—true to self. Importantly, we apply attribution theory to develop a model that suggests a theoretical rationale for their inclusion and identifies expected relationships.

Managerial Implications. Brand managers can influence perceptions of true-to-self brand authenticity directly by emphasizing their brand’s passion, or indirectly by strengthening perceptions of uncommonness and stability through the subdimensions identified in this research. Brands that can demonstrate aspects of both uncommonness and stability should have greater success creating perceptions of true-to-self brand authenticity. However, brands do not need to exhibit both to be considered intrinsically authentic. We expect that some brands will be perceived as such due to perceptions of uncommonness while others due to perceptions of stability. As one example, a new brand may be perceived authentic because of uncommonness perceptions even though it has not been around long enough to develop perceptions of stability.

References are available upon request.
The Aspirational Brand: An Exploratory Analysis

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Keywords: branding, luxury brands, aspirational brands, brand management

EXTENDED ABSTRACT

This study aims to conceptually define the term “aspirational brands” and delineate it from the related and well-established concept “luxury brands.” Responses from a sample of 452 Baby Boomers and Millennials, males and females, and high-income and low-income consumers were collected and compared, providing quantifiable evidence for the existence of two related but separate constructs. Sixty three percent more brands were named as aspirational than as luxury, lending support to the notion that a consumer’s classification of a brand as aspirational is more a function of internal influences than his or her classification of a brand as luxury.

Hypotheses

H1: Given the more personal and internally-oriented nature of aspirational brands, the total number of aspirational brands recalled by our respondents will be greater than the number of luxury brands recalled.

H2: Given the more personal and internally-oriented nature of aspirational brands, the average number of recalls for the top 20 aspirational brands will be lower than the average number of recalls for the top 20 luxury brands.

H3: Since consumers perceive aspirational brands and luxury brands to be unique concepts, there will be relatively little overlap between individuals’ recall of aspirational brands and luxury brands.

H4: Since consumers perceive aspirational brands and luxury brands to be unique concepts, there will be differences in terms of which particular brands are identified as aspirational and which are identified as luxury.

H5: There is a difference for Baby Boomers and Millennials, males and females, and high-income and low-income consumers in terms of which brands are considered aspirational.

Method and Data

Surveys were distributed to undergraduate students in eight sections of business classes at a large southern university in return for quiz grade points. A total of 487 surveys were collected and analyzed. Invalid and incomplete responses were eliminated, and respondents who fell outside of the age range for the Millennial and Baby Boomer generations respectively were excluded from further analysis. The final valid responses total 452, with 131 male and 140 female Millennials, 77 male and 104 female Baby Boomers. Both generations were asked to write down five brands they considered to be aspirational and five brands they considered luxury. Median Millennial age among respondents was 22 and median Baby Boomer age was 52.

Summary of Findings

A total of 548 unique aspirational brands are mentioned in our study, or 63 percent more than the 333 unique luxury brands that are recalled. H2 predicts that the average number of mentions for each aspirational brand would be lower than the average number of mentions for each luxury brand among the top 20 brands. As expected, we find more convergence in consumers’ classification of luxury brands than aspirational brands. H3 is supported because the average individual respondent’s overlap is about one-third (32.1 percent). H4 is supported. Chi-square test results indicate that thirteen of these 24 brands show significant differences in terms of numbers of mentions as either luxury or aspirational brands ($\chi^2 = 108.2, p < .000$). H5 is supported by the chi-square test results on income ($\chi^2 = 62.29, p = .051$), gen-

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eration ($\chi^2 = 62.5, p < .000$), and gender ($\chi^2 = 442.25, p = .004$).

**Key Contributions**

This study provides several implications for brand managers. Consumers who view their brands as aspirational need to sustain that interest over time and be encouraged to convert from "aspirational" to "owner" status. Managers whose brands were identified as aspirational more frequently by Millennials than by Baby Boomers (e.g., BMW, Armani, Christian Louboutin, and Michael Kors) would be wise to cultivate relationships with these young potential customers even though their current economic status makes them poor prospects at the moment.

*References are available upon request.*
What’s in a Brand Concept? From Networks of Brand Associations to Situated Brand Concepts

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Keywords: brand concepts, brand image, word associations, situated conceptualizations

EXTENDED ABSTRACT

Research Question
Recent work in psychology on representation of concepts in human memory has proposed that consumers do not store concepts as lists of connected attributes, benefits, and attitudes (i.e., brand associations); rather, concepts are grounded in situations that include participants, their introspections, events, location, and time, among others. Drawing on this research, we elicit consumers’ brand knowledge using (i) a word association technique which asks participants to describe everything that comes to their minds when thinking about a brand and (ii) a situation technique, which asks participants to visualize a typical scene for a brand and describe it in detail. We investigate the differences in brand knowledge retrieved by the two techniques for functional and symbolic brands (i.e., product-related knowledge vs. situational information such as participants, including users, their characteristics, actions, evaluations, events, time, etc.). We then inspect which of the different elements of brand knowledge are better predictors of consumers’ self-brand connections (“hot affect”) and brand attitude (“cold affect”).

Method and Data
We first selected 8 brands of automobile manufacturers whose concepts are mostly functional (Honda, Hyundai, Mazda, and Toyota) or symbolic (BMW, Cadillac, Lexus, and Mercedes). Following this, we ran an experimental study and code its qualitative data with the help of two independent judges. Through a random assignment, participants were asked to describe their thoughts or a typical scene about a brand of cars assigned to them. They were instructed that a scene usually comprises of a physical setting or a location that contains the brand (or its products), people who participate in the scene (if any), their actions, behaviors, and feelings, and any events that may unfold. Following description of the brand, participants were asked to answer several questions regarding the perceived “cold affect” (i.e., brand attitude) and “hot affect” (i.e., self-brand connections) of participants in the situations. Two independent judges coded the respondents’ brand descriptions into product-related elements and situational elements. The coding scheme was adapted from Wu and Barsalou (2009).

Summary of Findings
We find that when respondents were asked to describe a brand’s typical situation (Situation technique), they reported more situational elements than participants who were asked to list brand associations (Word Association technique). Respondents also reported less product-related elements than respondents answering a Word Association question.

Furthermore, we find that product-related elements retrieved mostly by the word association technique predict consumers’ brand attitude level (i.e., cold affect). However, we find that situational elements are better predictors of consumers’ cold affect and predict connections with the brand (i.e., hot affect), whereas product-related elements do not.

Key Contributions
The increase in the social demonstrance role of brands has added to the complexity of brand concepts. As a result, current techniques of retrieving brand concepts based on feature lists may not accurately capture and depict a brand’s con-
cept. Classifications of brand knowledge as connected attributes, benefits, and attitudes also are thus hard to fit consumers’ increasing self-brand connections.

Building on recent findings that concepts are situated in consumer memory, we show that situation elicitation techniques of a brand concept retrieve more knowledge related to the situational background of a brand concept (and more knowledge of the brand concept) than word association techniques. The importance of situational elements for understanding brand concepts is underscored by the fact that situational elements, unlike product related elements predict consumer self-brand connections (“hot affect”) while both elements predict consumers’ brand attitude (“cold affect”).

Our research has implications for brand management and brand research. We urge managers to broaden the definition of brand concept to include situational elements which allows them to capture consumers’ “hot affect” towards the brand.

References are available upon request.
“You Like Chocolate and I Love Mrs. Godiva”: How the Perceived Level of Anthropomorphism Drives Brand Love

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Keywords: brand love, anthropomorphism, consumer-brand relationships

EXTENDED ABSTRACT

Research Question
Brand love refers to consumers’ love for certain brands and branded products. Batra, Ahuvia, & Bagozzi (2012) found that brand love predicted the managerial variables of brand loyalty, word-of-mouth and resistance to negative brand information, much better than did conventional attitude based measures. Because brand love has a particularly strong relationship to these managerial variables, finding mechanisms to increase brand love is of managerial interest; and understanding why and how these mechanisms work is of theoretical interest. Not surprisingly, the number of publications studying various aspects of brand love has increased enormously.

In this paper we establish that anthropomorphism has a very strong relationship with brand love. More specifically, we seek to understand which aspects of brand love are most influenced by anthropomorphism. And in so doing, we provide evidence relevant to a major theoretical issue in the anthropomorphism literature; mainly what motivates people to engage in anthropomorphic thinking in the first place?

Method and Data
We conducted a large online survey among German Internet users using Batra et al.’s (2012) conceptualization of brand love, and taking into account for four product categories: sport shoes, clothing, body care, and chocolate. Multiple regression analyses and mediation procedures are used to analyze the survey data.

Summary of Findings
Our study reveals that the perceived level of anthropomorphism is an important predictor of brand love and most of its sub-dimensions. In fact, anthropomorphism is an even better predictor of brand love than is a brand’s perceived level of quality. We present further evidence indicating that this powerful connection between anthropomorphism and brand love is due primarily to consumers’ social motivation to form consumer brand relationships. Furthermore, the results were very similar in all studied product categories.

Contribution
Our study contributes to the understanding of anthropomorphism (Epley, Waytz, & Cacioppo, 2007) and consumer-brand relationships (Forunier, 1998), especially brand love (Batra et al., 2012; Carroll & Ahuvia, 2006). It shows that anthropomorphism motivates consumers to use their interpersonal relationship abilities and to apply them to brands. Therefore managers who aim at creating strong consumer brand relationships may wish to enhance anthropomorphic thinking. Several ways of doing this are discussed, as well as limitations and future research directions.

References are available upon request.
Activating Multiple Facets of the Self: Identity-Signaling and Brand Personality

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Keywords: brand, brand personality, identity, self-expression

EXTENDED ABSTRACT

Research Question
With the growing importance of branding strategies, it is important for companies to connect more with consumers and to create brand connections (Malär et al. 2011). Individuals buy and use products for self-expressive purposes (Belk 1988). For brand managers, it is important to understand how people can express themselves and reflect their identities through their product consumption. This research explores whether some brand personalities target specific parts of consumers’ identity.

Past research explored diverse goals that consumers want to pursue in their consumption choices. Consumers favor possessions that reflect who they are (Park et al. 2010) or who they aspire to be. Also, product consumption allows individuals to affiliate with specific groups (Escalas and Bettman 2005) or to differentiate themselves from members of unwanted groups (Berger and Heath 2007). Building on this literature, the following hypotheses regarding the match between the identity and the brand personality are tested: Sincere brands will relate more to the individual actual self (H1), exciting brands will refer to identification to desired groups (H2), rugged brands will communicate the desire for differentiation (H3), sophisticated brands will be preferred to express the consumers’ ideal self (H4) and competent brands will refer to their role identity (H5).

Method and Data
Using a multi-method approach consisting of qualitative and quantitative studies, the authors examine the impact of the identity salience on the preference for the different dimensions of brand personality. For the qualitative research, the sample was formed by 10 participants who agreed to participate in one-on-one interviews to talk about the importance of self-expression in the context of sport merchandising and brand relationships. Data were analyzed using content analysis.

The next step was to conduct a preliminary study to examine the possible relationship between the identity and the preference for brand personality. In this study, the authors administered a survey through the website of a professional soccer team in France. Respondents who accepted to participate were asked to complete a survey dealing with questions about their relationships with the team, their perceptions of the brand personality and their consumption behaviors. A total of 2086 questionnaires were completed and analyzed.

Summary of Findings
The results of the qualitative interviews suggest that consumers refer to different brand personalities in terms of the part of their identity that is more salient (supporting H1 to H5). Indeed, individuals who talked about sincere brands referred to the congruence to their actual self. Respondents expressed their attachment for sophisticated brand in terms of their aspirations and their desires. Rugged brands were often preferred by men who wanted to differentiate themselves from other groups. Subjects related with exciting brands in terms of group memberships. Finally, participants use competent brands to accomplish their different roles in life.

Furthermore, the results from the survey showed that people’s scores about the self-congruence and the social identification vary depending on their perceptions of the brand personality. First, the comparison between people who perceived the brand to be highly sincere compared others shows that the scores for self-congruence are higher for the high sincerity group (4.48 vs. 3.58, p < .01). Also, the social

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identification was higher for fans who perceived the brand to be exciting compared to others (4.18 vs. 3.43, p < .01). In addition, the perception of sincerity explains more variance in the results for self-congruence (.219 vs. .150), while excitement explains more variance in the results for identification (.226 vs. .156).

**Key Contributions**
Results from those two studies demonstrate that consumers’ motivations to express parts of their identities have some influence on their preferences for brands and their consumption behaviors. This research extends prior self-expression research by showing that the brand’s personality can trigger different parts of consumers’ identities and that this match-up can affect participants’ perceptions of the brand. This finding could be interesting in terms of brand positioning and communications with their consumers. Indeed, using different identities strategies in the advertising can lead to stronger preferences from consumers. Future research will examine different self-expression theories with all the dimensions of brand personality and understand the underlying processes. Also, following experiments will prime different identities to see the impact on brand preferences and investigate moderating variables such as an identity threat, the importance of this threat, public versus private failure and self-certainty.

*References are available upon request.*
More Than Taste Matters in Brand Loyalty

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Keywords: brand loyalty, taste, teenagers, Hispanic consumers, logit choice model

EXTENDED ABSTRACT

Research Question
The study investigates consumer’s attitudinal loyalty for a given brand by developing and testing a logit choice model. Survey data among soft-drink consumers in Argentina is utilized and the model allows for factors such as taste, utility, as well as age and gender. The approach allowed the consumer to explain ‘why’ without interrupting their purchase in the retail environment. In terms of advertising and marketing, while identifying the psychological process to brand loyalty has been of significant interest to researchers (e.g., He, Li, and Harris 2012; Kressmann et al. 2006), demographic considerations of brand loyalty has not received adequate attention. The research reported here focuses on these issues, in addition to validating a historically successful advertising slogan, “just for the taste of it”. Furthermore, this research seeks to tie Hispanic and the teenage demographics in terms of brand loyalty.

Method and Data
Following the long tradition of empirical work modeling firm and customer behavior, brand loyalty is represented by a binary choice (logit) model. The logit distribution constrains the estimated probabilities to lie between 0 and 1 and thus, the model utilizes predicted values for a binary dependent variable (loyalty or non-loyalty).

The survey includes responses from 6000 consumers in Argentina about a flagship soft drink. Argentina was chosen as the sample because it is the fourth-largest Spanish speaking country in the world (after Mexico, Spain, and Colombia); however has been much less studied in the consumer behavior literature. In addition, Argentina is well-known for a familial culture. The survey was given by locals, in the native language, Spanish. Each respondent was asked to either agree (1) or disagree (0) with a series of statements relating to the brand, their consumption of it, and their feelings associated with the soft drink. The responses to these questions lead to the authors’ classification of either brand loyal or non-loyal. Qualifications or incentives for survey participation were not provided because providing a sample of the beverage would positively bias the results.

The sample is split evenly between men and women; approximately half of respondents (2,999) are women. The age is also stratified, with 1,584 (26.4%) teenagers, 1,711 (28.5%) young adults (twenties), 1,349 (22.5%) thirtysomethings, and 1,356 (22.6%) adults in their forties completed the survey. Thus, a relatively even gender and age distribution was gathered.

As the data was presented primarily via dichotomous variables (i.e., yes=1; no=0), a re-coding procedure was needed for a richer interpretation and for model testing. Thus, the dichotomous variables were grouped into categories of taste, quality, image, and utility. Grouping the variables into the aforementioned categories allowed having a more parsimonious model. To form the groups, we utilized exploratory methods in exploring relationships among constructs. Correlations and covariates of measures within groups are high, while the correlations between groups are low. After grouping, each respondent was given a score for each group, where the total number of “I agree” were added and divided by the number of items in the group. For example, respondent one, a 30-39 year-old female, reported no (0) for each of the four taste items—earning a score of 0 for taste. Yet, she earned a score of 0.4 for image (i.e., reported yes (1) for two of the five image-based items).

Estimates were carried out via the Fisher-scoring algorithm. A potential problem of collinearity will exist when a condition index accounts for a large proportion of variance (>90%) on multiple coefficients (Hair et al. 2005). As such, the estimates (i.e., coefficients) may not be reliable, the standard errors may be high, and/or the magnitudes may change.

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from sample to sample. Thus, it is difficult to assess the relative importance of the independent variables in explaining the variation in the dependent variable. In order to assure little or no multicollinearity, we ran factor analyses. Any variables or groups that were highly correlated were either taken out of the model, or recoded into a more fitting group. Further analysis of the groups was needed to select the most parsimonious groups of variables. Two groups did correlate highly in preliminary analyses. The social factors (e.g., “I enjoy the product with my family”) and image factors were found to be potentially problematic, if both were to be included in the model. Thus, this model focuses on the image factors. Image factors were selected for inclusion, as image is more closely tied to the research objectives. This ensured minimal correlation among the independent variables.

All predictor variables, with the exception of teenager, were significant at the $p < .01$ level. The full model generated an 84% concordant measure and a 15.8% discordant measure. Three measures of fit may be used in logistic regression; these include the likelihood value, the “pseudo” R-square, and the use of classification tables, as suggested by Hair et al. (2005). Two of these measures are utilized here. Primarily, the overall significance of the model was tested with a likelihood ratio statistic (Hair 1978). The likelihood value (-2 Log likelihood or -2LL) is reported as the overall measure of how well the model fits. This number represents -2 times the log of the likelihood value. This model executes a -2LL of 8290 (intercept only) and 5890 (intercept and covariates). Second, one may assess how well the model fits via classification tables (Classification Table available upon request). In these classification tables, the actual event (loyal or not) may be compared against the predicted values, and we see that classifications based on the model are consistently and significantly higher than by chance. Consequently, we conclude that our model results are stable. A holdout sample is used in order to limit bias in estimation of the model’s predictive ability (i.e., to avoid over fitting of the model) as recommended by Hair et al. (2005).

**Summary of Findings**

Of the 6000 respondents, 2796 individuals (46.6%) are loyalists to the soft drink, while the remaining 3204 (53.4%) are not loyal to the flagship brand. Overall, that speaks very highly for a brand, and it is important to note that this is rare, and something perhaps only seen with global brands. Given the large sample size, it was important to have format that allowed the researcher to ask aloud, so the agree/disagree format was more appropriate that a Likert-Type survey, where past experience has shown that is very time consuming and at times confusing to read the scales and anchors aloud to participants. Thus, the dependent variable, Y (Loyalty) could take on two values in the survey (0 no, 1 yes). In interpreting the findings, only the significant $\beta$ coefficients’ corresponding variables have an impact on the odds ratio. The effect of the dependent variables on Loyalty may be estimated according to the findings below.

**Taste.** Taste represents a weighted average of agreeing with the positive taste variables. The odds ratio of 10.929 indicates a consumer who rates the brand high on the taste variables is over ten times higher than the baseline average to be a brand loyalist. Taste is the most dominant variable here, implying that a customer who rates the brand highly on the taste variables (i.e., “Is Great Tasting”, “Has a Clean Taste”, has a “Rich, Full-Bodied Taste” and is “For Distinct Palates”) is the highest predictor of loyalty. Thus, it is taste that is the most prominent driver of loyalty. The brand’s slogan “Just for The Taste of It” is highly appropriate.

Such a strong presence may indicate an importance on product taste tests. However, sole reliance or even too much emphasis on the taste variables is not suggested. It was results from taste tests that got the brand in trouble in the 1980’s.

**Quality.** Quality is the second strongest predictor of loyalty. Those who rate the brand as a quality soft-drink are 2.754 times more likely to be loyalists. Recall, the Quality variable considers the quality in terms of price (i.e., “Worth the Cost”) and the perception that it is a “High Quality” product with a quality brand name behind it.

**Image.** The coefficient on IMAGE is likewise significant, indicating image positively impacts loyalty. By denoting a positive image of the brand, respondents are 2.115 times more likely to be brand loyal. Recall, variables such as “Cool”, “Exclusive”, “Natural”, and “Soft drinks’ Most Engaging Style” comprise the Image category. Image is a positive predictor of loyalty to the brand. The company’s image-based advertisements and marketing efforts portray the brand as an image-enhancing product, more so than the competitors’ or store-brand counterparts.

**Utility.** Utility is a further driver of loyalty. Consumers rating the soft-drink highly on its utility variables are 3.431 times more likely to be a brand loyalist. Personal utility factors of The soft-drink, according to respondents, are that the soft-drink “Gives Me Extra Energy”, “Quenches My Thirst”, “Gives Me Enjoyment Anytime”, and that the soft-drink “Adds a Little Magic to My Life”. Such consequences of drinking the soft-drink are further predictors of brand loyalty. This suggests that consumers on a whole are function (i.e., taste and utility) conscious when it comes to stating
their loyalty. However, interestingly, image ranks higher than utility here. Thus, loyalists are more conscious and impacted by the image associated with the product, than the actual utility the product brings them.

**Gender.** The coefficient on Male, 0.4892, measures the predicted difference in probability of loyalty when the gender variable changes. Males are 1.631 times more likely to be brand loyal to the brand. Such an odds ratio is enough to suggest that the brand is not gender-neutral in terms of predicting loyalty—that males are more likely to be loyalists to this primary, non-diet soft-drink. It is interesting that males are more brand-loyal in this category, as soft-drinks are traditionally a gender-neutral product.

**Age Group.** Just as teenagers are a predictor of brand loyalty, the significant variable ADULT, -0.4605, negatively impacts brand loyalty to the soft-drink. Adults are 0.631 times less likely to be brand loyal. Adult status is the only negative non-factor in this study on brand loyalty. This negative relationship may be due to the fact that the more experienced and knowledgeable adult exhibits less of a desire to drink an image-oriented product. A further explanation may be that adults tend not to consume sugary soft-drinks at such a rate that teenagers may consume, in lieu of coffee or alcohol. Coffee may be a replacement for adults seeking caffeine. Adults also have the option to drink alcoholic beverages at social events, where those under the legal drinking age (18 in Argentina) often turn to soft-drinks at sanctioned social events. Likewise, as ads often depict the brand with teenage nightlife (which encourage teenage brand loyalty), similar advertisements targeting adults often feature alcoholic beverages.

Ultimately, it is shown that Teenagers are 1.185 times likely to be brand loyal to the soft-drink. It indicates that teenagers consider themselves more brand loyal than the older consumers. The strong sense of loyalty from teenagers may be a result of image-based advertisements and marketing efforts, in both the home country and on a global level. Such image-based ads often target teens, in attempts of associating a youthful, fresh, modern, and attractive brand.

**Key Contributions**

The study seeks to contribute to the extant knowledge in two important ways. First, it sheds some light on the role of demographic variables in predicting brand loyalty. In the process, this study provides a normative guidance to firm’s segmentation strategy. It is especially significant for global marketers to determine which type (e.g., gender, age group) of consumer is most likely to be a brand loyalist, in terms of product, brand, and social-consumption and effects in a variety of countries. Prior research has shown that younger consumers, in comparison to older consumers, are more easily attracted (Anderson and Sharp 2010). Thus, global marketers must be able to maintain a cohesive core competency and adapt to fluctuating social, economic, and geographical considerations of each country. Second, the study helps to gain some insights into the preference of an increasingly important global segment, that is, teenagers. They are simultaneously developing as consumers and contributing to the economy (Montoya and Scott 2013). Advances in global media have caused a convergence of the world’s teenagers. Teenagers are attractive segments given their discretionary income and impressionability (Weiss 2003).

*References are available upon request*
Part B

Business-to-Business Marketing

Track Chairs
Alok Kumar, University of Nebraska
Amit Saini, University of Nebraska

Connecting to Business Markets
Customer Reference Marketing: Conceptualization and Link to Performance
Anne Jalkala, Harri Terho
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Overcoming Roadblocks to Implementing Value-Based Selling: Aligning Organizational Support with Sales Force Activities
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Segmentation and Target Marketing in B2B Technology Markets: Strategic Insights from Marketing Executives
Art Weinstein

Managing Business-to-Business Relationships
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Daniel Prior
Exploring the Effectiveness of Influence Strategies in Business-to-Business Markets: An Analysis of Fashion Manufacturer-Media Publisher Relationships
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Maggie Chuoyan Dong, Zhiqiang Liu, Yimin Yu
Attachment Style Influence on Marketing Relationships
Jennifer Skiba, Ravi Sohi
Customer Reference Marketing: Conceptualization and Link to Performance

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Keywords: customer references, customer reference marketing, business-to-business marketing, sales performance

EXTENDED ABSTRACT

Research Question
Firms particularly in business markets employ prior and current customers as references in multiple ways. The use of customer references to facilitate marketing and sales has attracted growing interest among academics and practitioners. The importance of references has been underscored in various areas of business marketing such as customer relationship management, customer value management, sales, and marketing communications. However, in-depth knowledge on what constitutes customer reference marketing and how it relates to business performance remains scant. In this study, we 1) conceptualize customer reference marketing and its dimensions based on an extensive qualitative field study, 2) construct a scale for customer reference marketing by employing survey data from a validation sample, and 3) demonstrate the relevance of customer reference marketing for firms’ sales performance in business markets, based on additional data from the primary sample.

Method and Data
The study employs a mixed-methods approach and combines qualitative field study data with survey data to develop an operational definition of the customer reference marketing construct, constructing a measurement scale for the construct and establishing a link to sales performance.

First, we conducted a literature review and a qualitative field study for the conceptualization of customer reference marketing and to specify the activities that make up the construct. We employed theoretical sampling including four B2B companies from different industries recognized as particularly relevant fields for customer reference marketing. We paid special attention to identifying the relevant key stakeholders in firms to ensure that the interviews take in the whole domain of reference marketing. A total of 38 in-depth interviews were conducted with senior and middle level managers representing sales, marketing, business development and corporate strategy functions in the firms.

Second, we developed a measure for customer reference marketing activities based on insights from the field study by following the established guidelines for measurement development. In order to validate the developed measure, we collected survey data using purposive sampling from managers who were known to be involved in customer reference marketing. More specifically, the initial scale validation was performed based on data collected from managers who are members of the Customer Reference Knowledge Sharing Network group in the business oriented social networking site LinkedIn.

Third, we collected an additional primary sample based on a list of the 300 largest firms in Finland and targeted the survey at senior sales directors in the firms. The findings again provided support for the validity and reliability of the developed scale. The primary sample data establish also the basis for exploring the initial relationship between firms’ reference marketing practices and sales performance. The link was tested by applying PLS modeling.

Summary of Findings and Key Contributions
The findings of this study show that customer reference marketing comprises three dimensions: building a portfolio of customer references, leveraging customer references externally, and employing customer references internally. The building dimension emphasizes the recruitment of a balanced set of customer references as well as the documentation and updating of the reference information. External...
usage includes communicating customer references to potential customers by demonstrating delivered customer value. Internal usage involves leveraging references for deliberate learning and business development as well as more informal experiential learning. The findings of the field study demonstrate that learning from reference customers is an important dimension that has been overlooked in the prior literature. Building on these findings, we define customer reference marketing as companies’ activities focused on the construction of a customer reference portfolio and its employment both externally and internally. More specifically, customer reference marketing is a first-order reflective, second-order formative construct.

Our conceptualization contributes to the business marketing literature by adding new in-depth knowledge concerning firms’ customer reference marketing practices, and highlighting the multidimensional nature of the construct. In addition, the findings of the study show that customer reference marketing activities are positively linked to sales performance in B2B markets. From the managerial perspective, the developed conceptualization provides managers with a systematic framework to develop and benchmark their reference marketing activities.

The findings underscore the significance of activities related to constructing a balanced set of customer references along with their external and internal employment in marketing. Importantly, the study opens up opportunities for future research concerning the effective application of references in marketing and sales, since the proposed measure provides a foundation for future research focusing on the relationship between reference activities and marketing performance. We call for studies examining the relationship between customer reference marketing activities and marketing performance, and in particular for research examining the various firm internal and external conditions that specify the effectiveness of customer reference marketing activities.

References are available on request.
Antecedents and Consequences of Multi-Unit Franchising

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Keywords: multi-unit franchising, drivers, consequences, resource-based view, transaction cost economics

EXTENDED ABSTRACT

Research Question
Multi-unit franchising, meaning the fact to grant at least two units to franchisees within a system, has become a common form of development for many franchise networks throughout the world. Recent research indicates that nearly half of all franchised units are indeed owned by multi-unit franchisees. In the past decade, this form of franchising has gained more and more interest by academics and practitioners alike. However, this phenomenon remains understudied in the franchising literature. Although franchising researchers have begun to examine multi-unit development compared to the single-unit perspective of franchising, relatively little is actually known about why networks choose multi-unit franchising as a development strategy. Performance issues and possible competitive advantages of multi-unit franchising are also understudied in previous research. On this backdrop, our research focuses on two essential questions:

• What drives franchisors to use multi-unit franchising?
• What are the outcomes of multi-unit franchising?

Considering that most previous studies of multi-unit franchising only take into account the franchisor’s point of view, this second question about the consequences of multi-unit franchising as a development strategy is examined from both franchisor and franchisee perspectives.

Method and Data
An integrative model of the determinants and consequences of multi-unit franchising is developed using a multi-theoretical approach. This framework is based on resource scarcity theory and transaction cost economics and leads to a number of hypotheses in relation to the rate of multi-unit franchising observed within a network. Several possible determinants of multi-unit franchising are examined: franchisor’s financial capacity, the number and quality of franchisee applicants, local market knowledge, specific assets, environmental and behavioral uncertainty. The likely outcomes of multi-unit franchising analyzed are: monitoring costs and system growth on the franchisor side and sales and profitability on the franchisee side. The conceptual model is tested using two sources of data stemming from the 593 franchise systems operating in the French franchising industry. First, franchisor data is collected through a survey questioning all French franchise systems. Responses are obtained from 188 franchisors representative of all sectors in the overall French market. Second, the 3,970 franchisees belonging to the initial set of 188 franchise systems are surveyed. Responses are received from 497 of these franchisees. This franchisor and franchisee data is then used to estimate the conceptual model utilizing the maximum probability estimator with robust standard errors.

Summary of Findings
The model estimation reveals many interesting findings in respect to the antecedents and consequences of multi-unit franchising. Concerning the determinants and as suggested by resource scarcity theory, the importance of local market knowledge has a significant negative impact on the rate of multi-unit franchising. Furthermore, behavioral uncertainty significantly leads to increased rates of multi-unit franchising as expected using transaction cost analysis. In regards to the consequences of multi-unit franchising and from the
franchisor’s perspective, results show that monitoring costs are reduced while overall system growth is increased through multi-unit franchising. As far as outcomes for franchisees are concerned, the rate of multi-unit franchising has a significant impact on franchisees performance.

**Key Contributions**
This research contributes to the franchising literature by using a multi-theoretical and multi-sectorial approach to examining multi-unit franchising. The integrated conceptual model focuses on the determinants and the consequences of multi-unit franchising. While recent research considers multi-unit franchising only from the franchisor’s point of view, this study adopts both franchisor and franchisee perspectives. The findings support resource-based theory and transaction cost economics explanations for multi-unit franchising. Results suggest that the importance of knowledge in relation to the local market impacts negatively on the use of multi-unit franchising in a system while franchisees’ behavioral uncertainty impacts it positively. Interesting insights appear when examining the consequences of multi-unit franchising. For the franchisor, it has a positive impact on both monitoring costs and system growth. It thus seems that multi-unit franchising predominantly benefits the franchisor and that it is a sensible option for networks during the growth phase.

*References are available on request.*
Overcoming Roadblocks to Implementing Value-Based Selling: Aligning Organizational Support with Sales Force Activities

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EXTENDED ABSTRACT

There is a rich and diversified body of literature on customer value in business markets. For many years, customer value has been described as the cornerstone of the business marketing discipline (Anderson and Narus 1999), and scholars and practitioners alike have built on the fundamental tenet that “value creation and value sharing can be regarded as the raison d’être of collaborative customer-supplier relationships” (Anderson 1995; p. 349).

While there is general agreement about the relevance of customer value to B2B marketers, it comes as a surprise that, still today, after so many years of research and publications in the academic and business literatures, customer value remains a recurring topic in company boardrooms and executive education programs around the globe. The reason of why the debate on customer value seems to never go away lies probably in the fact that, despite the consensus about why firms must focus on customer value, we still lack knowledge of how to practice value-based marketing every day. In other words, implementing customer value at the functional level remains challenging. This is particularly true in sales (Rackham and DeVincentis 1999).

Does Value-Based Selling (in short VBS) lead to superior salesperson performance? What are the determinants of VBS at the individual salesperson’s level? Which organizational factors need to be in place to facilitate the emergence of VBS in B2B sales organizations? In the present research, we address these important questions. We first develop a conceptual model and related research hypotheses. We then report the findings of an empirical study among sales organizations in Europe, North America, and Asia. We conclude by discussing academic and managerial implications of our results and provide direction for future research.

Methodology and Sample

In the present study, we employed a multilevel research design whereby data were collected at the organizational as well as the sales force level. Data were collected among business-to-business firms in energy, ICT, industrial and materials industries. Firms in our sample were global organizations with strong market positions. The companies had international sales organizations in Europe, North-America, or Asia. Firms were either in the process of implementing or already practicing value-based selling approaches in their respective organizations.

In each firm, we first contacted senior sales executives (i.e. vice president of sales, head of sales, sales director). Participating firms provided contact information for respondents both at the organizational level (i.e. sales managers) and the individual salesperson level (i.e. customer-facing sales people). Data were collected using a web-based survey tool for both respondent groups. We received a total of 816 salesperson responses from 30 organizations with a minimum of 15 and an average of 27 salesperson responses per organization. Sales persons were mostly highly qualified expert salespeople with an average of 13.65 years of experience in sales. Participants held job titles, such as sales manager or customer engagement manager.

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**Results and Discussion**

In the present study, we find that value-based selling represents a strong driver of salesperson performance. This finding particularly holds in situations where salespeople (1) own a potent network at their customers’ firms, (2) can rely on value assessment tools in their customer networking activities, and (3) can leverage a portfolio of reference customers to add credibility to their value promises. When these conditions are absent, however, value-based selling becomes an ineffective sales approach with no significant or even negative impact on salesperson performance.

Our results show that VBS explains salesperson performance beyond other prominent sales approaches, i.e. adaptive selling and customer-oriented selling. More precisely, our findings shed light on important drivers of VBS at the individual salesperson level. They highlight the role of salespersons’ individual traits and the growing importance of social ties that sales people develop over time.

Most importantly, our findings also show that VBS alone will not much affect salesperson performance. It is only by investigating key moderating variables that the effects of VBS come to light. This finding bears important managerial implications. VBS initiatives solely targeted at the individual salesperson level are doomed to fail, or will likely remain without major impact at best. Enrolling sales people in specialized sales training programs or focusing attention on front-line salespersons will not suffice. Our findings rather suggest that many factors – both at the individual and organizational levels – must come together for successfully implementing value-based sales. It is by investing in value assessment tools, establishing company-wide VBS processes and making customer references available that management can and must create the organizational environment that will enable salespersons to succeed in practicing VBS.

As with any research, the choices made in this study lead to limitations, which offer fruitful research avenues. For example, our study is subject to the limitations of survey-based research. What is more, we limited our investigation to a small number of antecedents and moderators of VBS. Future research could investigate other important factors at both levels.

*References are available on request.*
Segmentation and Target Marketing in B2B Technology Markets: Strategic Insights from Marketing Executives

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Keywords: segmentation, B2B markets, technology companies

EXTENDED ABSTRACT

Research Questions
The purpose of this paper is to critically examine the use and success of target marketing practices from the perspective of marketing executives in established B2B technology companies. Three major research questions guided this investigation. They are: RQ1) What does segmentation mean to your company? And, how important is this approach in your marketing strategy?; RQ2) How is segmentation being implemented in your organization? And, what major tools do you use in building a successful segmentation process?; and RQ3) What are your major market segmentation challenges?

Method and Data
This qualitative study evaluated market selection strategies, challenges, and target marketing success. Fourteen marketing managers with major segmentation responsibilities from five leading Silicon Valley companies (Info Blox, National Semiconductor, Sun Power, Symantec, and TrendMicro) participated in this research project via in-depth, small group interviews. Particular attention is paid toward choosing target markets by examining established theoretical frameworks and strategic typologies developed by the leading B2B segmentation scholars.

Summary of Findings
Segmentation dimensions include customer-driven and organizational integration resulting in a 2 × 2 matrix of four segmentation archetypes (Jenkins and McDonald, 1997). While strategic segmentation is desirable — a company rates highly on both dimensions — other structures are commonly found: sales-based, structural, and bolt-on. Companies were found in all quadrants with respect to segmentation sophistication. Only National Semiconductor did it “by the book”, practicing strategic segmentation.

Multiple business segmentation bases should be considered to provide a complete view of potential target markets (Plank, 1985). There has been limited work on multi-step segmentation with the exception of Bonoma and Shapiro’s (1983) nested model. National Semiconductor used all five nests. In contrast, Trend Micro (a structural segmenter) only used two dimensions — demographics and situational factors. Buyer characteristics, however, was used by Info Blox and National Semiconductor and operating variables by Symantec and National Semiconductor.

Using a Dibb and Simkin framework (1997), three companies acknowledged that their main segmentation priority was building infrastructure and their planning emphasis was “now”. Two companies’ planning emphasis was on the “how”, none of the participants took a future-oriented perspective.

Key Contributions
This paper examines how marketing executives employ segmentation strategy in business technology markets. Research on segment-of-one marketing, niching, customer loyalty initiatives, customer relationship management (CRM) programs and web analytics advocate market segmentation by profit potential. As Wyner (2009) explains, ultimately, the value of segmentation “should be based on its likelihood of achieving improved marketing and business performance.” Hence, a major objective of market segmentation analysis is to find new and under-served markets. As the preceding research indicates, it is apparent that there is an opportunity to improve in this area. Building on an overview of the litera-
ture, this qualitative study queries B2B marketing executives about their perceptions of how well market segmentation is used in their technology companies and offers strategic real world insights and a “wish list” of how they can improve in this critical area. The work concludes with a research agenda relevant to business target marketing.

References are available on request.
Value vs. Satisfaction: Exploring Activity Trade-off in Business Solutions

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ABSTRACT
This study explores the impacts of individual actors in the business solutions context in terms of two primary behavioral dispositions: adaptability and anticipation. The results of this mixed methods inquiry show that circumstances often dictate an emphasis of one over the other and, consequently, lead to a trade-off between resource efficiency and resource effectiveness. Resource efficiency aligns more to perceived value, whereas resource effectiveness aligns more to satisfaction, hence this becomes a second-order trade-off. This trade-off shows different coping strategies that service workers employ have implications for the types of outcomes they generate.

Keywords: behavioral disposition, resource efficiency, resource effectiveness, relationship quality

Introduction
The development and delivery of business solutions is an attractive option in many business market contexts since it enables suppliers to gain a larger share of the potential income from a given sale (Brady et al. 2005). To capture this additional value, however, it is necessary to develop a suite of skills and capabilities that relate to the delivery of a broader array of benefits to customers than those offered prior to the adoption of solutions. Business solutions provision encompasses the design and implementation of a customized combination of products and services to address a customer need (Nordin and Kowalkowski 2010; Tuli et al. 2007). Consequently, this process is complex when compared to other buyer-supplier exchanges. It requires an in-depth understanding of idiosyncratic customer requirements, the customization of products and services, the integration of diverse resources, and the development of relationships between actors within networks (Nordin and Kowalkowski 2010).

Business solutions are service-dominant in that the actions of actors comprise the primary means of value creation and delivery (Tuli et al. 2007). Indeed, the skills and capabilities of these individuals comprise a significant base from which valuable activities emerge. Previous studies consider these in terms of resource management (Cantù et al. 2012), sales and key account management (Anderson 2008), and, in joint problem solving (Aarikka-Stenroos and Jaakkola 2012). While studies in customer orientation do consider the individual service worker in service delivery, few do so in a business solutions context. Moreover, few studies consider the coping strategies service workers employ and how these manifest as practices in light of performance outcomes.

This study addresses several important gaps in the customer orientation and business solutions literatures. Firstly, it develops the notion of behavioral dispositions to categorize the activities that actors perform in business solutions implementation. From an initial qualitative enquiry, two such dispositions were identifiable: adaptability and anticipation. While both sets of behaviors contribute to performance outcomes, their relative impacts are different. Secondly, the study considers major antecedents of these dispositions through an investigation of the relative impacts of capability fit and empathy. The study explores the outcomes of adaptability and anticipation in terms of their impacts on resource efficiency and resource effectiveness. The study also examines two second-order outcomes: perceived value and satisfaction. Surprisingly, a negative relationship between these variables is evident in the data. Lastly, the study considers the moderating effects of relationship quality. These contributions all have the potential to yield significant insight into the impacts of individuals’ behaviors on performance outcomes in complex solutions.

Theoretical Background
The customer orientation (CO) literature (e.g., Saxe and Weitz 1982; Schepker Jr 2003) highlights the demands that service workers face. The need to prioritize customer requirements, to ensure other stakeholders (e.g. manage-
system comprises other individuals that all adhere to a set of interactions with the social system, where the social and attempt to understand relative impacts. These emerge and motivations for which derive from the individual's conscious. Individuals monitor the effects of their activities while also maintaining a positive emotional state. Third, service workers face from over-prioritising customer requirements (Babakus et al. 2009; Zablah et al. 2012). Therefore, it is likely that service workers adopt coping strategies and these are likely to emerge as a relatively consistent set of practices over time. This study draws on coping theory and practice theory to explain the nature of these satisfying behaviors.

Coping strategies relevant to CO are likely to incorporate three main dimensions. First, the ability to satisfy customers is a central premise of CO. However, satisfying other significant stakeholders is also an important element. For example, a service worker’s supervisor also has important effects on their CO (Homburg et al. 2010). Second, service workers must achieve customer (and other stakeholders’) satisfaction with a limited time and resource base. Third, service workers must find ways to maximize their own job satisfaction and to reduce negative job stress. The service worker is likely to pursue a balance between these three dimensions. Therefore, the coping strategies that service workers adopt are likely to incorporate satisfying behaviors in that it is not possible to achieve all goals with limited resources and time while also maintaining a positive emotional state.

To explore how service worker coping strategies affects patterns of task execution over time, this paper draws on practice theory (e.g. Bourdieu 1990; Giddens 1984). Originating in sociology, practice theory seeks to explain the individual’s activities and their inter-relationships over time. While practice theory is diverse, a key emphasis is the interactions between individuals (agents) and social systems (Bourdieu 1990; Giddens 1984). Individual actors are agents in the sense that they create outcomes through their conduct, the motivations for which derive from the individual’s consciousness. Individuals monitor the effects of their activities and attempt to understand relative impacts. These emerge through interactions with the social system, where the social system comprises other individuals that all adhere to a set of social norms or rules that shape perceptions and behaviors.

Qualitative Inquiry

To develop an understanding of coping strategies and their associated practices in business solutions implementation, the study utilizes a qualitative inquiry. The objectives of this are to explore complex solutions implementation in terms of i) the demand and supply conditions, ii) the nature of behavioral dispositions of members of a supply team, and, iii) the effects of these on resource outcomes, perceived value and satisfaction. The sample of respondents comprises 45 executives with experience in complex solutions implementation. This exceeds the minimum sample size recommendations for inductive research of this nature (Lincoln and Guba 1985; Miles and Huberman 1994). There was a relatively even split between supplier (n=17), buyer (n=16) and, combined (buyer and supplier) perspectives (n=12). Respondents hail from the government, professional services, information technology, construction, government and engineering industries. All of these industries have a high incidence of complex solutions implementation, since there is often a need for large-scale, ongoing interactions between implementation teams that aim to install complex organizational systems or artifacts.

The qualitative inquiry utilizes a phenomenological approach to data gathering and analysis (Goulding 2005; Sokolowski 2000). The data were entered into NVivo v.9 for analysis, where they were organized into major thematic topic areas. The coding approach aligns to procedures recommended by (Glaser and Strauss 1967; Strauss and Corbin 1990), where an initial objective coding process leads to axial and then to the selective coding of the data. To ensure appropriate validity and reliability properties, two research assistants performed independent co-analyses of the findings (Miles and Huberman 1994).

The qualitative inquiry develops the initial conceptual framework and forms the basis of the hypotheses. Figure 1 presents this conceptual framework.

Behavioral Dispositions: Service Worker Coping and Resultant Practices

This study suggests that service workers adopt coping strategies to address the multiple demands they face in a business solutions context. These coping strategies aim to reduce negative stress by enabling service workers to address goals using limited resources. The paper adopts the term ‘behavioral dispositions’ to describe the combination of coping strategies that service workers adopt and their manifestation as practices over time.

Adaptability. Service workers adopt the adaptability behavioral disposition if their focus is on adjusting to the changing circumstances that present themselves in business solutions implementation. In this, there is a focus on the needs of a
customer (i.e. a buyer representative). The service worker sees their role as working collaboratively with the customer, as in current notions of value and service co-creation. In this, they see customers as valuable co-contributors, where both they and the customer are “in it together”. These service workers see the environment as dynamic and difficult to control, so the best course of action is to try to listen to the customer and to work with them closely. They feel this approach should reduce their stress levels through “doing what the customer wants”. Moreover, they see the solutions implementation process as a long-term proposition.

Anticipation. Service workers adopt the anticipation behavioral disposition if they focus on completing tasks that they believe will be necessary given their observations of prevailing circumstances. This usually means an initial development of project milestones and adherence to their interpretations of these. Service workers often believe that their presence is necessary to provide a valuable service to a customer. However, they also believe they need to do so in as efficient a manner as possible. This necessitates considerable planning. Indeed, they often prepare extensive risk management plans in an effort to anticipate the likely circumstances to emerge in the project. In this, they assume that the environment is relatively stable and/or controllable. They rationalize this approach by reliance on their previous experience. That is, they draw on the thinking and lessons from previous, similar circumstances. Table 1 highlights some of the salient characteristics of service worker behavioral dispositions.

Table 1. Behavioral Dispositions of Service Workers

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Adaptability</th>
<th>Anticipation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service Model</strong></td>
<td>Focus on customer (important buyer representatives)</td>
<td>Focus on efficient and strategic task completion</td>
</tr>
<tr>
<td>Focus</td>
<td>To work collaboratively with the customer</td>
<td>To provide a valuable service to the customer</td>
</tr>
<tr>
<td>Their role</td>
<td>Co-creators of value</td>
<td>Collaborators</td>
</tr>
<tr>
<td>Beliefs about customers</td>
<td>Are valuable contributors</td>
<td>Primarily recipients of value</td>
</tr>
<tr>
<td>Assumptions about environment</td>
<td>Dynamic</td>
<td>Static</td>
</tr>
<tr>
<td>Assumption</td>
<td>Difficult to control</td>
<td>Controllable</td>
</tr>
<tr>
<td>Practice Approach</td>
<td>Frequent operational engagement with customers</td>
<td>Active future state visioning</td>
</tr>
<tr>
<td>Engagement approach</td>
<td>Activity focus</td>
<td>Insight focus</td>
</tr>
<tr>
<td>Practice</td>
<td>Reliant on customer feedback</td>
<td>Reliant on previous experience</td>
</tr>
<tr>
<td>Rationalizing approach</td>
<td>Customer engagement (customer appeals)</td>
<td>Efficient task completion (supplier appeals)</td>
</tr>
<tr>
<td>Stress reduction comes from:</td>
<td>“I do what the customer wants… Our roles are mutually entwined. Our success</td>
<td>“I’ve worked in this industry (professional services) for more than 20 years.</td>
</tr>
<tr>
<td>Indicative quote</td>
<td>depends on each other… I know I’m doing a good job when I receive good customer feedback”, John, Project Manager</td>
<td>I know that making a buck depends more on whether you can deliver superior value to a customer, and most of this depends on how well you know them”, Bill, Partner</td>
</tr>
</tbody>
</table>

Figure 1. Conceptual Framework
Antecedents of Adaptability and Anticipation. The qualitative inquiry also reveals some major antecedents to these behavioral dispositions. Empathy emerged as a major antecedent. Previous studies in customer orientation show that this is an important contributory factor in building customer rapport and in achieving sales performance outcomes (Agnihotri et al. 2012; Homburg et al. 2009; Varca 2009). Empathy involves developing a good understanding of the customer in terms of their needs and desires as well as the constraints they face. Respondents felt that empathy was likely to be an important indicator of the ability of an individual to anticipate the likely outcomes in a scenario. Several respondents indicated the amount of experience an individual has in working with a client gives them a distinct advantage in anticipating likely occurrences. In addition, respondents felt that empathy might not necessarily yield a positive outcome in terms of adaptability since this construct has more to do with an understanding of the customer. When an individual has to adapt to a new situation, this previous understanding acts as a hindrance because their thinking aligns more to mental models that may not be suited to the current situation. Therefore, the study hypothesizes:

H1: Empathy has a significant, negative effect on (a) adaptability; and (b) a significant, positive effect on anticipation.

Capability fit was also identifiable as a major antecedent. Respondents indicated “having the right person for the job” (as described by a Program Manager) is essential. Capability fit encompasses the personal skills, characteristics and attitudes of an individual in terms of whether they are suitable for their role. While respondents were generally supportive of the importance of having well-qualified and focused individuals in the complex solutions context, the relative effects of this in terms of behavioral disposition led to a delineation. Respondents suggested that capability fit is more likely to lead to positive effects on adaptability and negative effects on anticipation. Since adaptability relates to having an appropriate mental attitude to remain flexible, an individual with a good fit for the role is likely to perform well in those terms. Conversely, the possession of capabilities is not necessarily a guarantee that the individual will be able to anticipate the events that occur during solutions implementation. Therefore, the study hypothesizes:

H2: Capability fit has a significant, positive effect on (a) adaptability; and (b) a significant, negative effect on anticipation.

The Effects of Behavioral Dispositions on Resource Efficiency and Effectiveness

The two behavioral dispositions have important consequences. This study focuses on two primary outcomes that are likely to be observable at the individual level: resource effectiveness and resource efficiency. These constructs encompass the decisions an individual makes with regard to resource deployment and utilization. The resources of primary concern are those operant in the specific context over which the individual has some influence. They primarily constitute human resources, but also include knowledge, corporate systems and capital. Resource efficiency encompasses the utilization of the least amount of resources to achieve an objective, or, to achieve a greater suite of outcomes through the utilization of a relatively small resource base. The primary forms of resource efficiency that emerged through the qualitative inquiry relate to minimizing the amount of time, people and costs required to achieve an objective. Resource effectiveness, on the other hand, relates more to the achievement of multiple objectives simultaneously. In this sense, resource effectiveness encompasses collating any necessary resources that are perceivably necessary to ensure high quality outcomes for multiple stakeholders.

Respondents indicate that adaptability aligns more to achieving positive outcomes across a suite of stakeholders. This is more apparent in situations of high turbulence and/or where customer representatives are particularly demanding. Consequently, it aligns more to resource effectiveness and not to resource efficiency. Anticipation, on the other hand, encompasses an approach designed to ensure smooth running. As such, it relates more to achieving efficiency rather than effectiveness. Therefore, the study hypothesizes:

H3: Adaptability has a significant, positive effect on (a) resource effectiveness; and (b) a significant, negative effect on resource efficiency.

H4: Anticipation has a significant, positive effect on (a) resource efficiency; and (b) significant, negative effect on resource effectiveness.

The Outcomes of Practices: Resource Efficiency and Effectiveness; Value and Satisfaction

The outcomes of resource effectiveness and resource efficiency are evident in terms of the specific activities that actors execute in their immediate context. However, overall performance measures are also valuable considerations, as is evident in customer orientation studies (Blocker et al. 2011; Homburg et al. 2009). Two such constructs emerged when considering overall performance appraisal: perceived value and satisfaction. Respondents indicate their views emerge through their own interactions with individual actors throughout the implementation process. Consistent with other studies, perceived value comprises the overall per-
ceived benefits the customer receives from the implementation process from an individual minus their associated perceived costs (Blocker et al. 2011; Parry et al. 2012). Couched in these terms, respondents tended to associate this with financial and other quantitative measures. Satisfaction, on the other hand, relates more to the wellbeing they receive from the individual’s efforts. Respondents cited the unexpected or extraordinary efforts or responses to circumstances as ways in which they gain satisfaction from the performance of individuals. Since perceived value appears to relate more to ensuring the achievement of pre-specified performance metrics, it is likely to have a positive relationship with resource efficiency and a negative one with resource effectiveness. Satisfaction, on the other hand, is likely to have a positive relationship with resource effectiveness since this relates more to achieving objectives in a comprehensive manner rather than doing so efficiently. Therefore, the study hypothesizes:

H5: Resource effectiveness has a significant, positive effect on (a) satisfaction; and (b) a significant, negative effect on perceived value.

H6: Resource efficiency has a significant, negative effect on (a) satisfaction; and (b) a significant, positive effect on perceived value.

Perceived Value and Satisfaction. Since individuals face constraints in the complex solutions environment, it is likely they develop coping strategies that derive from previous experience. As the data suggests, this appears to manifest as adaptability or anticipation. In this process, individuals indicate they make conscious trade-offs between achieving performance outcomes. This trade-off is necessary particularly in time-poor, budget-constrained circumstances. Those individuals who embody adaptability seek to address customer needs as a priority. In this case, they prioritize customer requirements and their overall approach aligns more to this outcome. This is likely to result in greater customer satisfaction. Individuals that focus on achieving time and budget objectives are, on the other hand, more likely to pursue perceived value. Consequently, the study hypothesizes:

H7: Perceived value has a significant, negative effect on satisfaction.

Moderating Relationships
Relationship quality emerged as a major factor in determining the interactions between the variables in the study. Current studies consider this construct in terms of the trust each relationship party has for the other, the degree of commitment they have, the frequency of interaction and the breadth of interaction between representatives (Doney and Cannon 1997; Mende et al. 2013). For this study, the level of trust and commitment are the primary elements of relationship quality in addition to the belief that the individual will inconvenience themselves if this leads to enhancements in the relationship and the beliefs with regard to reciprocity. Respondents indicate they believe relationship quality influences how performance evaluations occur as well as the opportunities for interactions with the individual. Consequently, the study hypothesizes:

H8: Relationship quality moderates the relationship between adaptability and (a) resource effectiveness; and (b) resource efficiency

H9: Relationship quality moderates the relationship between anticipation and (a) resource effectiveness; and (b) resource efficiency

Quantitative Inquiry
To assess the nature of actor’s behavioral dispositions and their effects on resource utilization, satisfaction and value, the study incorporates a survey of executives in the complex solutions context. A commercial list of 3,511 individuals in Australian industries with a high likelihood of complex solutions utilization was identified initially. From these, target respondents were selected through an appraisal of their personal characteristics (job title, organizational unit, industry). Respondents likely to be responsible for performance evaluations of personnel in a complex solutions context were invited to participate in an online survey (n=3,235). Of these, further reductions in the sample frame emerged through bounced emails (n=98) and refusals (n=50). The questionnaire initially explains the purpose of the study and the ideal population. From here, the first survey question allows respondents to indicate whether they feel they are appropriate respondents. This led to an additional 73 opt-outs. Consequently, the final sample frame comprises n=3,014 individuals. After the initial email invitation, a second was sent about five weeks later. Responses were received from n=529 individuals, which is an 18% response rate.

Respondents hold managerial positions in industries where the complex solutions are relatively common. These include government (28%), professional and other services (17%), information technology (14%) and education (14%). Most respondents were aged 45 to 55 (44%), male (86%) and represent organizations with in excess of $1 billion in annual turnover (20%). Respondents adopted either a supplier (55%) or a buyer (45%) perspective when to evaluate the performance of a nominated individual. The subjects of evaluations were mostly of project managers (38%), program managers (15%), and technical staff/consultants (11%).
Measures and Questionnaire Development
Where available, the measures used in the study derive from earlier studies (see the Appendix for a full list). New measures were developed for the two behavioral dispositions: anticipation and adaptation. The generation of an initial pool of 32 items took place in the wake of the qualitative phase of the study. After consultations with the participants in the qualitative phase of the study, these items were refined. An initial pilot study of n=51 executives that incorporates these new measures as well as the refined measures for the other constructs then took place to ensure appropriate validity and reliability properties. This led to several minor refinements. Following the pilot study, the full questionnaire was then sent to the target population.

All measures display acceptable fit properties, with factor loadings ranging from 0.636 to 0.919 (all of which are significant at the p<0.001 level) and Cronbach’s α scores all at 0.843 or better (Churchill Jr 1979). The measurement model also recorded acceptable goodness of fit properties ($X^2$=2350, df=866, $\chi^2$/df=2.8, p=0.000, NFI=0.928, TLI=0.917, CFI=0.927, RMSEA=0.057) (Fornell and Larcker 1981). Further analysis of correlations and average variance extracted also led to the conclusion that all measures display acceptable discriminatory validity properties, with no measures exceeding the threshold of 0.8.

Following Armstrong and Overton’s 1977 recommendations, two main provisions were taken to assess non response bias. Through independent samples t-tests, a comparison between responses from the first email invitation and those from the second searched for differences. No statistically significant differences were identifiable. In addition, the characteristics of non-respondents available from other sources were compared against those of the sample respondents. Again, there were no statistically significant differences. This allows a conclusion that non-response bias is not problematic in this study.

Common methods variance can be problematic if the responses for independent and dependent variables originate from the same source (MacKenzie and Podsakoff 2012). To account for this, this study incorporates several measures. Respondents were asked to provide truthful answers to survey questions in the instructions, they were assured of complete anonymity of their responses, and respondents provided confirmation of the psychological differences between the variables in the study during the qualitative inquiry.

Results
Overall, the results show that the presence of behavioral dispositions in the business solutions setting yields an important trade-off between outcomes that stakeholder perceived value (i.e. value for money) and satisfaction. More specifically, H1, 2 and 3 all receive support. While H4a does not receive support, H4b does, as is the case for 5a. H5b is not supported. H6 is supported. H7 is not. This result for H7 shows that there is, in fact, no significant relationship between perceived value and satisfaction as second order outcomes. The moderator analysis shows that RQUAL does have a significant role in mediating the effects of the behavioral dispositions on resource efficiency in particular (i.e. H8 receives support, H9a does not and H9b does).

<table>
<thead>
<tr>
<th>Table 2. Correlations, AVE, Mean and Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Capability Fit</td>
</tr>
<tr>
<td>2. Empathy</td>
</tr>
<tr>
<td>3. Anticipation</td>
</tr>
<tr>
<td>4. Adaptability</td>
</tr>
<tr>
<td>5. Resource Efficiency</td>
</tr>
<tr>
<td>6. Resource Effectiveness</td>
</tr>
<tr>
<td>7. Perceived Value</td>
</tr>
<tr>
<td>8. Satisfaction</td>
</tr>
<tr>
<td>9. RQUAL</td>
</tr>
<tr>
<td>AVE</td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>Standard Deviation</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed).
Discussion and Conclusion

This study is one of the initial attempts to understand the effects of specific actors in terms of behavioral dispositions in the complex solutions environment. Importantly, it finds that individuals that are involved in complex solutions delivery adopt two major behavioral dispositions: adaptability and anticipation. The results of the study show that these behaviors occupy opposing ends of a spectrum of behaviors and that each contributes differently to performance outcomes.

The study makes several important theoretical contributions. In contrast to previous studies, the findings of this study demonstrate that a conscious trade-off exists between activities in the minds of individuals in complex solutions implementation. This has relative impacts on resource effectiveness and efficiency, which align to satisfaction and value respectively. Hence, a trade-off exists between achieving perceived value and satisfaction. This differs from previous studies that consider the relationship between these variables as significant and positive. The study also considers relationship dynamics as an important mediating force. The results show that building relationship quality usually relates positively towards adaptability and negatively to anticipation. A positive relationship is likely to contribute positively to resource effectiveness and has no significant effect on resource efficiency. Few studies consider the dynamics of relationship quality in this manner.

The study also has important managerial implications. Firstly, the recognition of the trade-off between the outcomes of individuals’ activities in terms of behavioral disposition should aid in structuring activity flows in complex solutions contexts. Secondly, the results demonstrate an important element of solutions implementation is negotiation. This has the potential to yield outcomes that are more likely to yield equitable outcomes to both parties.

While this study does generate some generalizable findings, these are most appropriate for industries that involve complex solutions implementation. This study complements other studies through its examination of this context rather than through a consideration of frontline service or sales personnel. Future research in this area could consider the emergence of the mental models that shape the behaviors of individuals in complex solutions delivery, the cultural underpinnings of this process and the meaning of value creation and delivery at the individual level.

Table 3. Results of the Structural Model

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>ρ</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empathy → Adaptability</td>
<td>-0.254</td>
<td>***</td>
<td>1a ✓</td>
</tr>
<tr>
<td>Empathy → Anticipation</td>
<td>0.857</td>
<td>***</td>
<td>1b ✓</td>
</tr>
<tr>
<td>Capability Fit → Adaptability</td>
<td>0.729</td>
<td>***</td>
<td>2a ✓</td>
</tr>
<tr>
<td>Capability Fit → Anticipation</td>
<td>-0.439</td>
<td>***</td>
<td>2b ✓</td>
</tr>
<tr>
<td>Adaptability → Resource Effectiveness</td>
<td>1.106</td>
<td>***</td>
<td>3a ✓</td>
</tr>
<tr>
<td>Adaptability → Resource Efficiency</td>
<td>-0.473</td>
<td>***</td>
<td>3b ✓</td>
</tr>
<tr>
<td>Anticipation → Resource Effectiveness</td>
<td>0.071</td>
<td>0.277</td>
<td>4a N.S.</td>
</tr>
<tr>
<td>Anticipation → Resource Efficiency</td>
<td>0.119</td>
<td>0.002</td>
<td>4b ✓</td>
</tr>
<tr>
<td>Resource Effectiveness → Satisfaction</td>
<td>0.181</td>
<td>0.006</td>
<td>5a ✓</td>
</tr>
<tr>
<td>Resource Effectiveness → Perceived Value</td>
<td>0.033</td>
<td>0.635</td>
<td>5b N.S.</td>
</tr>
<tr>
<td>Resource Efficiency → Satisfaction</td>
<td>-0.957</td>
<td>***</td>
<td>6a ✓</td>
</tr>
<tr>
<td>Resource Efficiency → Perceived Value</td>
<td>1.492</td>
<td>***</td>
<td>6b ✓</td>
</tr>
<tr>
<td>Perceived Value → Satisfaction</td>
<td>-0.103</td>
<td>0.127</td>
<td>7 N.S.</td>
</tr>
</tbody>
</table>

Moderating Effects

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>ρ</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adaptability → RQUAL</td>
<td>0.562</td>
<td>***</td>
<td>8a ✓</td>
</tr>
<tr>
<td>Anticipation → RQUAL</td>
<td>-0.241</td>
<td>***</td>
<td>8b ✓</td>
</tr>
<tr>
<td>RQUAL → Resource Effectiveness</td>
<td>0.033</td>
<td>0.556</td>
<td>9a N.S.</td>
</tr>
<tr>
<td>RQUAL → Resource Efficiency</td>
<td>-0.179</td>
<td>***</td>
<td>9b ✓</td>
</tr>
</tbody>
</table>

\[\chi^2=2403, \text{d.f.}=862, \chi^2/\text{d.f.}=2.7, p=0.000, \text{NFI}=0.925, \text{TLI}=0.913, \text{CFI}=0.925, \text{RMSEA}=0.058\]

N.S. = Not Significant, *** = ρ<0.001
## Appendix

### Table 3. Item Factor Loadings and Alpha Scores

<table>
<thead>
<tr>
<th>1. Capability Fit: Adapted from Engeser (2012) α=0.912</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has a personality that allows them to perform well for their tasking</td>
</tr>
<tr>
<td>Is easy to work with</td>
</tr>
<tr>
<td>Works on tasks that are well-suited to their skills and abilities</td>
</tr>
<tr>
<td>Has no difficulties in concentrating on the tasks to which they are assigned</td>
</tr>
<tr>
<td>Clearly understands what they have to do at each step of the implementation process</td>
</tr>
<tr>
<td>Has the right kind of professional background</td>
</tr>
<tr>
<td>Has a good reputation in my organization for their approach to work</td>
</tr>
<tr>
<td>Is suitably qualified to work on this project</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Empathy: Adapted from Homburg et al. (2009) and He and Li (2011) α=0.89</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always senses exactly what my organization wants from them</td>
</tr>
<tr>
<td>Realizes what stakeholders mean even when they have difficulty in saying it</td>
</tr>
<tr>
<td>Finds it easy to take stakeholders’ perspectives</td>
</tr>
<tr>
<td>Gives stakeholders individual attention</td>
</tr>
<tr>
<td>Has our organization’s best interests at heart</td>
</tr>
<tr>
<td>Understands our organization’s specific needs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Anticipation: New scale α=0.903</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can predict when things of significance to our implementation efforts will occur</td>
</tr>
<tr>
<td>Appraises relevant issues with insight</td>
</tr>
<tr>
<td>Anticipates major changes to plans in a manner that allows us to prevent significant problems</td>
</tr>
<tr>
<td>Understands their assigned tasks in such a way that they run smoothly</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Adaptability: New scale α=0.853</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is very disciplined in their approach</td>
</tr>
<tr>
<td>Is very focused in their approach</td>
</tr>
<tr>
<td>Deals with implementation problems in a timely manner</td>
</tr>
<tr>
<td>Is able to adapt to emerging implementation issues</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. Resource Efficiency: Adapted from Palmatier (2008) and Morgan et al. (2012) α=0.843</th>
</tr>
</thead>
<tbody>
<tr>
<td>This person pursues efficiency when allocating resources</td>
</tr>
<tr>
<td>Our dealings with this person are efficient</td>
</tr>
<tr>
<td>This person makes decisions that align with the agreed plan</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6. Resource Effectiveness: Adapted from Palmatier (2008) and Morgan et al. (2012) α=0.907</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieves desired outcomes through their resource management</td>
</tr>
<tr>
<td>Uses resources effectively</td>
</tr>
<tr>
<td>Ensures that positive outcomes emerge through their resource utilization</td>
</tr>
<tr>
<td>Deploys resources to address critical issues without hesitation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7. Perceived Value: Adapted from Ulaga and Eggert (2006) α=0.944</th>
</tr>
</thead>
<tbody>
<tr>
<td>This person creates superior value for us when comparing all the costs versus benefits of implementation</td>
</tr>
<tr>
<td>Considering the costs of doing business associated with this implementation, we gain a lot in our overall relationship with this person</td>
</tr>
<tr>
<td>The benefits we gain in our relationship with this person far outweigh the costs</td>
</tr>
<tr>
<td>Our organization gets significant value from this person</td>
</tr>
</tbody>
</table>
References


Engeser, Stefan (2012), Advances in flow research: Springer.


Exploring the Effectiveness of Influence Strategies in Business-to-Business Markets: An Analysis of Fashion Manufacturer-Media Publisher Relationships

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Suman Basuroy, University of Oklahoma
B.J. Allen, University of Oklahoma
Ola Seriki, University of Oklahoma

Keywords: B2B relationships, influence strategies, advertising, media coverage

EXTENDED ABSTRACT

Research Question
Relationship marketing research in the context of business-to-business (B2B) markets often seeks to understand how firms influence one another to achieve their goals. While the extant literature on influence strategies is rich, the examination of existing business cases involving influence strategies between relationship partners remains sparse. This paper examines the relationship between fashion companies and media publishers, and seeks to understand how advertising expenditure is used by fashion companies to influence media publishers’ cover page decisions. This approach allows for an in-depth examination of exactly how firms in a symbiotic relationship influence each other. This approach also aids in the investigation of firm-level factors that may serve to moderate the effectiveness of influence strategies. This paper tests which firm characteristics moderate the effectiveness of influence strategies in B2B relationships, specifically, how large the firm is, how prestigious the brand is, and how centralized (diversified) the firm is within the industry.

Method and Data
For the empirical analysis, we use a unique dataset consisting of advertisers (Italian fashion companies) and publishers from five different countries (US, UK, France, Germany and Italy) in the fashion industry, and our unit of analysis is the publisher-fashion company dyad. We model whether or not the fashion company appeared on the cover page of the publisher’s magazines in a given year as a dichotomous dependent variable, and our independent variables consist of advertising spend, brand prestige, level of diversification, firm size, and several other control variables with a number of interactions to test our moderating hypotheses. Our dependent variable is dichotomous; namely, whether an advertiser is included in the publisher’s cover page or not, and thus we use a discrete choice specification; specifically, we analyze our hypotheses using a probit model.

Summary of Findings
Our results show that advertising is an effective way of influencing the cover page decisions of media publishers. We find that several variables as hypothesized moderate the effectiveness of this influence strategy. Our model illustrates that larger firms do not have an advantage when using advertising as an influence strategy, and that prestigious brands’ influence strategies are more effective. Regarding diversification, our results suggest when a publisher is extremely concentrated and thus significantly dependent on the industry, influence strategies are especially effective. But, at low or moderate levels of concentration, publishers may push back which may weaken the effectiveness of influence strategies.

Key Contributions
This paper adds to the influence strategy literature in B2B marketing by examining an established real-world relation-
ship using secondary market data. Our results show how companies utilize influence strategies in their relationships with media publishers in order to gain access to a critical resource (access to customers via media coverage) by favorably influencing publishers’ decisions regarding magazine cover pages, the most critical factor in magazine sales. This paper also explores a number of firm specific factors that serve as moderators of such influence strategies and demonstrates that before executing an influence strategy, managers need to examine the characteristics of their own firm and the partner firm. By examining characteristics such as a firm’s size, industry specificity, and brand prestige, a focal form can better forecast the effectiveness of a possible influence strategy.

References are available on request.
Opportunism in Distribution Networks: The Role of Embeddedness and Dependence

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Zhiqiang Liu, Huazhong University of Science and Technology
Yimin Yu, City University of Hong Kong

Keywords: opportunism, network effect, embeddedness, dependence

EXTENDED ABSTRACT

Research Question
Opportunism, with its detrimental impact on channel performance, is a central problem in distribution channels. To effectively curtail distributor opportunism, firms need to know clearly what drives the opportunistic behaviors of their distributors. A large body of research has investigated various antecedents of distributor opportunism, but mainly from a dyadic view. Given that distributor-supplier exchanges are often embedded in a broader distribution network consisting of multiple distributors and their dominant supplier, the network conditions may also influence distributors’ motivation and capability to act opportunistically (Granovetter 1985).

In light of this research gap, we extend beyond the dyadic view to examine the network impacts on distributor opportunism. First, we adopt the network embeddedness perspective (Granovetter 1985; Moran 2005) to study the role of a focal distributor’s structural as well as relational embeddedness in the distribution network to affect its opportunism. Second, we examine the impacts of a focal distributor’s dependences on the single dominant supplier, which captures the vertical connectedness in the network. As prior research has pointed out the main effect of dependence on distributor opportunism, we focus on its moderating role.

Method and Data
We collected survey data of distributors from the automobile industry in China to depict the patterns of the aforementioned network impacts. A total of 600 automobile dealers were selected randomly from the Directory of Chinese Automobile Companies. For each sample dealer, one senior executive in the firm and one middle manager from sales/marketing department were contacted for personal interviews so as to avoid single-source bias. Of the 600 automobile dealers, 219 responded for the analyses (36.5% effective response rate). We developed our measures from an extensive review of extant literatures and the pilot interviews. We conducted PLS (partial least squares), a structural equation modeling technique, to test the constructed research model and hypotheses.

Summary of Findings
The survey results reveal the following key findings. First, a distributor’s relational embeddedness in the network can discourage its opportunistic behaviors, whereas its network centrality, as a form of structural embeddedness, does promote its opportunism. Our empirical data also shows that relational embeddedness can more effectively suppress distributor opportunism when the distributor’s dependence toward the supplier is high. Moreover, we find that the role of network centrality in encouraging distributor opportunism is weaker when its dependence toward the supplier is low.

Key Contributions
This study contributes to the marketing channel literature by extending the existing dyadic research on channel partners’ opportunism to the investigation of the network influences. Drawing on the embeddedness theory (Granovetter 1985), we develop a holistic understanding of the network conditions that can enable or suppress distributor opportunism toward the supplier.

References are available upon request.
Attachment Style Influence on Marketing Relationships

Jennifer Skiba, University of Nebraska–Lincoln
Ravi Sohi, University of Nebraska–Lincoln

ABSTRACT

Relationship marketing has received considerable attention in the literature in the past two decades. However, research on the effectiveness of relationship marketing has shown mixed results, and little attention has been given to factors that lead to relationship breakups. This paper looks to the attachment theory to identify internal firm characteristics that can affect the continuation of marketing relationships. The authors identify the two dimensions of attachment – organizational attachment avoidance and organizational attachment anxiety - and adapt them to a business-to-business context. The authors suggest that the two dimensions of attachment can act as a moderator to marketing relationships that have been substantiated in the marketing literature, and present three sets of propositions to this regard. Future potential research areas are also presented.

Introduction

Relationship marketing has received considerable attention in the marketing literature over the past two decades. As defined by Morgan and Hunt (1994), relationship marketing consists of all "marketing activities directed toward establishing, developing, and maintaining successful relational exchanges" and can involve relationships between multiple entities, such as firms, sellers, buyers, and other internal or external organizations. The authors look at two core concepts associated with relationships, commitment and trust, and identify both antecedents and outcomes of these two concepts. Other authors suggest that either one or the other of these two concepts is the most vital (Doney and Cannon 1997; Jap and Ganesan 2000; Sirdeshmukh et al. 2002).

The effectiveness of relationship marketing has received mixed results. Some research, such as that by Morgan and Hunt (1994), shows that relationship marketing is associated with stronger customer relationships, increased cooperation, and higher levels of performance such as sales, growth, and profits. Other research, such as that by Hibbard et al. (2001), suggest that relationship marketing may have a negative impact in some circumstances. Due to these inconsistencies, Palmatier et al. (2006) conducted a meta-analysis of relationship marketing strategies. They sought to understand the nuances of relationship marketing – what outcomes are affected by relationships, under which conditions does relationship marketing generate positive outcomes, and which strategies build the strongest relationships.

A small amount of research has looked at partnership or relationship terminations. In their seminal article on relationships, Dwyer et al. (1987) identify dissolution as the final phase in the relationship development process, stating that it can result in psychological, emotional, and physical stress. Hibbard et al. (2001) look at the effect of destructive acts that can ultimately lead to disengagement, or termination, threatened withdrawal, and neglect. Cui et al. (2011) look at the effect strategic changes have on firms and how those changes can lead to the propensity to termination a partnership. However, internal firm characteristics that affect the continuation of marketing relationships have been left largely unaddressed.

In order to help fill this gap, we looked to the psychological field and adapt the attachment theory to a business-to-business context. Attachment theory identifies two dimensions of attachment (avoidance and anxiety) that form the basis for three attachment styles (secure, anxious-ambivalent, and avoidant). These three attachment styles each have distinct characteristics and ways of dealing with stressful situations. Just as with interpersonal relationships, the two dimensions of attachment may lower the levels of relationship constructs such as commitment, trust, and satisfaction.

Although an important theory in psychology, attachment theory has received little attention in the marketing literature (see the summary in Table 1). Thomson and Johnson (2006) use personal relationship attachment styles to try to predict the success of consumer relationships, specifically satisfaction.

For further information contact: Jennifer Skiba, University of Nebraska–Lincoln (e-mail: jskiba@huskers.unl.edu).
Swaminathan et al. (2009) look at the consumer attachment styles and their moderation on brand personality. Building on the notion that individuals can develop multiple attachment styles based on and organized around experiences with a specific partner (Collins and Read 1990; Fierce and Lydon 2001), Mende and Bolton (2011) look at customer relationship-specific attachment styles that are firm-focused. In addition, Mende et al. (2013) look at how attachment styles are linked to customer preferences for closeness, repurchase intentions, and relationship breadth. Finally, Paulssen (2009) studies how general commercial relationships are affected by general business attachment styles in a survey of business-to-business customers. However, although Paulssen’s measures reflect some aspects of attachment avoidance, they do not capture attachment anxiety (Mende et al. 2013).

The purpose of this paper is to adapt the theory of attachment to a business-to-business context by defining the two dimensions of attachment in an organizational manner and identifying potential ways these dimensions will influence or moderate marketing relationships that have been substantiated in the literature. The remainder of this paper is organized as follows: First, we review the literature on attachment theory and identify the dimensions and related attachment styles. Next, we adapt the theory to a business-to-business context by defining attachment avoidance and attachment anxiety in an organizational manner and identifying the three related attachment styles. We then present three sets of propositions that showcase the importance these dimensions have in a relationship marketing context.

### Attachment Theory

Attachment theory, the collective work of Mary Ainsworth and John Bowlby (Ainsworth and Bowlby 1991), studies the interactions between infants and caregivers and proposes that the quality of the bond that is developed determines “internal working models” that help to shape an individual’s cognitions, self-image, and behaviors in subsequent relationships (Bowlby 1973; Bowlby 1980; Bowlby 1982). These working models, developed during initial interactions with primary caregivers, continue to develop and evolve as new relationships are introduced into the individual’s life. Working models are typically viewed in two ways, as working models of self (belief that one is worthy of love and support) and others (belief that partner is trustworthy in fulfilling interpersonal needs) (Bowlby 1973; Gallo and Smith 2001; Mikulincer 1998).

<table>
<thead>
<tr>
<th>Table 1. Attachment Styles in the Marketing Literature</th>
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<tbody>
<tr>
<td>Authors and Johnson (2006)</td>
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<tr>
<td>Thomson and Johnson (2006)</td>
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<tr>
<td>Paulssen (2009)</td>
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<td>Swaminathan et al. (2009)</td>
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<td>Mende and Bolton (2011)</td>
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<td>Mende et al. (2013)</td>
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The secure attachment style is the region where both anxiety and avoidance are low. This style is described as one where there is confidence in the attachment figure’s availability in time of need, as well as comfort with closeness in the relationship, trust, and interdependence (Mikulincer 1998; Mikulincer 1995). Additionally, Mikulincer and Florian (1998) describe security as an “inner resource” that can help individuals evaluate stressful situations in a more positive manner, and subsequently cope with those events constructively. In this way, security can be viewed as a resilience factor. Individuals characterized by the secure style of attachment tend to deal with stress by first and foremost acknowledging it and turning to others for support, and relying on problem and support seeking strategies. These individuals tend to be more tolerant of stressful events while not becoming overwhelmed by the distress.

The anxious-ambivalent attachment style is identified by the region of low avoidance and high anxiety. This style, as described by Mikulincer (1998), is defined by a strong want for intimacy coupled with a fear of rejection. It has also been described as a style that exaggerates adversity, viewing it as “threatening, irreversible, and uncontrollable,” and where individuals react with a strong emotional distress (Mikulincer and Florian 1998, p 145). Individuals characterized by the anxious-ambivalent style tend to direct attention toward distress; mentally ponder negative thoughts and memories; and struggle to limit the spread of the distress to other areas of their life because of an inability to detach from inner pain.
and suppress negative emotion. In this way, they tend to rely on passive, reflective, emotion-focused strategies when coping with stress (Mikulincer and Florian 1998).

Finally, the avoidant attachment style corresponds to the region low on avoidance, and spans across all levels of anxiety. This style is defined as a combination of desire for emotional distance and an insecurity with the intentions of others (Mikulincer 1995). This style is also characterized by a focus on the untrustworthiness of attachment figures and by an almost exclusive reliance on self. Coping with stress comes through a belief in distancing and withdrawal strategies (Mikulincer and Florian 1998). These coping mechanisms stem from an emphasis on autonomy, a dismissal of the importance of the stress’ source, and the erection of barriers against both internal and external sources of distress. Individuals characterized by the avoidant style also tend to attempt to escape from confrontation with life adversities (Mikulincer and Florian 1998).

**Proposed Definitions of Attachment Dimensions in Relationship Marketing**

Building on definitions from Brennan et al. (1998) and Mende et al. (2013), we define organizational attachment avoidance within the relationship marketing context as: *the degree to which a firm has doubts about a partner firm’s goodwill, has a fear of depending on the partner firm, and seeks to maintain independence and distance from its partner*. This dimension is characterized by a firm’s attempt to withhold information from its partner, a focus on self-reliance, and ultimately a desire to remain as independent as possible within the framework of the relationship. We further define organizational attachment anxiety as: *the extent to which a firm worries that a partner firm will not be available in times of need, fears rejection and abandonment from the partner firm, and has an excessive need for approval*. This dimension is high when a firm seeks continued reassurance from its partner about the continuity of the relationship. These two dimensions interact to form three main attachment styles as previously noted and shown in Figure 1.

Firms that are characterized by a secure attachment style (low anxiety and avoidance) are resilient and have a higher tolerance for stressful events. These firms tend to use a problem solving strategy to cope with stress, and easily turn to their partner for support in times of need. In addition, they desire to see their partner successful and believe that their partner feels the same about them. A firm that is characterized by an anxious-ambivalent attachment style (low avoidance and high anxiety) is less resilient and has a slightly lower tolerance for stressful events. It tends to focus on the distress and allow it to spread throughout the entire organization. At the same time, the firm will tend to react strongly to distress and exaggerate problems that arise, even after the potential threat is terminated. Finally, a firm that is characterized by an avoidant attachment style (high avoidance and either high or low anxiety) is even less resilient, with an even lower level of tolerance for stress. This firm will tend to seek independence and rely solely on itself when stressful situations occur. It will have a desire for autonomy and will tend to erect barriers to both internal and external sources of distress.

**Delineating Between Attachment Styles and Other Marketing and Relationship Constructs**

Though the concept of attachment is similar in definition to other constructs currently used in business-to-business relationships, such as commitment and trust, the attachment theory’s dimensions can interfere with the development of these other constructs (Mende and Bolton 2011). For example, in romantic relationships, Simpson (1990) found that higher levels of attachment anxiety and attachment avoidance are related to lower levels of trust, commitment, interdependence, and satisfaction. Table 2 provides a brief summary of the key distinctions between the dimensions of attachment and the constructs of commitment and trust, as well as a summary of the findings by Simpson (1990).

Based on the notion discussed by Bowlby (1973, 1980, 1982), that attachment working models and the resulting attachment styles can shape an individual’s cognitions and behaviors in subsequent relationships, it can be argued that a firm’s attachment style can also influence its expectations and perceptions related to interactions with its current and future partner firms. In this manner, a firm’s attachment anxiety and attachment avoidance will interfere with the development of overall commitment, trust, and satisfaction, and may act as moderator of these other constructs. To evaluate the influence that attachment dimensions and styles have in marketing relationships, we submit three sets of propositions examining their moderating effect on marketing relationships that have been substantiated in the literature (Palmatier et al. 2006). This will allow us to demonstrate the relevance that these dimensions have within the area of relationship marketing.

**Attachment Dimensions as a Moderator of Dependence and Commitment**

Dependence has been shown (Palmatier et al. 2006) to have a positive effect on the development of commitment in marketing relationships (e.g. Morgan and Hunt 1994). Dependence is identified as a firm’s evaluation of the value of resources a partner provides for which only a few (if any) alternatives are available (Hibbard et al. 2001). As the value of these resources increase, a firm’s commitment to its partner will tend to increase as well. However, Simpson (1990)
showed in interpersonal relationships that high levels of either attachment anxiety or avoidance is associated with lower levels of commitment than when individuals have lower levels of either dimension, with avoidance having a greater impact. We suggest that the attachment dimensions of avoidance and anxiety will also interfere with the effect that dependence has on commitment.

Attachment avoidance brings a fear of dependence on partner relationships as the firm has doubts, or lacks trust, in its partner firms’ goodwill. This fear may drive the firm to question its partner’s honesty and integrity. As avoidance levels rise, the firm increasingly seeks to become independent, which may begin to lower the positive effect of dependence on commitment. Attachment anxiety may have a similar effect on commitment, as indicated by Simpson (1990). However, the highly anxious firm fears rejection and is worried that the partner will not be available when needed. This fear could be magnified by the fact that it is dependent on its partner for scarce resources. As the anxiety levels increase, a firm may choose to increase its commitment in order to show its partner that it is willing to do whatever it takes to maintain the relationship, using commitment as a means of gaining the reassurance it needs. Therefore, we propose:

P1: As attachment avoidance increases, the positive relationship between dependence and commitment will be weakened.

P2: As attachment anxiety increases, the positive relationship between dependence and commitment will be strengthened.

<table>
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<tr>
<th>Table 2. Key Distinctions Between Constructs</th>
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<tbody>
<tr>
<td><strong>Construct</strong></td>
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<tr>
<td>Organizational Attachment Avoidance</td>
</tr>
<tr>
<td>Organizational Attachment Anxiety</td>
</tr>
<tr>
<td>Commitment</td>
</tr>
<tr>
<td>Trust</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Key Distinction Between Attachment Dimensions and Construct (Simon 1990)</strong></th>
<th><strong>Attachment Dimensions Influence on Construct</strong></th>
<th><strong>Representative Research of Construct</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>This dimension is characterized by a firm's attempt to withhold information from its partner, a focus on self-reliance, and ultimately a desire to remain as independent as possible within the framework of the relationship.</td>
<td>High levels of either attachment anxiety or avoidance are associated with lower levels of commitment than low levels of either dimension. However, avoidance levels have a greater impact.</td>
<td>(Ainsworth et al. 1978; Bowlby 1973; Brennan et al. 1998; Mende et al. 2013)</td>
</tr>
<tr>
<td>This dimension is high when a firm seeks continued reassurance from its partner about the continuity of the relationship.</td>
<td>High levels of either attachment anxiety or avoidance are associated with lower levels of trust than low levels of either dimension. However, anxiety levels have a greater impact.</td>
<td>(Moorman et al. 1992; Morgan and Hunt 1994)</td>
</tr>
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Attachment Dimensions as a Moderator of Relationship Benefits and Relationship Satisfaction

Relationship benefits, such as companionship, time savings, convenience, and improved decision making, are shown (Palmatier et al. 2006) to have a positive effect on relationship satisfaction (Morgan and Hunt 1994). Their value lies in the fact that the increased perceived value of relationship benefits increases a firm’s willingness to develop relational bonds (Palmatier et al. 2006) with its partner. However, Simpson (1990) showed that both attachment anxiety and attachment avoidance interfere with the level of satisfaction in interpersonal relationships.

A firm with high levels of attachment avoidance may view relationship benefits with wariness due to the doubts it has regarding its partner’s goodwill. This lack of confidence and the firm’s desire to remain independent may result in a decrease to the effect of relationship benefits on relationship satisfaction. At the same time, a firm with high levels of attachment anxiety may view the relationship benefits in a different light. This firm may see the benefits as a reassurance of its partner’s desire to maintain a relationship. This may attenuate the firm’s fear of abandonment. This will result in a strengthening of the relationship between relationship benefits and relationship satisfaction. Hence, we posit:

P₃: As attachment avoidance increases, the positive relationship between relationship benefits and relationship satisfaction will be weakened.

P₄: As attachment anxiety increases, the positive relationship between relationship benefits and relationship satisfaction will be strengthened.

Attachment Dimensions as a Moderator of Trust and Commitment

Trust, a firm’s confidence in a “partner’s reliability and integrity” (Morgan and Hunt 1994), has been shown to have a positive impact on commitment (e.g. Moorman et al. 1992; Morgan and Hunt 1994). Commitment stems from the placement of such high value on a relationship that it is worth putting the effort in to ensure that the relationship endures (Moorman et al. 1992; Morgan and Hunt 1994). The value of trust, in connection with commitment, stems not only from the idea that trustworthy relationships are valuable, but that commitment requires vulnerability (Morgan and Hunt 1994). Simpson (1990) showed that both attachment anxiety and attachment avoidance interfere with the level of trust in interpersonal relationships.

A firm may view its partner as reliable and to have a level of integrity, creating a general level of trust. However, a firm with high levels of attachment avoidance has a concern over the partner’s willingness to help, or its generosity, that may overshadow this general level of trust. In addition, a firm with high levels of attachment anxiety is constantly looking for approval and assurances that the relationship will continue, leading the firm to question a partner’s commitment level. This can lead to a perceived increased risk of vulnerability and may attenuate the positive relationship between trust and commitment. Therefore, we propose:

P₅: As attachment avoidance increases, the positive relationship between trust and commitment will be weakened.

P₆: As attachment anxiety increases, the positive relationship between trust and commitment will be weakened.

Conclusion

The preceding three sets of propositions advocate that a firm’s level of attachment avoidance and attachment anxiety may influence existing marketing relationships. Based on these propositions, we can look at overall attachment styles (as defined by the levels of each of the attachment dimensions) and identify how they vary in the strength of each of the individual marketing relationships. For example, the avoidant firm, with higher levels of attachment avoidance, will see the weakest relationship between dependence and commitment. This will be particularly true when it is also coupled with lower anxiety levels. As the anxiety levels of an avoidant firm increase, the dependence-commitment relationship will become increasingly stronger. The secure firm will see normal (or average) levels of commitment as the effects of avoidance and anxiety will begin to offset each other in moderating the dependence-commitment relationship. An anxious-ambivalent firm is likely to see the highest levels of commitment, with lower avoidance and the higher levels of anxiety. The same analysis can be done with each of the proposed relationships, as summarized in Table 3.

In addition to the moderating effects presented, attachment styles may have an impact on other marketing relationships links such as relationship investment-commitment or communication-trust. Attachment styles may also have other contributions to the marketing literature in the business-to-business context. First, as different styles have different ways of dealing with stress, they may help to explain why some alliances or partnerships survive and others fail when faced with stressful situations. An avoidant firm may have a tendency to withdraw from a partnership when crises or negative publicity arise, whereas a secure firm may become even more committed to the relationship. Second, attachment styles could be used to look at the results or after-effects of partnership dissolutions (i.e. what happens when a firm that is highly
secure or too attached ends up in a relationship that fails?) Finally, different combinations of attachment styles within a partnership or alliance may lead to different governing structures. In conclusion, the attachment dimensions and style construct identifies a number of interesting questions for future research to examine regarding relationship marketing and even strategic alliances.

Table 3. Summary of Attachment Dimensions and Styles Influence on Proposed Marketing Relationships

<table>
<thead>
<tr>
<th>Nature of relationship in marketing literature</th>
<th>Dependence and Commitment</th>
<th>Relationship Benefits and Relationship Satisfaction</th>
<th>Trust and Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment avoidance impact on relationship</td>
<td>Increased avoidance weakens the relationship</td>
<td>Increased avoidance weakens the relationship</td>
<td>Increased avoidance weakens the relationship</td>
</tr>
<tr>
<td>Attachment anxiety impact on relationship</td>
<td>Increased anxiety strengthens the relationship</td>
<td>Increased anxiety strengthens the relationship</td>
<td>Increased anxiety weakens the relationship</td>
</tr>
<tr>
<td>Attachment Style with the strongest relationship</td>
<td>Anxious-Ambivalent Firm</td>
<td>Anxious-Ambivalent Firm</td>
<td>Secure Firm</td>
</tr>
<tr>
<td>Attachment Style with the weakest relationship</td>
<td>Avoidant firm with low anxiety</td>
<td>Avoidant firm with low anxiety</td>
<td>Avoidant firm with high anxiety</td>
</tr>
</tbody>
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A Dual Pathway Model of Brand Community Loyalty: Extending and Broadening Deci and Ryan’s Self-Determination Theory

Hsiu-Yu Hung, National Taipei University
Eric H.T. Tsai, National Taipei University

Keywords: brand community loyalty, brand community intrinsic benefits, brand community switching costs, affective commitment, calculative commitment

EXTENDED ABSTRACT

Research Question
The underlying mechanism by which brand community participation translates into committed and loyal customers remains unclear, which is the first research question we try to answer in current research. We propose a dual pathway model to provide insights into the development of brand community loyalty. Our dual pathway model is described as an intrinsic path, driven by brand community’s intrinsic benefits, which leads to members’ affective commitment, and extrinsic path, driven by brand community’s extrinsic switching costs, resulting in members’ calculative commitment. The second research question we try to answer is to consider the distinct internalization processes regarding members’ intrinsic and extrinsic motivational antecedents respectively through extending Deci and Ryan’s internalization continuum in self-determination theory. Third, while many drivers regarding participants’ psychological needs and motivations are documented in brand community literature, we still lack a deep and systematic understanding about how community’s affective commitments can be intrinsically facilitated. Thus, we conceptualize a fourth-order, reflective, hierarchical construct: brand community intrinsic benefits, to answer the third research question.

Method and Data
We sampled members from nine car clubs in Taiwan in a three-stage process spread over four months. We personally contacted the president or organizers of the car clubs to explain the purpose of our research and obtain their support. In response, organizers in each club actively encouraged members to complete our survey, hosted on a commercial survey site. Each participant that completed the survey was given a coupon (worth approximately three US dollars) to demonstrate appreciation for their participation. We conduct a longitudinal approach which fits the evolution of psychological process in our conceptual model i.e., from motivational drivers through mediating processes of commitment to the desired consequence of loyalty. From October 2012 to November 2012, we measured the constructs of brand community intrinsic benefits and extrinsic switching costs. From November 2012 to December 2012, we measured perceptions of brand community affective and calculative commitment. In the final stage, we measured brand community loyalty construct. Following these stages, we removed all incomplete or improperly completely surveys before matching the responses across all three stages to create single records for further analysis. The result was a total of 280 participants who had completed all three questionnaires.

Summary of Findings
We calculated the composite scale reliability and average variance extracted to assess the reliability of the measures. Our result shows that the CR exceeded .80, and the AVE of all measures clearly exceeded the cut-off value of .50. Moreover, the square root of the AVE exceeded the intercorrelations of the construct with the others in the model, which supports discriminant validity.

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All our hypotheses are supported. Brand community intrinsic benefits had a significant and positive impact on brand community affective commitment (i.e., H1: $\beta = .67$, $t = 17.09$, $p < .001$), as a complementary path, brand community extrinsic switching costs also had a positive impact on calculative commitment (i.e., H2: $\beta = .75$, $t = 21.99$, $p < .001$). We also found a strong and positive relationship between brand community affective commitment and brand community loyalty (i.e., H3: $\beta = .62$, $t = 9.04$, $p < .001$). Fourth, brand community calculative commitment, as compared with affective commitment, had a relatively small, but still significant, impact on brand community loyalty (i.e., H4: $\beta = .17$, $t = 2.35$, $p < .05$). The variance ($R^2$) explained by the model was .45 for affective commitment, .57 for calculative commitment and .57 for brand community loyalty.

Key Contributions

This paper makes three main contributions to the brand community literature. First, it contributes by proposing a pioneering dual pathway model that accounts for intrinsic and extrinsic routes toward brand community loyalty. Our results support this dual pathway model, including an intrinsic route to community affective commitment and an extrinsic route to community calculative commitment. Second, we attempt to identify a strong set of predictors of brand community commitment by broadening and integrating established theoretical frameworks. We broaden Deci and Ryan’s self-determination theory with the integration of self-congruence theory and value perceptions on uses and gratification theory to develop a fourth-order hierarchical construct, namely brand community intrinsic benefits, to help predict affective commitment. Also, we introduce a well-developed multi-dimensional construct for switching costs to explain members’ calculative commitment. Third, we extend Deci and Ryan’s (2000) motivational continuum into our dual pathway model to demonstrate the internalization processes pertaining to intrinsic and extrinsic pathways. For the former, brand communities provide members with fulfillment of psychological needs and support for desired values; through identification and integration processes, members can internalize these intrinsic benefits, resulting in greater affective commitment. For the latter, through the process of external regulation and introjections, members internalize their extrinsic motivations regarding switching costs, which leads to increased calculative commitment.

References are available upon request.
Owing the Intangible: The Roles of Motivational Orientation and Perceived Two-Way Communication in the Emergence of Psychological Ownership

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Keywords: perceived two-way communication, psychological ownership, perceived ownership, motivational orientation, willingness to pay

EXTENDED ABSTRACT

Research Question
Using recent technological breakthroughs, many companies are incorporating interactivity into every day products, such as fabrics, wallpaper, and even 3-D printed devices. Given the cost and risks associated with adding interactivity to digital products and media, understanding whether and when consumers might be willing to pay more for such products is vital.

Belk (2013) argues that the ability to communicate with other people through digital media offers consumers the opportunity for “co-construction of self,” both through the affirmation of the self and the building of an aggregate extended self in a digital world. This study uses psychological ownership theory (Pierce, Kostova and Dirks, 2003) to examine whether perceived two-way communication in media leads to an enhanced sense of psychological ownership and subsequent valuation of the digital medium (Kirk and Swain, 2013). A feeling of “it is mine!” (Pierce et al., 2003), psychological ownership is theorized to emerge more strongly in weak situations, in which consumers feel freer to explore and define their environment, than in strong situations (Pierce et al., 2003). Therefore, we propose that the effect of two-way communication on psychological ownership and subsequent willingness to pay will be stronger when consumers are recreationally-motivated than when they are task-oriented.

Method and Data
The study employed a two-group (motivation: recreational vs. task-oriented) between-subjects design. The study context was an interactive website about travel to Australia (framed as a digital book so that participants could engage in economic valuation), which included static user comments as well as a link for readers to post their own comments (Voorveld, Neijens, & Smit, 2011). A commercial online market research panel was used to source a sample of the U.S. population (age 18-65, $M = 37.7$, $S.D. = 17.6$; $46\%$ male). After removal of participants who did not read the instructions (determined by latencies), a sample of 61 participants was obtained.

Participants were randomly assigned to either a recreational or a task-oriented motivation condition using scenarios adapted from Kaltcheva and Weitz (2006). After reading the digital book, they answered questions relevant to the theoretical model. Willingness to pay was measured as the maximum price the consumer would pay for the digital book (Fuchs, Prandelli, & Schreier, 2010), and measures for psychological ownership (Peck & Shu, 2009), perceived two-way communication (Liu, 2003), and the motivational orientation manipulation check (Kaltcheva & Weitz, 2006), were taken from prior research.

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Summary of Findings
Cronbach’s alpha for two-way communication and psychological ownership exceed .80 suggesting the measures exhibit internal consistency (Nunnally & Bernstein, 1994), and results of the manipulation check suggest the motivational orientation manipulation was successful ($M_{\text{recreational}} = 3.83; M_{\text{task-oriented}} = 3.41; F(1,59) = 2.04, p < .05$). Moderated mediation analysis with bootstrapping (Hayes, 2013) was used to test the hypotheses. Results indicate a significant interaction between two-way communication and shopping motivation on willingness to pay ($p < .05$). Probing the role of psychological ownership as a mediator, we find that the conditional indirect effect of two-way communication on willingness to pay was significant for recreationally-motivated consumers ($p < .05$) but not for task-oriented consumers. The direct effect of two-way communication on willingness to pay was marginally significant ($p = .07$).

Key Contributions
This study offers the first evidence that differences in consumer motivational orientation impact the emergence of psychological ownership and subsequent product valuation. Our results demonstrate experimentally not only that perceived two-way communication in a digital medium enhances psychological ownership, but that this effect is stronger when consumers are recreationally motivated than when they are task-oriented. While we do not purport to study the endowment effect, our results are consistent with findings that the endowment effect is elicited more strongly by hedonic than by utilitarian products (Shu & Peck, 2011).

Results of this study suggest such research questions as whether motivational orientation might also affect psychological ownership over products purchased through an interactive medium and what the role of co-construction of self might be (Belk, 2013). As new technologies such as flexible screens, digital wallpaper, and “chiplets” the size of a grain of sand become viable, we are moving into a world of the “Internet of things” (Gershenfeld, Krikorian, & Cohen, 2004). Both literally and figuratively, two-way communication is becoming part of the fabric of our lives, and managers of digital technologies may enhance valuation by encouraging more hedonic motivations on the part of consumers.

References are available upon request.
The Hidden Value Drivers: Explicit and Implicit Antecedents of Customer Perceived Value

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Keywords: customer perceived value, neuro economics, Zurich model of social motivation, implicit measures, reaction time measurement

EXTENDED ABSTRACT

Research Question
Why people prefer specific brands over others is directly connected to the perceived values of the considered goods. Although a lot of research has been done to uncover the hidden processes in the human brain, most research does not to explore the dynamics of consumers’ value perceptions in its full complexity. Still, most studies rely on traditional self-assessment scales that are based on explicit measures of consumer’s product and brand related behaviors, although this practice is susceptible to two kinds of bias ever since: First, participants are not always aware of all reasons that drive their perception and behavior and second, participants regularly do not express their true attitudes and beliefs by giving wrong answers out of concerns regarding social desirability. In contrast to sole explicit measures that are based on the ability and willingness of consumers to answer correctly, implicit measures focus on consumers’ unconscious and mostly automatic reactions toward different marketing stimuli. In this regard, our study introduces an integrated approach analyzing the impact of consumers’ brand related motivation (implicitly and explicitly measured) on customer perceived value. By analyzing motivational set-points in relation to customer perceived value, marketing managers can specifically discover and eliminate gaps in brand perception in order to identify e.g. switching tendencies towards other brands with more ideal motivational brand-customer-value fits.

Method and Data
In our paper, we define customer perceived value (CPV) as a result of the three main motivational reference values (security, arousal and autonomy) described by the Zurich model of social motivation (ZMSM). Our central hypothesis here is: The more a brand reaches the inner motivational set-points of a customer regarding any given category of product on both a conscious and subconscious level, the higher is the perceived value.

To investigate the research model, and to check all proposed hypotheses, a survey with a snowball sampling method was conducted in Germany. A total of 695 valid questionnaires were received in July 2012. After some common introductory questions, first, a reaction time measurement was executed (IAT) by the interviewees with reference to implicit brand motivation. Then second, the participants received a questionnaire addressing explicit brand motivation. Next, a customer perceived value self-report followed. Finally, the participants answered socio demographic questions.

Partial least squares (PLS) was employed to examine the drivers and outcomes of brand motivation, and therefore to test all postulated hypotheses. Due to the methodical reason that our conceptual model consists of formative (here: explicit and implicit brand motivation dimensions) as well as reflective measures (here: all four dimensions of customer

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perceived value), PLS structural modeling was considered as the appropriate method.

**Summary of Findings**

All (formative) explicit and implicit measures of brand motivation reached satisfactory values regarding indicator reliability and internal consistency. Furthermore, the reflective indicators for the measures of customer perceived value (here: affective, economic, functional, and social CPV) showed sufficient high factor loadings with .815 being the smallest loading, thus indicating item reliability. Additionally, all four reflective constructs exhibit satisfactory values in terms of internal consistency: The average variance extracted (AVE) estimates range from 76% to 92%, the Cronbach’s alphas range from .696 to .915, and the composite reliability values range from .864 to .959. Furthermore, we used the Fornell-Larcker criterion to evaluate discriminant validity. All tested latent variables passed the required criterion, hence suggesting discriminant validity.

Against the background of a high reliability and validity of each measure, the predictive quality of the introduced conceptual model was assessed in a next step. First, the coefficients of determination of the endogenous latent variables ($R^2$) were evaluated. In this study, the calculated $R^2$ values range from .25 to .36. With reference to Chin, those $R^2$ values are termed as moderate. Finally, we assessed Stone-Geisser Q-square values using a blindfolding procedure (cross-validated redundancy), with .19 being the smallest Q-Square-value. Therefore, the introduced PLS structural equation model performs a reasonable predictive relevance.

**Key Contributions**

First, the presented research provides a multidimensional framework of value-based drivers of explicit and implicit brand-related motivation with focus on customer perceived value. Second, the findings indicate that customer perceived value is strongly influenced by an interplay of explicit and implicit processes with reference to brand-related motivation. In this study, explicit brand-related motivation particularly affects the functional CPV, while implicit brand-related motivation primarily drives the affective CPV. Third, the results indicate that explicit and implicit brand perception is influenced by different mental states regarding brand-related motivation. On an explicit level, brand-related motivation was strongly constituted by brand arousal and security motivation. In contrast, brand security and autonomy motivation founded brand-related motivation in an implicit way.

References are available upon request.
The Complex Web of Values

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Keywords: extrinsic religiosity, intrinsic religiosity, materialism, privacy concerns, values

EXTENDED ABSTRACT

Research Question
Understanding the relationship between consumer values and privacy concerns is important because it expands understanding of the way that values influence behaviors in to the online context. Moreover, it offers insight into why consumers have different mechanisms behind their online preferences and decisions.

Method and Data
An online survey was developed using Qualtrics. The survey was distributed to marketing students at a major university in the Southeastern United States; the students were asked to forward the link to five people and were offered extra credit for participation. The use of snowballing was appropriate because it enabled the sample frame to extend beyond university students. Two hundred and seventy participants completed the survey. The average respondent age was 35; 47.8% of the sample was male and 52.2% female. The hypothesized paths in the model were tested in MPlus 6 using path analysis.

Summary of Findings
The study found that materialism decreases privacy concerns and that religiosity influences traditional values, materialism, privacy concerns, and purchase behavior. Furthermore, there is no relationship between self-direction, tradition, and materialism.

Key Contributions
Some of the values we examined seemed to be antecedents to privacy concerns while others were not. Relying on a single value structure would have restricted our understanding of privacy concerns. We found that beliefs, value, and behaviors are layers that unfold such that consumer values influences perception of risk, and in turn changes consumers’ behavior. During this process, a consumer’s religiosity plays a role in changing values, perception of risk, and behavior. Intrinsic religiosity positively influences traditional values whereas extrinsic religiosity negatively influences it and positively influences materialism. In turn, privacy concerns are negatively related to both materialism and extrinsic religiosity. Finally, the more intrinsically religious an individual, the less likely he or she is to engage in online purchase behavior.

References are available upon request.

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The Interaction Effects of the Format of Calories Disclosure, Message Focus, and Self-Control on Health Food Evaluations

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EXTENDED ABSTRACT

The issue of obesity has received a great deal of attention both in academia and in the popular press (e.g., Dhar and Baylis 2011). For public policy makers and consumer advocates, how to promote healthy food has been identified as one of the primary methods of contributing to the obesity solution. Thus, the research question of this study is to understand how to frame messages will persuade consumers to evaluate healthy food.

Studies by Aaker and Lee (2001), Pham and Avnet (2004), and Wan, Hong, and Sternthal (2009) have suggested that the regulatory focus (i.e., promotion-focus vs. prevention-focus) is a strong predictor of judgment, cognition, and behavior. A basic assumption of regulatory focus theory is that individuals are more concerned with information that is relevant to their activated goals or motivations (Aaker and Lee 2001; Cesario et al. 2004; Chernev 2004; Florack and Scarabis 2006; Higgins 2002). Accordingly, this study argues that message focus plays an important role in health food evaluations.

Moreover, the research scope of this study is also to explore how calorie labeling impacts on health food consumption. Although prior research has shown the importance of nutrition labels in terms of their influence on health beliefs, purchase intention and choice behavior (Chernev and Gal 2010; Howlett et al. 2009; Moorman 1990; Russo et al. 1986; Wansink and Chandon 2006), to our knowledge there has not been any consideration of whether the format of calorie disclosure for combination food items should be aggregated or separated.

This study further proposes that the persuasiveness of message focus and the format of calories disclosure for health combination foods will depend on people’s levels of self-control. People with higher levels of self-control may try to control many desires because they contradict and prevent the achievement of important current goals that they are pursuing (e.g., to maintain one’s weight) (e.g., Fishbach, Friedman, and Kruglanski, 2003), whereas those with lower levels of self-control simply choose what they want. Thus, the main purpose of this study is to explore the interaction effects of message focus, the format of calories disclosure, and self-control on health food evaluations.

The study design was a 2 (message focus: promotion-focused vs. prevention-focused) × 2 (format of calories disclosure: separated vs. aggregated) × 2 (self-control: high vs. low) between-subjects design. The results revealed that when the calories disclosure is separated, using a promotion-focus message for individuals with high self-control will strengthen their eating intentions, whereas using a prevention-focus message is an effective way to increase the health food eating intentions of those with lower self-control. It is important for marketers to communicate an appropriate message to each relevant target audience. The findings suggest that rather than simply relying on one type of message focus across all customers, marketers should tailor their marketing messages to customers with high or low levels of self-control and should activate an appropriate format of calories disclosure in the nutrient information provided to each consumer segment.

References are available upon request.

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**Digesting Food Information: A Focus Group-Based Typology on the Ways in Which Consumers Process Food Information**

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**ABSTRACT**

The authors investigate effective food information processing in the context of food literacy and identify personal and situational drivers and barriers. Data from 9 focus groups (n=40) revealed a consumer typology with food information avoiders, -users, and media and food-literate consumers. Unperceived food knowledge gaps were found in all groups.

**Keywords:** consumer food literacy, effective information processing, food information searchers and avoiders

**Introduction**

Daily food choices affect our body more than anything else, but often it seems that consumers’ food decisions are not well informed, as for instance the discussion about food labels and their actual use shows (Koenigstorfer, Groeppel-Klein and Kamm 2014). This is why consumers’ food literacy is a particularly important research topic. We aim at explaining food literacy and finding possible drivers and barriers for consumers’ food information search to derive recommendations for public policy and food marketing.

**Literature Review**

*Effective Information Processing as a Dimension of Food Literacy.* The construct of context literacy has been explored in many disciplines (e.g. computer literacy, media literacy, financial literacy, or health literacy). Initially, literacy research focused on the identification, evaluation, and use of information, and thus on *information literacy* (Bruce 1999, p. 33). Information literacy as a general ability to handle information effectively focuses solely on consumer information processing and is not a specific context literacy (Bawden 2001, p. 230). Consumers’ information processing can be considered a relevant dimension for every context literacy. Information literacy, however, it is not the only dimension, since research on general literacy indicates that knowledge (Adkins and Ozanne 2005, p. 94) and actual use of information also play a role in making a consumer functionally literate (Viswanathan, Rosa and Harris 2005, p. 16). We thus define food literacy as consumer knowledge about food and the use of this knowledge, as well as responsible and self-determined everyday nutritional choices based on the effective use of food information.

The definition incorporates four key dimensions: (1) nutrition knowledge, (2) effective processing of food information, (3) the responsible, and (4) self-determined use of food knowledge and information. Since there already is an existing body of research for the first dimension of nutrition knowledge (Dickson-Spillmann, Siegrist and Keller 2011), we focused on the second dimension of processing food information. To better explain the dimension we investigated drivers and barriers to gain and process food information. Thereby we developed a basis for the investigation of the third and fourth dimension.

*Consumer Research on the Processing of Food Information.* Consumer information behavior can be modeled as a three-part process: acquisition, processing, and use (Wilson 1997, p. 569). To qualify an information search as ‘active’, consumers need to be motivated and capable of searching for information (Bettman and Park 1980, p. 244; Schmidt and Spreng 1996, p. 248).

Zaichkowsky (1985, p. 347) suggests that involvement plays a mediating role with regard to active consumer search.
Higher levels of involvement are associated with an increase in consumer motivation to actively search for information and vice versa. Since involvement with the food product category is generally low (Drichoutis, Lazaridis and Nayga 2007, pp. 897 ff.), active search for information is often limited. Furthermore, consumers who are involved on a low level are especially reliant on heuristics (cognitive simplification processes), and as a result they selectively ignore information (Gigerenzer and Brighton 2009, pp. 107 f.). According to Zaichkowski (1985, p. 342) apart from product category related factors there are personal and situational factors influencing involvement. They thus indirectly also influence an active information search.

**Personal Factors.** A personal factor explaining the differences in information search is consumers’ generalized tendency to search for information. This tendency can be explained as the individual’s general need to process information. Furthermore, consumers’ tendency to search can also be strengthened by perceived cognitive dissonance (Wilson 1997, p. 557). Johnson and Russo found that consumers who knew a lot about food products had no problem processing new information, but they also used their knowledge to limit their search behavior (Johnson and Russo 1984, p. 548).

**Situational Factors.** Factors that may lead to increased involvement based on the situation are perceived risk (caused by a food crisis), changes in product attributes (Thogersen, Jørgensen and Sandager 2012, p. 194), or other facts leading to perceived cognitive inconsistency.

The amount of information needed strongly depends on the type of purchase situation. Buying decisions for food products take place mainly without cognitive control and thus active information search: they often can be classified as habitualized or impulsive (Weinberg 1995, pp. 246 f.). It becomes evident that in the literature mainly explanations for drivers of active information search exist. However, since actual information search is often limited in a food context, we focus on barriers for active food information search and processing.

**Method**

In our qualitative approach (Wilson 1999, p. 250) we used focus group discussions to reveal unexpected findings through participants’ interaction, to encourage discussion about a low involvement topic (information search for food products), and to promote individual reflections on the topic.

In June 2013, we recruited non-student participants at different life stages in a mid-sized German town by intercepting them on the main street. 40 consumers participated in our 90-minute focus groups of three to six participants each (mean age 44.7). Focus groups were guided by trained moderators. By grouping participants together based on two screener questions (children living at home (yes/no) and age (under and over 40) we avoided risks from too much group heterogeneity.

Since we were interested in consumer reactions to actual food information, we integrated a newspaper report as a trigger. It was an article from Germany’s most widely read newspaper (BILD), which contained a warning about germs in ready-to-eat salads citing findings from Stiftung Warentest (the German consumer advocacy organization comparable to the U.S.-based Consumer Reports). In each focus group, two independent research teams created two detailed protocols with key participant citations. Two researchers independently coded key quotes using MAXQDA. The first set of codings was created based on a literature review. More codings were added in the further data analysis process (Miles and Huberman 1994, pp. 58–66).

**Results**

**Development of a Consumer Typology Based on Their Degree of Information Search.** Results of our focus groups revealed two types of consumers: those who are highly involved and engage in active information search, and those who have a low level of involvement and do not actively search for food information. Since Zaichkowsky (1985, p. 347) measured the validity of the involvement construct through interest in product-related information, we assumed that consumers who mentioned that they actively searched for information were highly involved with the product category (or the purchase decision). Consumers could not be categorized as either permanently low or high involved, because a participant might be more highly involved as a result of certain situational factor. We focused on high and low involvement and excluded moderate involvement, as our data did not warrant distinguishing moderate involvement from the other levels. An overview is given in Table 1. Our findings corroborated earlier findings on the relevance of situational factors (information leading to a cognitive dissonance, perceived risk, and changes in product attributes) as drivers for food information search. Our study further revealed additional situational factors that have not been mentioned in the extant literature on the topic: special events (eating out, or trying a special recipe), and social influences (cooking for guests) contribute to heightened information search. Personal factors also contribute to increased information search: personal circumstances leading to a diet and life course events like having a baby could be identified.

Since low involvement information processing is especially relevant for food marketing, we focus on barriers to information search and consumers’ heuristic processing strategies that have not received wide attention in the literature.
Situational Factors That Have a Negative Influence on Information Search. We found time constraints to be an important factor when it comes to low involvement and the limited processing of information. The development of certain habits out of experience may be a strategy that allows consumers to avoid looking at all product details and eliminate their need for new information.

“It depends what you’re buying... when you go shopping, you don’t have time to read every single package. When you buy your standard products, there’s really no need to read very much.” No. 16, f, age 47

Interestingly, participant No. 16 indicated that for certain standard articles (her low involvement food products) not searching for information was adequate. In so doing, she implicitly revealed that for certain other food products (her high involvement food products) it was not an appropriate strategy.

Personal Factors that Have a Negative Influence on the Information Search Process. As we have shown, consumers use different heuristics like “foods of non-German origin = a bad taste”, “organic = reliable”, “many E numbers [i.e., generally recognized as safe (GRAS) food additives] in the list of ingredients = do not buy”, or “others buy it = this food product cannot possibly be dangerous” as means of limiting their quest for information. Since low involved consumers avoid extensive information search, heuristics can be interpreted as a strategy to cope with the amount of daily food information. Some of these heuristics seem even to be understood as hard fact knowledge by the consumers. Thus, these heuristics are used as strategies to cover knowledge gaps unperceived by the consumers.

“If there are too many E’s you better just don’t take it from the beginning”, No. 10, f, age 49

Other quotes hint to a certain base level of generalized trust in the food and social system. Since several participants men-

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**Table 1. Typology on the Ways in Which Consumers Process Food Information: Triggers, Sources of Information, and Coping Strategies**

<table>
<thead>
<tr>
<th>Degree of information search / involvement</th>
<th>Factors leading to high or low level of information search</th>
<th>Information source</th>
<th>Coping strategy</th>
</tr>
</thead>
</table>
| Food information searchers characterized by high involvement | *Situational*
  - Information leading to a cognitive dissonance*
  - Perceived risk*
  - Changes in product attributes*
  - Other information source (television, packaging)
  - Special event (eating out, special recipe)
  - Social influence (having guests)
  - Personal
  - Circumstances leading to a special diet
  - Life course events
  - General tendency to search for information*
  - Perceived nutritional knowledge* | Package information | Active search |
| | Internet | Medical consultation | Extensive buying decision |
| Food information avoiders characterized by low involvement | *Situational*
  - Time constraints
  - Personal
  - System trust
  - Perceived nutrition knowledge* | Passively consumed media such as television | Passive search/attention |
| | Usage of heuristics | Relying on internal information | Habitualized buying decision |
| | Shopping list | | |

*Factors already described in the extant literature.
food information searchers, who can be further divided in two subgroups: (2a) Food information users, and (2b) Media and food-literate consumers.

Food information avoiders do not use the information. What is more, they mainly criticize the dramatic tone of the article and emphasize that they disregard such news.

“You have to take things with a pinch of salt, otherwise you’ll go crazy.” No. 65, m, age 28

“I’ve been on this planet for a few years, and I’m pretty resistant to that kind of fear-mongering.” No. 73, m, age 33

No. 65’s quote shows that the consumer could not be bothered to engage cognitively (“with a pinch of salt” = indicator of the desired level of cognitive engagement). No. 73 relies on his own subjective experience, which can be seen as a coping strategy to justify low involvement.

Food information searchers are divided in two subgroups. Information users agree with the article; they have a certain trust in the source and tend to change their behavior after media contact (at least for a certain time). They actively use the information provided.

“Oh, definitely. I wouldn’t buy it any more (the food in the report about the scandal), not even for convenience.” No. 66, f, age 73

Media and food literate consumers even draw a further distinction between the two sources of the article (tabloid and consumer organization) and look at the topic with greater distance. They calculate their own risk and then come to make their product choice independently, which indicates a high level of food literacy.

“I wouldn’t trust a tabloid, but I would trust a consumer organization. At the same time, I think the fear-mongering is questionable.” No. 23, m, age 58

“I’m not afraid of anything. I consciously take note of the information, but I think people have to weigh the risks for themselves.” No. 69, m, age 41

Discussion and Further Research

Our paper contributes to the extant literature on food information behavior by showing that to understand consumer food literacy not only consumers’ knowledge about food, but also the information processing dimension of food literacy has to be taken into account. Second, our data indicates that based on their different degrees of information search, consumers can be categorized as information acquirers or information avoiders. Based on their reaction to new and ambiguous food information, the two groups can be distinguished by their food information coping strategies and the sources of information they use.

Contrary to our expectations, we did not find any evidence that consumer search behaviors intensified as a result of a food scandal, although food involvement may increase for a short time. Even when confronted with the newspaper article on the crisis, consumers rely on only this one source and their own perceived knowledge, and do not engage in further information search.

Information avoiders use coping strategies like heuristics, passive information acquisition, and shopping lists. They buy food in a habitualized way or limit their buying decisions to their evoked set. While consumers with a high level of confidence regarding their food knowledge tend not to engage in active information search, this does not mean that they indeed have a high level of nutrition knowledge in objective terms. Still, these consumers use a coping strategy in which they rely on their own information and experience. This fact is somewhat alarming for consumer advocates, as unperceived consumer knowledge gaps cannot be eliminated (see also Alba and Hutchinson 2000). Since trust in the food system seems to be high, consumers do not appear to be alarmed if they do not understand food-related information. From the perspective of public policy marketing, this finding sounds a note of caution: since consumers often rely on trust-based heuristics, they may not be willing to make an effort to close their knowledge gap about nutrition. When aiming at increasing consumer’s food literacy, public policy makers should make people sensitive to their own knowledge gaps they are yet unaware of. At the end of our focus groups we provided
a nutrition knowledge test among participants. This could also be an interesting approach for public policy makers, since most of our participants were shocked at how few test items they could answer correctly, even if before they were very confident about their nutrition knowledge.

**Limitations**

Our qualitative study does not claim generalizability. Although we did not use a student sample, the formal education and income of our participants was higher than the German average. From a methodological point of view, socially adequate answering is a common problem in focus groups (some findings had to be eliminated due to this problem). Third, we did not attempt to fully explain the causal relationships that have mediating or moderating effects on consumer food information processes. To properly explain and predict how consumers digest food information, we thus propose to follow an experimental approach in our future research.

**References**


A View to a Choice: The Effects of Lateral Visual Field on Choosing Between Healthy Versus Unhealthy Food Options

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Keywords: lateral visual field position, healthy and unhealthy options, choices, eye-tracking

EXTENDED ABSTRACT

Research Question
Can the lateral (left vs. right) visual field position of healthy and unhealthy food options influence choices? For instance, in the context of a retail store display, would placing a healthy and an unhealthy food item on consumers’ left versus right visual fields influence their choices?

We develop our conceptual framework primarily by building up on prior work in the domain of spatial representation of magnitude. In particular, we propose and find that individuals tend to mentally map increases in magnitude as moving from left to right and that presenting food items consistently with this mental representation influences choice. In sum, we hypothesize that there will be greater preference for the healthy food options when it is placed on the left (vs. right) of the unhealthy food item.

Method and Data
We test our hypotheses with the help of five experimental studies. Study 1 examined if presentation of two food items (healthy vs. unhealthy) on the left versus right of the unhealthy food item influences choices, which demonstrated that a greater proportion of participants chose the healthy option (broccoli salad) vs. unhealthy one (grilled cheese sandwich) when it was on the left visual field. Study 2 provides preliminary process evidence for this phenomenon by demonstrating that consumers have a greater preference towards positioning the healthy (unhealthy) item on the left (right) side of a menu. Study 3 explored the underlying mechanism behind this effect and provided evidence that processing fluency mediates the relationship between lateral visual field presentation and choice. Study 4 examined the moderating effects of deprivation state (in form of hunger). The results of this study showed that the effects of lateralized presentation of food options were attenuated when the choices were made under high hunger. Finally, Study 5 attempts to explore the role that visually processing information from left-to-right plays on consumption choices by using an eye-tracking methodology.

Summary of Findings
The results of our studies demonstrate that in a scenario involving a healthy and an unhealthy food item, with each placed on different lateral visual fields, consumers are more likely to choose the healthy item when it is displayed on the left (vs. right) visual field. The results of an eye-tracking study provided empirical evidence regarding our theorizing.

Contribution
To the best of our knowledge, this is the first research to examine how lateral visual field positions (left vs. right) of healthy and unhealthy items might influence choices. From a theoretical perspective, the findings of this research provide further insights into how consumers organize healthy and unhealthy food items mentally and how this organization affects consumption choices. This is especially relevant given rising obesity rates worldwide.

References are available upon request.
Tasting in 2D: The Influence of Food Shape/Dimensionality on Nutritional Perceptions and Consumption Decisions

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Keywords: food shape, nutritional perception, sensory perception, consumption decisions

EXTENDED ABSTRACT

Research Question
Given the frequency with which marketers use food shape/dimensionality as a strategic tool it becomes important to understand how the shape/dimensionality of food products influences consumers’ perceptions and consumption decisions. In this research we take a step towards achieving such an understanding by addressing the following research question: Can varying the shape/dimensionality of foods have the unintended consequence of influencing consumers’ nutritional perceptions of the food or their subsequent consumption decisions, and if so, why might this occur?

Method and Data
A series of four experimental studies were conducted to understand the link between food shape/dimensionality and consumers’ nutritional perceptions and consumption decisions. In Study 1a we examined the basic effect of food shape on nutritional perceptions by having consumers estimate the calorie content of a long-and-thin (i.e., parallelogram shaped) piece of cheese or an equal weight tall-and-thick (i.e., cube shaped) piece of cheese. In Study 1b we examined how food shape influences desired consumption volume by having subjects indicate the number of pieces of a parallelogram shaped pineapple or a cube shaped pineapple they would like to consume. Studies 2a and 2b examined the moderating effect of making the product thickness salient on consumers’ calorie estimates (Study 2a) and desired consumption volume (Study 2b).

Summary of Findings
The results of our four studies show that consumers perceive long-and-thin (parallelogram) shaped foods as higher in calories than equal weight tall-and-thick (cube) shaped foods. They also desire to consume a larger volume of tall-and-thick (cube) shaped foods.

Key Contributions
The findings of four studies add to the growing stream of literature on perceptual biases in product evaluations by showing that a product’s shape/dimensionality tend to influence nutritional perceptions and consumption decisions.

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References are available upon request.
Mothers’ Perceptions of Advertising and Regulating Children’s Screen Media Usage

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Keywords: marketing to children, public policy, screen media

EXTENDED ABSTRACT

Research Questions
The relationship between children and their exposure to television advertising has been a controversial topic for 30+ years, with the debate focused primarily on the vulnerability of young children and their ability to comprehend advertising message intentions. While the research has focused on television as the primary influence toward kids, it has virtually ignored the growing role of other media directed toward young children and their increased multi-media exposures. Although research establishes the parameters of how media fit in young children’s lives, it does not establish how parents — and in particular mothers — feel about the role between their children and screen media. Hence, the purpose of this study is to investigate mothers’ attitudes toward advertising in general, how this relates to attitudes toward advertising directed toward children aged 2- to 7-years old, and how these attitudes influence the parents’ mediation of screen media (television, videogames and the Internet) usage. Finally, mothers’ perceptions of their own responsibility and the government’s responsibility with screen media are evaluated. A deeper understanding of these issues can help explain how children’s exposure to the various screen media affects their socialization process as well as their attitudes toward products and brands.

Method and Data
To test the hypotheses, a message requesting the mother’s participation was posted via online parenting and community websites with a survey link. Only mothers with children aged 2-7-years old were allowed to complete the questionnaire. The survey gathered the mothers’ general attitudes toward advertising, their attitudes toward advertising directed toward their child, their restrictive mediation of screen media for their child, their perceived responsibility toward monitoring their child’s usage of screen media and their perceptions of the government’s responsibility in regulating advertising toward children via screen media.

A sample of 119 mothers who had at least one child aged 2- to 7-years old was obtained from the different online parenting message boards. Of the total children aged 2-7-years-old in the households, 44 had 2-year-olds, 34 had 3-year-olds, 23 had 4-year-olds, 27 had 5-year-olds, 13 had 6-year-olds, and 17 had 7-year-olds.

Summary of Findings
Four of the five proposed hypotheses were support in this study. Mothers’ attitudes toward advertising in general had a significant effect on mothers’ attitudes toward advertising directed toward children. In addition, mothers’ attitudes toward advertising directed toward children had a significant but negative effect on their restrictive mediation of screen media usage. However, no indirect relationship was found between mothers’ attitudes toward advertising in general and their restrictive mediation via attitudes toward advertising to children. Lastly, mothers’ perceived responsibility of the child’s media usage and mothers’ perceptions of government involvement with screen media were evaluated relative to mothers’ restrictive mediation of screen media usage. Both were found to have a direct and positive relationship with how the mothers restricted their children’s access to screen media.

Key Contributions
The current study examines mothers’ attitudes toward screen media besides television, which have content directed toward the youngest age groups, and this exploratory research is the first step in evaluating mothers’ attitudes toward such media and their role in children’s consumer socialization and potential governmental restrict-
tions. This research adds a new element to the academic literature on screen media used by young children. Previous research has focused exclusively on advertising toward children via television; only recently have other screen media, such as videogames and interactive websites, received some attention. Moreover, most research has focused only on children older than seven, but the growing use of the Internet and other screen media by younger children indicates the importance of understanding the influence of these media. Young children are important consumers. A renewed interest in research about the relationship between children and advertising is needed because much of the research fails to account for the newer media. Hence, it is time to reevaluate existing research and pursue how innovative and interactive media affect children’s perceptions of advertising.

References are available upon request.
The Effectiveness of Advertorials Versus Classic Advertisements

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Keywords: advertising, effectiveness, advertorials, IMC

EXTENDED ABSTRACT

Research Question
In today’s competitive media environment, consumers are becoming more and more critical towards classic advertisements. Thereby consumers’ mistrust is reflected in the information-evaluation and -processing and can lead in the worst case to a negative attitude towards the company (Darke and Ritchie 2007). Therefore, advertisers employ other formats, advertorials being one of them, to raise message credibility, strength, and objectivity in order to avoid possible mistrust of the recipients. However, in current research literature there is no clear consensus when and whether advertisements or advertorials should be used (Dix and Phau 2009; Eisend and Küster 2010; Sandler and Secunda 1993). Due to this, the aim of our research is to analyze in detail the effectiveness of classic print advertisements and advertorials. In our analyses we employed message credibility, strength, and objectivity as well as corporate image as dependent variables. Further, our study not only analyzes the different effects of the two formats at a time but also examines the effects of a sequence of stimuli over time. As theoretical background we refer to the cognitive response theory (Greenwald 1968) and the source credibility model (Hovland et al. 1953; Sternthal et al. 1978a; Sternthal et al. 1978b).

Method and Data
To analyze the research question we applied a 4 (groups) X 3 (waves) mixed-between-within experimental design. The experiment was conducted online. Participants were randomly assigned to one of four treatment groups with different advertising format sequences: (A) advertorials only, (B) advertorial followed by classic advertisement followed by advertorial, (C) classic advertisement followed by advertorial, (D) classic advertisement only. Participants had to browse online a shortened pdf-version of a well known daily Austrian newspaper with a good reputation. Within the newspaper an advertorial or a classic advertisement (depending on the treatment group) was placed. For better comparability of the stimuli the advertisement and the advertorial had an overarching theme. Both promoted the favorable prices of a well-known grocery chain. After browsing the newspaper participants were asked to fill out an online standardized self-completion questionnaire. Due to panel mortality a total of 93 participants completed all three waves of the experiment. The sample represented the relevant target group of the newspaper.

Summary of Findings
Our analyses clearly revealed that classic advertisements are significantly perceived as more credible, objective and have more message strength in comparison to advertorials, when promoting favorable prices of a grocery chain. Whereas no significant impact of the advertising format on corporate image could be found. Further, our analyses revealed that the order of advertising formats significantly influences the perception of message credibility, strength and objectivity, while the image is only slightly affected by the sequence. Stronger effects according to message credibility, objectivity and strength exist if initially an advertorial is seen followed by a classic advertisement. These findings are to some extend consistent with previous research (Jin et al. 2006; Loda et al. 2007; Loda Coleman 2005).

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**Key Contributions**

Our study provides a better understanding of the effective use of the two formats within the integrated marketing communication mix. Findings suggest that consumers were more convinced by classic advertisements and perceived this format as more credible, objective and with better message strength. Grocery chains should therefore use classic advertisements to promote favorable prices. In general, companies are advised to apply advertising formats that consumers are familiar with and which do not generate reactance by the recipients. According to cognitive response theory the objective of a message must be to create agreement of self-generated cognitive responses with the message. In cases without familiarities or when high involvement products should be promoted, advertorials might be used. Since advertorials may present information in a more argumentative way they therefore may create more information strength and credibility than advertisements.

*References are available upon request.*
Inspire Me to Donate: The Use of Mixed Emotions in Public Service Announcements

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EXTENDED ABSTRACT

Summary
For decades researchers and marketers in charity organizations have tried to find out what persuades people to donate. Answers to this question would enable charity organizations to design more effective and persuasive appeals in their public service announcements (PSAs). One common practice used in PSAs is to emphasize the unfortunate situations facing the donation target, for example, flood victims losing their homes, to convey negative emotions such as sadness, fear and tension (Bagozzi and Moore 1994). These negative emotions are said to make people more empathetic towards the target’s plight and to increase their tendency to donate (Bagozzi and Moore 1994; Fisher, Vandenbosch, and Antia 2008).

In contrast to this focus on the use of negative emotions in PSAs, there has been little research examining the effectiveness of using positive emotions in PSAs. Even less attention has been paid to the effects of using mixed emotions (e.g., both positive and negative). Although negative emotions are more common and easier to convey in PSAs soliciting donations, it is undeniable that positive emotions such as strength and determination can also be induced. Yet little research has examined the effectiveness of using positive or mixed emotions.

In this research we focus on PSAs that request donations for victims of unfortunate situations such as floods, earthquakes and endemic poverty. As there is bound to be negative emotions in such PSAs, our main objective is to examine the impact of using mixed emotions, both positive and negative, as a means of soliciting donations.

Study 1
The purpose of study 1 was to test the proposed inspiration-helping hypothesis on PSA evaluation. Eighty-one undergraduate students (53.1% males) at a large public university in China participated in the study for partial course credit. The study employed a 2 x 1 between-subject design (emotion: negative vs. mixed). Based on focus group (n=20) discussions, emotion was manipulated by using a PSA appealing for aid to a Young Children Education Foundation. This ad showed the face of a young child with text descriptions. In the negative emotion condition, the PSA text described the sadness of the situation facing the child (e.g., disability, poverty, lack of education opportunity). In the mixed emotion condition, the text described both the sadness of the situation and the strength, perseverance and self-reliance shown by the child dealing with the situation. After viewing the PSA, the participants were asked to respond to questions measuring inspiration, empathy, and PSA evaluation.

Results. The result of a factor analysis showed that the empathy scale had one convergent factor (factor loading from .72 to .89) with a Cronbach’s alpha of .87. The inspiration scale also had only one convergent factor (factor loading from .85 to .92) with a Cronbach’s alpha of .94. The results of varimax rotation indicated that empathy and inspiration are separate constructs. We then tested the mediation effect of empathy and inspiration on the impact of different emotions on PSA evaluation. We ran the mediation analysis following the procedure used by Baron and Kenny (1986) (see Table for mediation analysis results). We found that inspiration had a full mediation effect between emotion and attitude, but empathy did not. In particular, including inspiration (β=.30, SE=.08, p<.05) as a covariate in the PSA regression, the effect of emotion (β=.19, SE=.28, p>.13) became insignificant. However, including empathy (β=.11,

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1The authors acknowledge financial support from National Natural Science Foundation of China Research Grant for Young Researchers (71102099, 71202164), a Sun Yat-sen University “100 Talents Program” Research Grant (National “985 Project”) (14000-3181301), and a Start-up Grant from Sun Yat-sen Business School (1132012).
In study 1, we show that mixed emotions can lead to more positive PSA evaluations than negative emotions. In study 2, we examine whether mixed emotions can affect not only PSA evaluations but also people’s actual donation behaviors. In addition, we examine whether the effects of mixed emotions vary in strength among different types of message recipients. For example, previous research has shown that using mixed emotions is more effective among people who are more receptive to the duality of emotions (Williams and Aaker 2002). In the context of this research, we expect that female (vs. male) message recipients who have a more interdependent (vs. independent) self-construal are more likely to respond positively to using mixed emotions in a PSA. This is because women (vs. men) are in general more other-focused and sensitive to the expression of different types of emotions (Dommer and Swaminathan 2013; Markus and Kitayama 1991; Piliavin and Charng 1990; Winterich, Mittal, and Ross 2009). Thus female (vs. male) message recipients may be more likely to feel the mixed emotions in a PSA. Also, other-focused, interdependent (vs. independent) selves are said to be more likely to experience and tolerate ambivalence in emotions than self-focused, independent selves (Markus and Kitayama 1991).

Eighty-three undergraduate students (44.6% males) at a large public university in China participated in the study for partial course credit. The study employed the same between-subjects design (emotion: negative vs. mixed) using the same stimuli as study 1, with the additional measure of self-construal. The participants were first asked to complete an unrelated study and paid cash as the compensation (10 RMB in 1 RMB notes). After a 90-minute class, another experimenter came in and provided each participant with one of the two PSA stimuli (mixed vs. negative emotion conditions). Each participant who wished to donate was given an envelope to put in any amount of money he or she felt comfortable with, and asked to drop the envelope in a box in an adjacent classroom one by one. Each envelope was pre-marked in order to match the participant’s answers to a questionnaire after the donation. Participants who did not wish to donate could simply take a break outside the classroom. Communications between participants were not allowed during the study. This procedure was used to minimize the peer influence on the participants’ donation behavior. Finally, all participants were asked to go back to the original classroom to complete a questionnaire on manipulation checks, demographics, and self-construal (12 items from Gudykunst et al. 1996).

Results. We performed the same mediation analyses as study 1 to test the empathy-helping and inspiration-helping hypotheses. We found that the inspiration index (α=.91) had a full mediation effect between emotion and donation likelihood, but had no direct mediation effect on the two-way interaction between emotion and self-construal, and on the three-way interaction between emotion, self-construal and gender. Specifically, only emotion (β=.67, SE=.41, p<001) had a significant main effect on inspiration. Including inspiration as a covariate in the logistic regression on donation likelihood, inspiration (β=.56, SE=.23, p<.05) was significant but emotion (β=.45, SE=1.02, p>.66) became insignificant, while the two-way interaction of emotion and self-construal (β=20.04, SE=13.86, p>.15), and the three-way interaction of emotion, gender, and self-construal (β=29.88, SE=20.71, p>.15) remained insignificant. Sobel test indicated that inspiration mediated the effect of emotion (t=2.21, SE=.56, p<.05), but not the two-way (t=1.31, SE=3.79, p>.19) and three-way (t=1.28, SE=4.91, p>.20) interactions. We also found that empathy (α=.83) did not have the mediation effect between emotion and donation likelihood. Specifically, emotion did not have a main effect on empathy (β=.18, SE=.33, p>.21), and after including empathy (β=.56, SE=.33, p<.10) as a covariate, the effect of emotion (β=1.49, SE=.90, p<.10) on donation likelihood remained significant. Sobel test provided the same result for the mediation effect of empathy (t=1.01, SE=.23, p>.31).

Interestingly, same as study 1, we found that empathy (β=.40, SE=.14, p<.001) had a significant positive effect on inspiration. Furthermore, including both inspiration and empathy (β=.25, SE=.35, p>.49) as covariates in the logistic regression on donation likelihood, only inspiration was significant (β=.48, SE=.26, p=.06). Sobel test indicated that inspiration mediated the effects of empathy (t=1.68, SE=.17, p>.09). These results suggest that empathy could positively contribute to inspiration, which subsequently influence donation likelihood.

References are available upon request.
An Eye on Cause-Related Marketing Ads: Using Eye-Tracking to Investigate the Effects of Execution Style and Product Type

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Keywords: cause-related marketing, execution style, product type, eye-tracking, fixation duration

EXTENDED ABSTRACT

Partnership between product and cause is referred to as strategically cause-related marketing (CRM) and is a major corporate philanthropic trend to donate money to a charity each time a consumer makes a purchase (Varadarajan and Menon 1988). Advertising has been identified to determine the success of CRM, especially regarding how the product and cause are portrayed in an ad (Chang 2008, 2011, and 2012; Lafferty and Edmondson 2009). Traditional CRM ads emphasize products and product images and the CRM information is relegated to small text in the ad. However, some recent CRM messages are constructed to highlight the charity incentive, or a representation of the cause, with the product taking a supplementary role in the advertising copy. This alternative execution style may enhance the user’s image of the company since companies involved with CRM are perceived as generous and altruistic. Two major observations are drawn from previous research. First, previous research adopted self-reported measures of attitudes or/purchase intentions as indicators of advertising effectiveness (Chang 2008, 2011, and 2012; Lafferty and Edmondson 2009). Second, product type has been identified as an important factor in CRM research and distinguished into two types: hedonic and utilitarian (Chang 2008 and 2011; Strahilevitz 1999; Strahilevitz and Myers 1998). Chang (2012) recently suggested that, to enhance advertising effectiveness, selection of execution style should depend on the product type being promoted.

This paper contributes to this evolving stream of research by comparing the three execution styles (i.e., product-oriented ad and two types of cause-focused ads) in promoting CRM campaigns based on eye movement data. This research addressed (1) how fixation duration and viewing time varies as a function of execution style and product type, and (2) whether people view CRM ads in any particular order. In doing so, the study is capable of providing insight into the important, but previously unanswered questions of “What ad features facilitate better communication when different execution styles are employed? Can a beneficiary face in a CRM ad be easier or more difficult to be extracted? How should marketers place information in ads to effectively promote their CRM?” The current research suggests that the decision of whether to use a cause-focused or product-oriented visual can influence viewers to process ads differently.

A 3 (execution style: product-oriented ad vs. cause-focused ad with face image vs. cause-focused without face image) × 2 (product type: hedonic vs. utilitarian) within-subjects design was conducted. Based on a pre-test, ice cream and toilet paper were respectively used to manipulate hedonic and utilitarian products. Because the confounding of the image with the manipulation may render interpretation of the results difficult, the images of face and cause were standardized between two products. To avoid bias of specific picture selection, we used two versions for face images and two versions for cause images. The procedure above could solve for the confound for the different face pictures being uniquely assigned to each ad. Each participant was asked to view six ads (two products with three execution styles). The order of ads was randomized across participants.

Eye-tracking data were collected with a diverse group of 100 students at a large university. The eye-tracker sampled the position of users’ eyes at the rate of 50Hz. Areas of interest (AOIs) were generated as follows: headline, focal image,
product logo, and CRM activity description. A series of analysis of variance tests were implemented to compare the treatment effects on information processing. Chi-square tests were conducted on the participant scan paths and fixation distributions for viewing zones (the look zones) on the ads as the in-depth investigation of information processing.

The findings presented three major observations. First, compared with a product-oriented ad, fixation duration in a cause-focused ad is relatively shorter regardless of product type. The results suggest that cause-focused ads may “cut through the clutter” and echo what Chang (2002) recently suggested that focusing on the cause may be perceived as distinct from other commercial efforts. Second, product type is found to moderate the effects of two cause-focused ads in participants’ duration of fixations. A cause-focused ad with a focal image of beneficiary face is more likely to be processed easier. An image of social cause works for utilitarian product advertising. This may be explained by product nature. Emotional contagion caused by a human face (Small and Verrochi 2009) matches the emotional arousal caused by a hedonic product. Our results also echo the notion that affect may serve as a heuristic (Finucane et al. 2002), which facilitates information extraction. An image of social cause fits into the rational side of utilitarian product. Chang (2012) found that the congruence led to more favorable attitudes and purchase intentions. When viewing a product-oriented ad for the utilitarian product, participants spent most time on CRM activity description in the ad, which also matches with the cognitively oriented benefits of a utilitarian product. Based on our findings and Chang (2012), we may suggest a positive relationship between eye looking and attitudes/intentions when facing a utilitarian product. Third, the interaction between product type and execution style is found in participants’ eye viewing patterns. When promoting CRM with a product-oriented ad, the product logo and the headline are the ad features that catch consumer first attention regardless product type. When promoting CRM for a hedonic product with an abstract image of social cause, people tend to view either the headline or the image of social cause first. When promoting CRM for a utilitarian product with an abstract image of social cause, the headline is viewed first. The results suggest that people tend to see the image placed in the CRM ad for a hedonic product while people are likely to read the headline placed in the CRM ad for a utilitarian product. The findings echo the notion that a hedonic product speaks to the heart while a utilitarian product speaks to the head (Chang and Yen 2013). To enhance advertising persuasion, the congruence between the information provided and product nature makes information processing more easily.

The findings of fixation duration suggest that cause-focused ads do not appear to increase viewers’ attention and may actually decrease it. However, fixation duration serves as an index of the difficulty to extract information. Requiring less effort to extract information could be a mark of effective advertising. The findings of this research should enable advertisers to better plan, communicate, and execute their cause-related ads.

References are available upon request.
Celebrity Meanings, Race, Age, and the Male Market

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Keywords: consumer behavior, advertisements, male market, celebrities, race, age

EXTENDED ABSTRACT

The use of celebrity endorsers in advertisements is common and growing (Millward Brown 2007). Celebrity endorsers are worth their expense to advertisers because they imbue products with their own meanings (McCracken 1989), short-circuiting or reinforcing the lengthy process of building and positioning brands. However, not all targeted audience members for an advertisement ascribe the same meanings to a given celebrity (Puntoni et al. 2010). One might wonder if celebrities – even those best known – hold consistent meanings for all consumers.

Male celebrity athlete endorsers in particular hold unique significance to male consumers (Bush et al. 2004). Males themselves view consumption and advertisements differently than women (Goffman 1979, Klassen et al. 1993). At the same time, the male market is going through rapid change as reflected in men’s increasing focus on their bodies (Alexander 2003, Pope et al. 2000) and manifest in their shopping patterns (Salzman et al. 2006).

Men are further adjusting to the increasing diversity of the U.S. population, civil rights gains by minority since the 1950s, and the prominence of minority celebrities in American society. Black or African-American celebrities exert global impact on popular culture (see Heath and Potter 2004, Kitwana 2006, Tate 2003). This prominence ultimately has changed how men perceive minorities in sports, media and the arts as commercially viable aspirational figures. These significant cultural changes make the under-studied (Sterns 1998) male market an important area of exploration.

Advertising has the power to communicate cultural meanings about products (McCracken 1986). McCracken’s Model of Meaning Transfer situates advertising and the fashion system as instruments of meaning transfer. Advertisements for fashion and grooming products are particularly appropriate for this analysis due to the personal aspect of their purchase, public nature of their consumption, and unique meanings these product categories hold for consumers (Thompson and Haytko 1997; Murray 2002). It is important to note, however, the relevance of advertising polysemy, “the existence of at least two distinct interpretations from the same advertising message across audiences, or across time and situations,” (Puntoni et al. 2010, 52). McCracken’s Model does not address this reality. Furthermore, it does not differentiate between different sorts of values that can specify cultural differences among different age cohorts. Finally, it does not integrate endorser ethnicity as an indicator of meaning difference.

Advertising also provides both an archival record and normative guide for the consumer culture (Belk and Pollay 1985; Goffman 1979). Advertisements express societal values, (Schwartz and Sagiv 1995) and can expose value systems at a macro level (Rokeach and Ball-Rokeach 1989). In this regard, Schwartz and Sagiv (1995), in their study of values, found that values could be dichotomized into self-enhancement and self-transcendent dimensions, or those that focus on the self versus those that focus on others.

Advertisements today increasingly express self-focused versus other-focused values (Branchik and Chowdhury 2013). Given this growth over time, younger versus older males should have a greater degree of this increasing self-orientation. If they are exposed to ads that match their self-focused identity, they should express favorable evaluations of the brand and the advertisement, specifically, greater identification with the ad and consequent positive attitude towards the brand. In addition, embrace of black celebrity models is likely to be stronger with younger male age cohorts, who
should be more comfortable with multiculturalism, thus ascribing high levels of source credibility to black endorsers; in contrast, older males should have a greater affinity for white male celebrities.

Research Question
What age-based differences exist among male consumers in terms of the meanings those consumers derive from celebrity endorsers as they relate to (1) a celebrity’s race and (2) a consumer’s own value system?

Method And Data
This project consists of two studies. For the first study, 140 male respondents ranging in age from 18 to 65+ selected from an online consumer panel participated in an online experiment. Respondents first viewed one of two possible celebrities, one white and one black. Respondents were asked to respond to a semantic differential scale adapted from Ohanian (1991) associating meanings with the celebrity. Respondents next responded to a series of 7-point Likert scale statements assessing their familiarity with, attitude toward, and identification with the celebrity. Finally, respondents provided demographic information.

For the second study, 74 male respondents selected from an online consumer panel participated in an experiment with a 2x2 factorial design. Respondents first viewed one of four possible advertisements for a fictional men’s fragrance. The ad featured either (1) the black of white celebrity; and (2) contained either self-focused or other-focused taglines. Respondents were presented with the same scales as in study one.

Summary of Findings
These studies find that young men ascribe high levels of credibility and positive attitude to celebrities they identify with irrespective of race. Older men focus more on ad messaging rather than celebrity endorser ethnicity or consumer’s value system. This study, building on McCracken’s Model of Meaning Transfer, helps to explain how cultural meanings are transmitted from products via celebrity endorsers to male consumers.

Key Contributions
This research adapts McCracken’s (1986) model to incorporate some novel elements that, to the authors’ knowledge, have not been considered before. It integrates values in the culturally constituted world that as categories can indicate cultural differences. It specifies values as either self- or other-focused (Schwartz and Sagiv 1995). It is these values or value shifts that are then transferred to the male consumer via consumption. It further clarifies the advertising/fashion system mediator of values by adding model ethnicity and celebrity status. This inclusion acknowledges the key role that celebrity endorsers play in carrying out advertising messages (McCracken 1989). Finally, the adapted model integrates time, reflecting generational differences. As society becomes increasingly multi-cultural, (1) men become increasingly comfortable with multi-cultural imagery in advertising; and (2) men become increasingly self-focused in their value orientation.

References are available upon request.
Customized Communication Incongruity Through African-American Stereotypes

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EXTENDED ABSTRACT

Introduction
From the African-Americans perspective, the risky depiction of stereotypes may lead to advertising incongruity of finding themselves in the ads, which they don’t approve. Schema-based research suggests that ads that do not match advertising expectations and that are incongruent with advertising expectations are more likely to draw consumers’ attention and be processed more extensively than ads that match advertising expectations, thus providing a way for brands to stand out amidst the ad clutter (Loef 2002). In line with schema theory (Fiske and Taylor 1984, Fiske and Pavelchak 1986, Mandler 1982) and schema-based approaches in marketing (e.g., Sujan 1985, Meyers-Levy and Tybout 1989), we define these advertising and behavioral mismatches between the depiction of advertising stereotypes, and consumer responses and expectations as “customized communication incongruity (CCI)”. Advertising incongruity is enforced and activated through the presence of stereotypes applied as customized form of communications to the target consumer groups, leading to our conceptualization of CCI. We strongly argue that advertising stereotypes are purposefully used, depicted and activated by the advertisers to gain consumers’ attention (whether positive and/or negative) leading to ad-evoked feelings, purchase intentions and impacting overall brand equity through CCI.

The purpose of our research is two-fold. First, it conceptualizes the advertising incongruity (mismatches) between stereotypical activation and the corresponding effects on the target consumer-groups as “Customized Communication Incongruity (CCI)”. Second, the research explores the use of advertising stereotypes targeting African-Americans and investigates their responses, behaviors, attitudes and expectations towards the ads and brands through CCI. In subsequent sections, we define and measure CCI through STAR framework using African-American stereotypes. The research has strong academic and practical implications for future researchers and advertisers on the usage and activation of customized communication incongruity (CCI) in advertising through African-American stereotypes and studying the potential effects of CCI on African-American population for positive or negative impact on ad-evoked feelings, behaviors and overall brand equity.

Theoretical Framework and Research Hypotheses
Social Learning theory can be applied to our research on African-American stereotypical activation and depiction leading to customized communication incongruity (CCI). Social Learning theory is developed by Albert Bandura and states that people learn from observational learning. Knobloch-Westerwick and Coates (2006) wrote: “Models for behavior can be observed in the immediate social environment, but in modern societies, a vast amount of information about values and behaviors is obtained from the symbolic mass media environment. Advertising messages form a large part of media content, portray actions in repetitive manner, and show rewards for these actions. These aspects should, according to social-cognitive theory, encourage onlookers to adopt behaviors seen in advertisements.” The other relevant theory to our research is cultivation theory by Gerbner (1970) that describes the impact of advertising effects on the conceptions of social reality.

Figure 1 provides our ‘Customized Communication Incongruity Advertising and Consumer-Based Brand Equity’ conceptual framework, illustrating the presence of CCI-based African-American advertising stereotypes leading to ad-evoked feelings and consumer-based brand equity, characterized by brand loyalty, brand awareness, brand associations and perceived quality (as indicators of brand equity).

In our research, customized communication incongruity through African-American stereotypes’ activation is illus-
treated through the STAR framework where STAR is an acronym for Stereotype (S), Theme (T), Agreement (A) and Relevance (R). Following hypotheses result from our conceptualized framework.

H1: Negative stereotypical activation is associated with negative ad-evoked feelings while Positive stereotypical activation is associated with positive ad-evoked feelings.

H2: Themes with soft-sell (rather than the hard-sell) advertising appeals are more associated with positive ad-evoked feelings.

H3: CCI-based incongruent ads showing agreement to target consumers’ ad schema lead to more arousal, and consequently positive ad-evoked feelings.

H4: CCI-based incongruent ads relevant to target consumers’ ad schema lead to more arousal, and consequently favorable and positive ad-evoked feelings.

H5: Ad-evoked feelings mediate the relationships between advertising incongruity (CCI) and brand equity.

Research Methodology and Findings
A nonstudent sample of respondents took part in the study. In total, 155 participants (91 women and 64 men) were approached on city streets, on public transportation, and in cafés. Trained interviewers were employed for the study who explained to the respondents that the investigation dealt with consumer responses to advertising. Participants examined the same seven ads as the student sample.

Positive Stereotypes Model. Table 1 shows the path coefficient from stereotype to ad evoked feelings is positive and significant (4.682 with p<0.000), which supports the Hypothesis 1 that positive stereotype has a positive direct effect to ad evoked feelings. The path coefficient from theme to ad evoked feelings is positive but not significant (0.085, P>0.01), which does not support Hypothesis 2. The path coefficient from agreement to ad evoked feelings is positive but not significant (0.396, p>0.01), which does not support Hypothesis 3. The path coefficient from relevance to ad evoked feelings is both positive and significant (1.607, p<0.01), thus supporting Hypothesis 4 that relevant ad evoked feelings has a positive direct effect to brand equity.

Negative Stereotypes Model. Table 1 shows the path coefficient from stereotype to ad evoked feelings is negative and significant (-5.009 with p<0.000), which supports the Hypothesis 1 that negative stereotype has a negative direct effect to ad evoked feelings. Hypotheses 2 and 3 are not supported similar to positive stereotype model indicating that theme and agreement do not affect ad-evoked feelings. The path coefficient from relevance to ad evoked feelings is both negative and significant (-1.623, p<0.01), thus supporting Hypothesis 4 that negative stereotypes (relevance) leads to negative ad-evoked feelings. The path coefficient from ad...
Evoked feelings to brand equity is positive and significant (0.290 with p<0.000), thus supporting Hypothesis 5 that ad evoked feelings has a positive direct effect to brand equity parameters of brand awareness, recall and brand associations. Brand loyalty and perceived quality dimensions of consumer-based brand equity are not significantly impacted by negative ad-evoked feelings.

**Conclusion**

In this research study, we proposed the concept of ‘Customized Communication Incongruity (CCI)’ and developed the measures of CCI using African-American stereotypes. The conceptualized CCI Advertising and Consumer-Based Brand Equity framework is further tested using structural equation modeling. Our study suggests that advertising incongruity can be better understood through the activation and depiction of African-American stereotypes, which impacts ad-evoked feelings and brand equity significantly. The study targets African-Americans both as stereotypical ad-subjects and as target population under study.

*References are available upon request.*
It’s Not Just a Hoodie: The Impact of Social Identity on Consumers’ Value Perceptions and Behavioral Intentions Towards a Product Associated with Their Social Group

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Keywords: social identity, perceived value, affective social identity, cognitive social identity

EXTENDED ABSTRACT

Research Question
Marketing researchers are becoming increasingly aware of the importance of consumers’ identification with a company or brand, as they seek to build committed and meaningful relationships with their consumers (Bhattacharya and Sen 2003). Social identity (SI) is the “part of an individual’s self-concept which derives from his knowledge of his membership in a social group (or groups) together with the value and emotional significance attached to that membership” (Tajfel 1981, p. 255). Such social groups can form around companies or brands. This research seeks to clarify the underlying psychological process whereby cognitive SI (perceived salience of the group membership as well as the perceived similarity between the individual’s self-concept and the social group) exerts its influence on marketing outcomes via affective SI (individual’s positive feelings about their membership of the group). It further seeks to clarify how the effect of SI is channeled through to behavioral intention by examining the critical mediating role of consumers’ value perceptions (emotional and social based on Sweeney and Soutar 2001). Gaining a better understanding of the process underlying the formation of consumers’ value perceptions from a SI perspective is novel and relevant both for academics and practitioners.

Method and Data
To test our conceptual model responses from a sample of 206 first year undergraduate students (66% female, with an average age of 19 years) were collected at a UK university over a one-week period. In the survey, the social group was defined as the participant’s Academic School, similar to prior research (e.g., Johnson, Morgeson, and Hekman 2012). The context was students’ purchase intention regarding a hoodie branded by the Academic School. A second sample of postgraduate students at the same university was collected to cross-validate the findings of the first sample with 118 respondents (53% female, average age 24 years). The measures for cognitive and affective SI were adapted from Johnson, Morgeson, and Hekman (2012), those for social and emotional perceived value from Sweeney and Soutar (2001) and the measures capturing purchase intention were adapted from White, Argo, and Sengupta (2012). Confirmatory factor analyses revealed all measures across both studies to exhibit acceptable reliability and validity. Structural equation modeling analysis was then undertaken to test the hypothesized model.

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Summary of Findings
Cognitive SI is positively related to affective SI ($\beta = .31, p < .001$), as well as to social value ($\beta = .42, p < .001$) and emotional value ($\beta = .20, p < .05$). Bootstrapping analyses (with 5,000 bootstrap samples) find a significant positive indirect effect of cognitive SI on emotional value ($CI: .04 - .19$) with a standardized indirect effect of $0.09$, but not on social value ($CI: -.01 - .12$). The effect of cognitive SI on emotional value is therefore partially mediated by affective SI. Further, only emotional value impacts purchase intention ($\beta = .89, p < .001$). The $R^2$ value of $0.77$ shows that overall the proportion of variance explained in purchase intention is high. As a follow up test, we examined the serial mediation conceptualised in our model, using PROCESS (Hayes 2013, model 6) based on 5,000 bootstrap resamples. We evidence a significant serial mediation of cognitive SI on purchase intention through affective SI and emotional value (standardised indirect effect of $0.05$) with $95\%$ bias-corrected confidence interval not containing zero ($CI: 0.02 - 0.11$). These findings are supported by the cross-validation sample.

Key Contributions
To our knowledge we are the first to empirically assess the importance of affective SI as the mediator, through which cognitive SI impacts on consumers’ product-related cognitions. Further, no studies to date have been reported on the linkage between SI and its consequential impact on purchase intention. Our findings lend support to our conceptual model regarding the mediating roles of both affective SI and perceived value. Specifically, we find that affective SI mediates the effects of cognitive SI on emotional value, but not on social value. Further, it is emotional value rather than social value that mediates the effects of the SI components on purchase intention. In addition we show how the effect of SI is channeled through to behavioral intention by examining the critical mediating role of consumers’ value perceptions, showing that consumers’ SI have significant indirect effects on their purchase intentions.

Lastly we highlight the importance of treating the cognitive and affective dimensions of SI as distinct, as in our study they impact emotional and social perceived value differently. Therefore research on SI should model the cognitive and affective components separately and assess the mediating role of affective SI in their research contexts.

References are available upon request.
Attention to Social Comparison Information and Brand Avoidance Behaviors

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Keywords: social comparison, assimilation, brand avoidance

EXTENDED ABSTRACT

Research Question
What is the relationship between attention to social comparison information (ATSCI, an individual-difference variable) and brand avoidance behaviors?

Method and Data
Three experiments. Study 1, n = 223; study 2, n = 117; study 3, n = 391.

Summary of Findings
High ATSCI individuals keep a low profile in their consumption choices, presumably as a part of their quest for social assimilation and to minimize social risk. High (vs. low) ATSCI consumers shun new brands in favor of well-known brands even when the latter have relatively inferior product performance (study 1); interestingly, this individual difference is more evident in the case of low rather than high identity-relevant product categories (e.g., detergents rather than jackets). And while high and low ATSCI individuals identify themselves with equally prestigious brands, the former avoid identifying with more distinctive brands (study 2). Finally, unlike their low ATSCI counterparts, high ATSCI consumers avoid conspicuous brand logos even in the case of highly prestigious brands (study 3).

Key Contributions
High ATSCI individuals avoid potentially attention-garnering brand consumption behaviors, such as those involving new/distinctive brands or conspicuous brand logos. Our theoretical assumption is that they do so to play safe in their consumption choices, thereby diminishing any possibility of criticism from others. Prior studies of brand consumption behaviors that produce social or identity-based benefits to the consumer have mainly focused on approach motives wherein consumers proactively adopt brands to achieve goals such as assimilation, individuation, demarcation of social status, or communal consumption. In the rare cases where brand avoidance motives have been studied, researchers have examined them in the context of specific, undesirable associations or stigmas among groups of consumers. The present research shows that brand avoidance behaviors can also be engendered solely by the goal of keeping a low profile in consumption behaviors, especially among assimilation-oriented individuals who are apprehensive about the reactions of their peers.

References are available upon request.

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Consumers’ Reactions to Conditions of Perceived Scarcity: The Case of Fast Fashion

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Keywords: scarcity, in-store hoarding, in-store hiding, mixed methods

EXTENDED ABSTRACT

Research Question
Scarcity signifies a loss of freedom and, to negate this loss, people tend to desire products on which such limitations are placed. This loss also influences the perceived value and desirability of those objects, thus impacting consumers’ choices (Lynn 1991). Human-induced scarcities have been part of marketing folklore for long. Fast fashion retailers like Zara, H&M, and Forever 21, by inducing scarcities within their stores, have taken the fashion retail industry by storm. However, despite the success and growth of these brands, marketing literature has overlooked the importance of explaining consumers’ psychological and behavioral responses to these conditions of induced scarcities. Thus, the main purpose of this study is to answer the question “How do consumers react to these unique scarcity environments that are strategically created by the marketers?” The current study through a mixed methods approach suggests the following:

H1: Perceived scarcity will lead to higher (a) in–store hoarding and (b) in–store hiding behaviors among consumers.

H2: The influence of perceived scarcity on (a) in-store hoarding and (b) in–store hiding will be positively moderated by consumers’ levels of competitiveness.

H3: The influence of perceived scarcity on (a) in-store hoarding and (b) in–store hiding will be positively moderated by consumers’ levels of hedonic motivation.

Method and Data
To understand perceived scarcity and how it influences consumer buying behavior, the study follows a mixed methods approach. Face-to-face interviews were conducted with six store managers, an industry expert, and 23 consumers. Ten fast fashion stores were also observed to study consumer buying patterns within these stores. Qualitative inquiry was followed by quantitative analysis. Based on qualitative interviews and extant literature, items for perceived scarcity and in–store hiding were created. Items for in–store hoarding were modified from a scale developed by Byun and Sternquist (2008). For competition, a scale developed by Mowen (2004) and for hedonic motivation, a scale developed by Babin et al. (1994) was used. Data were collected from students at a large Midwestern University. A confirmatory factor analysis was conducted which suggested a good fit, \( \chi^2 (342) = 345.729, p < .05, CFI = .953, \text{RMSEA} = .052, \text{SRMR} = .051\) (Hu and Bentler 1999). Having validated the measurement model, two separate hierarchical multiple regressions were conducted to examine if a direct relationship existed between perceived scarcity and in–store hoarding and perceived scarcity and in–store hiding. To examine the moderating effects of competitiveness and hedonic shopping motivations on the above direct relationships, separate multiple regressions were conducted.

Summary of Findings
Qualitative inquiry analysis resulted in emergence of three themes – perceived scarcity, in–store hoarding, and in–store hiding which were further supported by observational data. To empirically test H1a, perceived scarcity was entered into a hierarchical regression equation. The change in variance accounted for (\(\Delta R^2\)) was equal to 0.09, which was significantly different from zero (\(F (10,301) = 11.62, p < .01\)), thus supporting H1a. Similarly, a hierarchical regression analysis

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was conducted to test H1b. The change in variance accounted for (ΔR²) was equal to 0.07, which was significantly different from zero (F (10,301) = 3.88, p < 0.01), thus supporting H1b. For H2a, a multiple regression analysis was conducted, however, the proposed interaction between perceived scarcity and competition was not supported (β = 0.09, p > 0.05). For H2b, a multiple regression analysis explained a significant interaction between perceived scarcity and competition (β = 0.16, p < 0.05). For H3a, a multiple regression analysis explained a significant interaction between perceived scarcity and hedonic shopping motivation (β = 0.10, p < 0.05). Further, for H3b, a multiple regression analysis explained a significant interaction between perceived scarcity and hedonic shopping motivation (β = 0.19, p < 0.01).

**Key Contributions**

The current study attempts to examine consumers’ psychological and behavioral responses to conditions of strategically created scarcity and thus extends our understanding of scarcity effects. The study suggests that when consumers perceive product scarcity in a store, they develop deviant behaviors like in-store hoarding and in–store hiding. As consumers perceive these scarce products as unique and, consequently, as irreplaceable, the fear of losing these products to other consumers increases the desire for control over products, thus generating deviant and competitive consumer behavior in response. Engaging in such behaviors facilitates risk-avoidance behaviors and results in less willingness to share the scarce products with other consumers, thus providing a sense of security, happiness, satisfaction, and possession-defined success (Frost and Gross 1993). The study further suggests that these deviant behaviors, and especially, in–store hiding, are positively moderated by human traits like competitiveness and hedonic motivations. These behaviors help consumers high on traits like competitiveness and hedonic motivation accomplish their desire to win and be better than others or help them make feel the whole process of shopping as exciting and enjoyable. References are available on request.

*References are available upon request.*
Celebrity endorsers have become common practice for many brands and products. In 2010, an estimated $35 billion was spent on online endorsements (Shayon 2011) and another $50 billion was spent on traditional endorsements (Crutchfield 2010). Just like the brands they endorse, celebrities have their own brand and equity, and each celebrity’s brand is important to marketers as they seek to transfer the celebrity’s image to the endorsed product (McCracken 1989). However, exploring the celebrity’s own equity is a newer approach (Seno and Lukas 2007). Because a celebrity’s brand equity is transferred onto a product during an endorsement, a celebrity scandal can create a potential risk to the company and products. The current study hopes to answer the question why do marketers, as well as the public, respond so differently to seemingly similar transgression committed by two different celebrities? Specifically, we hope to explain how a celebrity’s history of undesirable behaviors and charitable acts can influence a consumer’s tendency to forgive or blame the celebrity for the behavior using attribution theory and covariation principles. Celebrity’s apology style is also examined for its moderating effect on the celebrity equity for product and brand endorsement.

A pilot study identified the celebrities to be used in the main study, a $2 \times 2 \times 3$ between subjects, randomized design. The independent variables were the celebrities’ history of drug and/or alcohol abuse (high vs. low), history of philanthropy (high vs. low) and their public response to their behavior (apologize/rationalize/no comment). The participants were given a fictitious article that described one of the four female celebrities committing a DUI as well as the celebrity’s response. Following the stimulus, the attribution dimensions, celebrity equity, forgiveness, and blame were all measured.

Overall, the results found that having a positive history of charitable behaviors can help protect a celebrity’s equity, regardless of bad behavior history. The celebrities with a history of charitable acts were more likely to be forgiven while those with no history of charitable acts but with a history of bad behaviors were more likely to be blamed for their actions. The data suggest that the only way the public will actually forgive a celebrity for wrongdoing is if s/he has no past history of bad behavior and the celebrity apologizes. Additional findings are discussed for their implications.

References

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Keywords: post purchase behavior, customer segmentation, Consumer Style Inventory, e-commerce, product returns

EXTENDED ABSTRACT

Research Question
Since the rise of e-commerce, online shopping behavior and its underlying decision-making process have been in the focus of research for more than a decade now. Several constructs have been adapted from offline shopping environments, such as customer segmentation approaches (Kim & Eastin, 2011; Naseri & Elliott, 2011; Rohm & Swaminathan, 2004). Customer segmentation has helped to target and manage online segments more specifically (Girard et al., 2003; Levin et al., 2005). Despite the unrivaled growth of e-commerce, the costs of winning customers through online marketing as well as the costs of operating the infrastructure are still high and are a major challenge for profitable businesses. Especially returns management can be expensive for e-commerce retailers (Rogers & Lambert, 2002; Seidel, 2011). While research on online marketing and online shopping behavior is broad and detailed, research on e-commerce product returns is yet sparse (Foscht et al., 2013; Mollenkopf et al., 2007; Wood, 2001). No researcher has extended the established customer segments from shopping behavior approaches towards product returns in order to analyze the return behavior from a post-purchase behavior perspective. This could lead to a much more segment-specific management, and thus to optimized return rates for e-commerce retailers.

Method and Data
We employed the Consumer Style Inventory (CSI) segmentation of Sproles & Kendall (1986) on 1,000 randomly selected German speaking customers of Europe’s leading fashion e-commerce retailer.

We conducted a two-step approach with an online survey and a transaction data analysis. First, we collected the survey data, enabling us to form homogeneous consumer segments based on the CSI. The survey link was placed on our retail partner’s e-commerce website. A great percentage of the respondents will have a purchase intention while answering the survey. 996 consumers did so within the first 6 weeks of 2013 (first data set). We used exploratory and confirmatory factor analysis to detect the CSI segments.

All respondents received a 5€ voucher with a traceable ID to use for their consecutive shopping trip. Having completed the survey, consumers continued in the partner’s e-commerce shop and were able to use their voucher for payment. Our retail partner supplied us with all transaction data, including shopping basket data (number and value of items) and PR information of those survey participants who used the traceable voucher (second data set). We analyzed via multiple regression the shopping and product return behavior of those CSI segmented customers.

Summary of Findings
Exploratory and confirmatory factor analysis clearly confirmed the existence of seven out of eight CSI segments. Based on actual transaction data (number and value of items purchased/returned) of these customers, we then used multiple regressions and aimed to validate externally the impact of CSI on shopping behavior and on our hypothesized product return behavior. Instead, we found only limited influence of CSI segments on shopping and product return behavior. Our post hoc analysis revealed

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that the CSI categories are neither evenly distributed, nor mutual exclusive, and several of them are strongly correlated with each other.

**Key Contributions**

Findings from our study provide evidence that fashion e-commerce customers embody CSI behavioral segments, but that these CSI segments are not a viable tool to understand fashion e-commerce shopping and/or product return behavior per customer. Furthermore, we seem to be the first to validate CSI segments with actual transaction data and found evidence undermining the external validity of CSI segmentation. As such, CSI segmentation cannot be applied to real transaction data in fashion e-commerce.

*References are available upon request.*
When Are Apologies Effective? Examining the Components That Increase an Apology’s Efficacy

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ABSTRACT

Although apologies are a staple of society, it is unclear whether they are effective and if effective, what components are involved in the perfect apology. The current meta-analysis revealed apologizing is effective. Significant moderators included expressions of remorse, offers of compensation, and an acknowledgment of violated norms.

Keywords: service recovery, apology, forgiveness, crisis management

Introduction

Although apologies are a staple of society, it is unclear whether they are effective. Some studies suggest that apologies are beneficial (e.g., Darby & Schlenker 1982) and lead to positive outcomes such as forgiveness (e.g., Fehr, Gelfand, & Nag 2010). Other studies suggest that apologies can have detrimental effects, especially if not done well (e.g., DeCremer, van Dijk, & Pillutla 2010).

Researchers who find the latter suggest that an apology’s effectiveness is highly dependent on whether certain components (i.e., verbal features) of the apology are present or absent (e.g., Fehr & Gelfand 2009). This raises the question: How do components influence the effectiveness of an apology? The answer is not yet clear. This may be due to the fact that in most apology studies participants are simply assigned to “apology present” versus “no apology present” conditions (e.g., Frantz & Bennigson 2005) and the implications of specific components are not systematically evaluated (for exceptions see Darby & Schlenker 1982; Fehr & Gelfand 2009; Santelli, Struthers, & Eaton 2009). This is not to say that components are not present in the apology stimuli provided to participants. In fact, in most apology studies these components are present, but are not empirically examined. Because these components are present in many studies, they can be analyzed in a meta-analysis. Meta-analysts can code each apology for the components and then examine how these components moderate the impact of the apology on positive outcomes across many studies. I use this method in the current meta-analysis to provide insight into the composition of an effective apology.

Which Components Make Apologies More Effective? Across such fields as law, sociology, and psychiatry, scholars have proposed components that may increase an apology’s effectiveness. This discussion is mostly theoretical with the exception of some recent empirical studies (e.g., Boyd 2011; Cunningham 2004; Darby & Schlenker 1982; Fehr & Gelfand 2009; Goffman 1967). Throughout the literature there has been a focus on three apology components: (1) expressions of empathy/remorse, (2) acknowledgments of violated rules/norms, and (3) offers of compensation.

An apology that includes an expression of empathy occurs when a transgressor recognizes how an offended party is feeling and communicates this to the offended party or when the transgressor simultaneously feels what the offended party is feeling and expresses this outwardly. An acknowledgment of violated rules and norms involves stating what the transgression was and expressing that the transgression involved unacceptable behavior. For example a transgressor may say “I failed to show up on time and have disappointed those who rely on me. My behavior is unacceptable.” Finally, compensation occurs when the apologizer offers to compensate the victims for their pain and suffering. For example, a CEO may offer monetary compensation to consumers for a problem caused by his or her company.

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Methods

The following procedures were used to locate studies: (1) PsycINFO search from earliest possible year through September 2011 using a list of terms that included apology, repentance, confession, regret, penance, service-recovery, crisis management, and remorse, (2) PsycINFO search of names of key authors known to conduct apology or forgiveness research, (3) search of bibliographies of relevant sources.

The criteria for study inclusion included the following: (1) Participants were at least 18 years old, (2) The apology in the study must have had a verbal acknowledgment of a wrong doing (i.e., emotion displays alone were not counted as apologies), and (3) The study was published in an English-language article or book.

The following information was recorded from each study: (1) date of publication, (2) sample size, and (3) social distance (i.e., interpersonal connectedness of the relationship dichotomously coded as “low” or “high”) between apologizer and offended party. These variables were coded by two independent raters.

Because forgiveness is more likely to occur in close relationships (McCullough, Kurzban, & Tabak 2013) it was important to code for social distance. Social distance was dichotomously coded as “low” or “high.” A relationship was “low” on social distance when the apologizer and offended party were members of the same ingroup (e.g., romantic partners, friends, coworkers, and participants within the same study). A relationship was “high” on social distance when their ingroups differed (e.g., boss-employee, company-customer, doctor-patient). On the social distance continuum, low social distance implies greater interpersonal connectedness and relatively egalitarian relationships. In contrast, high social distance implies little or no interpersonal connectedness or power imbalance between members.

The apology components were the primary moderators of interest. Three researcher assistants were trained as coders and directed to read each apology (if provided by authors) and coded for the presence of remorse (the observable signal of empathy), acknowledgments of violated rules/norms, and compensation, all on a 1(not at all present)-5 (very present) scale. Inter-rater reliability was then calculated. The Cronbach’s alphas for the moderators were .85, .78, and .96 respectively. With high reliability among ratings I then aggregated the scores by averaging across the three coders resulting in a score on each moderator for each apology.

Statistical Methodology. The meta-analyses focused on effect sizes from between-subjects designs, where participants who received an apology were compared to control groups who did not receive an apology. The Pearson correlation, $r$, was used as the effect size indicator, which represents the strength of association between the presence of an apology and a positive outcome. A positive $r$ indicated an apology was associated with a positive outcome in the original study. When $r$ was not present, it was calculated using the statistics provided. For example, in many cases the original authors reported means and standard deviations in both apology and control samples. A basic two-sample $t$-test was calculated using these means and standard deviations and the $t$-statistic was then converted to $r$ using standard formulas. When a partial $r$ or standardized regression coefficient was present and the Pearson $r$ was not, the former was used.

When a result was reported as nonsignificant with no data, $r = 0.00$ was assigned. There were some cases in which effect sizes had to be averaged if multiple dependent variables were assessed in the same sample. For example, if participants in one study reported on more than one dependent variable such as forgiveness and legal outcomes, the effect sizes for these were combined.

Results

A list of the studies and effect sizes included in the meta-analyses can be obtained from the author. The meta-analyses were based on a sample of 34,399 participants. The average sample size was 165 participants ($SD = 162$). The sample sizes of individual studies ranged from 22 to 1652 participants. The majority of studies used samples drawn from college student populations.

I obtained apology scripts from 42% of the studies. For studies that utilized scripts, 40% involved high social distance relationships (i.e., the apologizer and offended party belonged to different in-groups; $k = 48$), 44% included low social distance relationships (i.e., the apologizer and offended party are from the same in-group; $k = 53$), and 16% ($k = 19$) could not be categorized due to insufficient information.

Combining 144 independent effect sizes from 94 articles that assessed the effects of apology on positive outcomes, the random effects mean effect size was $r = .27$ ($Z = 10.72, p < .000$) and the fixed, weighted mean effect size (i.e., the effect size weighted by sample size) was $r = .22$ ($Z = 46.83, p < .000$). The significant combined $Z$ indicated that the presence of an apology has a significant effect on positive outcomes. Fail-safe $N$ analysis indicated it would take 24,177 findings that average $r = .00$ for the combined $Z$ to no longer be significant. The effect sizes ranged from $r = -.51$ to $r = .97$ and were significantly heterogeneous. Modest analyses were conducted next. I entered acknowledgment of violated rules and norms, remorse, and compen-
sation into a multiple regression model predicting effect size for high social distance studies and then for low social distance studies. For high social distance, acknowledgment of violated rules and norms ($\beta = -.40, p = .03$), remorse ($\beta = .34, p = .09$), and compensation ($\beta = .41, p = .02$) were all significant predictors. For low social distance, remorse was a significant predictor ($\beta = .48, p = .02$), while acknowledgment of violated rules and norms ($\beta = -.26, p = .21$) and compensation were not ($\beta = -.01, p = .97$).

Discussion
Results demonstrate that apologies were effective in producing positive outcomes even when tested with the more conservative random effects model, which permits wider generalization to new studies than the fixed effects model does (Lipsey & Wilson 2001).

Remorse, compensation, and acknowledgment of violated rules and norms were all significant moderators. Remorse and compensation enhanced, whereas acknowledgment of violated rules and norms diminished, apology effectiveness. However, in transgressor-offended party relationships characterized by low social distance a different pattern emerged. In these relationships, only remorse predicted effect size. Compensation had no effect.

According to McCullough, Kurzban, and Tabak’s (2013) theory on forgiveness systems, forgiveness can occur when apologizers signal to the offended parties that they (i.e., the apologizers) are valuable (i.e., they are willing to share fitness-relevant resources) and safe (i.e., will not harm the offended party again in the future). I predict remorse most likely indicates safety. By expressing remorse, apologizers signal to offended parties that they realize the benefits gained by committing the transgression did not outweigh the consequences (i.e., negative affect, loss of friendship, etc.). Thus, apologizers implicitly, perhaps explicitly, promise that they will not commit the same transgression again.

Apologies that contain an acknowledgment of violated rules and norms might also signal to victims the relative “safety” of the transgressor. After experiencing a transgression, offended parties typically search for an explanation for why it occurred. This might result in assigning blame to the transgressor (i.e., the offended party will attribute the cause of the behavior). Typically, offended parties make dispositional attributions, believing the transgressor was the cause of the transgression and the transgression was not due to some situational force (e.g., Weiner, Graham, Peter, & Zmuidinas 1991). An acknowledgment of violated rules and norms can cement this inference by reminding offended parties of the transgression and its negative impact (Kim, Ferrin, Cooper, & Dirks 2004). Supporting this argument, acknowledgment of violated rules and norms negatively predicted effect size for high social-distance relationships. This finding was not observed, however, in low social-distance relationships. In the latter case acknowledgment of violated rules and norms did not predict effect size. It is possible that in close relationships, attributions have been well-established over time and an apology that acknowledges rules and norms were violated will not change those attributions.

Finally, using McCullough et al.’s (2013) forgiveness systems model, compensation may be effective because it is a signal of value. When apologizers make an offer of compensation, they express their willingness to share resources and indicate the value in maintaining a relationship with them. Compensation was a significant predictor of effect size in high social-distance relationships, but not for low social-distance relationships. The type of compensation coded for in the current studies may not occur in low social-distance relationships because these relationships are not exchange-based. In these relationships it may be the case that compensation comes in the form of emotional support or services. Alternatively it may simply not occur and value is signaled through other channels. In fact, when examining the frequency of compensation I found forty-two out of the fifty-three apologies that occurred in low social-distance relationships were given a score of “1” (i.e., not at all present). Thus, suggesting that compensation may not be used in emotion-based close relationships.

Limitations. The current study examines the effectiveness of three apology components (i.e., remorse, an acknowledgment of violated rules and norms, and compensation). However, there may be additional components that influence an apology’s effectiveness. Using McCullough et al.’s (2013) forgiveness framework, components that may signal to offended parties that the apologizer is valuable and safe are predicted to be effective in eliciting positive outcomes from the offended party such as forgiveness. One potential component is excuse making. Excuse making is often examined outside the context of apology or in comparison to an apology (e.g., Conlon & Murray 1996), but apologies may also include excuse or external blame. By holding a force outside of the apologizer culpable, the apologizer is signaling that the transgression was not the fault of the apologizer and is unlikely to happen again.

Although meta-analysis is a powerful tool for understanding data across multiple studies, there are inherent limitations. Much of the variance in effect sizes cannot be fully explained by the moderator analyses. There may be additional moderators that were not coded or could not be coded from the information provided by the authors. For example, characteristics of the apologizer such as age, attractiveness,
and gender may influence the efficacy of apologies, but were not available for the current meta-analyses.

Publication bias is also a concern especially because this meta-analysis did not include dissertations or unpublished manuscripts. However, the large fail-safe N indicators suggest that it would take many studies with null results to produce a nonsignificant combined effect size for apology effectiveness.

References


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2014 AMA Winter Educators’ Proceedings
Reducing Regret for Maximizers: The Moderating Role of Construal Level Theory

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Keywords: maximization orientation, regret, construal level theory

EXTENDED ABSTRACT

Research Question
Research has revealed the pervasive tendency among some consumers towards a maximization orientation. One of the fundamental problems facing maximizers is the “maximize-regret-maximize cycle” whereby attempts to maximize unavoidably lead to more regret despite achieving objectively better outcomes (Pieters and Zeelenberg 2007). The aim of this research is to examine if and when the maximizing-regret-maximizing cycle can be broken. To achieve this aim, we examine the role of construal level (Liberman and Trope 1998) in moderating the impact of maximization on regret. We propose that fit between individuals’ goal orientation and their level of mental construal (mindset) will attenuate the impact of maximization on regret. We further suggest this effect is mediated by choice confidence as fit from construal has been found to stimulate decision confidence (Higgins et al. 2003; Wan et al. 2009).

H1: Maximizers will exhibit lower levels of regret when they are in an abstract mindset than a concrete mindset when choosing between competing options, whereas satisficers will exhibit lower levels of regret when in a concrete mindset than an abstract mindset when choosing between competing options.

H2: The effect of fit on regret will be mediated by choice confidence.

Method and Data
Hypotheses were examined in 2 studies. In Study 1, 148 participants took part in a 2(maximization orientation) × 2(mindset: abstract, concrete) between-subjects design. Participants were randomly induced into an abstract or concrete mindset. A hypothetical scenario presented participants with the chance of winning a free gift. Participants were asked to indicate which free gift they would choose and the attractiveness of the gift options. Two items measured regret (α = .86) and Schwartz et al.’s (2002) 13-item maximization orientation scale (α = .74) was captured.

In study 2, 123 participants took part in a scenario based experiment offering a chance of winning a free gift. Mindset was manipulated via hypotheticality (probability of winning the free gift) where participants were randomly assigned to one of two conditions (mindset concrete: high 95% probability, mindset abstract: low 5% probability). Participants indicated which free gift they would choose and subsequently reported their level of confidence regarding their choice. Participants responded to the measures of regret used in Study 1 (α = .86). As a manipulation check, participants were asked to rate their probability of winning the free gift. Participants completed the maximization orientation scale (α = .68) as in Study 1.

Summary of Findings
All hypotheses were supported. In study 1, a significant two-way maximization orientation × construal level interaction effect on regret was evidenced. When considering the gift options, maximizers experienced less regret in an abstract mindset than in a concrete mindset. Conversely, satisficers experienced more regret in an abstract mindset than in a concrete mindset.

In Study 2, significant main effects of hypotheticality and maximization orientation on regret were revealed. Supporting our hypothesis, maximizers experienced less regret under a low probability condition than a high probability condition. Con-
versely, satisficers experienced more regret in the low probability condition than high probability condition. To examine whether choice confidence was implicated in explaining the fit from construal effect on regret, we performed a $2 \times 2$ ANOVA on choice confidence. The results indicated that there were no significant main effects, however, the interaction between maximization and hypotheticality was significant. Choice confidence was increased with fit for maximizers as well as for satisficers. A mediation analysis revealed a significant indirect effect of fit on regret with a non-significant direct effect of fit on regret, indicating a fully mediated process.

**Key Contributions**

Our research focuses on addressing the maximization paradox and answering the call by prior researchers to understand how regret can be reduced for maximizers (Dar-Nimrod et al. 2009; Lai 2010). This is an important area of research because decision regret is associated with negative outcomes for the firm (Zeelenberg and Pieters 2004) and for the consumer (Schwartz et al. 2002). We find that maximizers experience reduced regret when there is fit between the consumer’s goal and their mindset. Our research is the first to evidence that regret can be reduced for maximizers. Moreover, our research lends further support for the fit from construal hypothesis (Lee, Keller, and Sternthal 2010). Our findings have important managerial implications offering insights into how to respond to maximizers to enhance their post-decision satisfaction.

*References are available upon request.*
Introduction

Fear appeals are one of the most commonly used bases for persuasion in marketing (Morales et al. 2012; Sternthal and Craig 1974). While fear appeals have had extensive use with traditional marketing products such as insurance and personal care, they are most commonly used in public service announcements and health risk messages (Bagozzi and Moore 1994). For example, fear appeals have been used to encourage people to stop smoking (Manyiwa and Brennan 2012) or use condoms to prevent AIDS (Hill 1988). Despite over 60 years of empirical study, the efficacy of fear appeals remains in question. While early studies of fear appeals posited that high levels of fear and anxiety lead to defensive avoidance and lower arousal (Janis and Feshbach 1953) and some studies have supported this effect (e.g. Capella et al. 2008), most subsequent studies have found a positive fear-persuasion relationship (see Witte 1992). This inconsistency may be because extant theoretical approaches do not identify variables that predict the potential success of different message strategies (Shehryar and Hunt 2005). As a result, boomerang effects — where message recipients exhibit an increase, as opposed to a decrease, in undesirable behaviors — remain unexplained (Arnett 2000; Pechmann and Shih 1999).

Fear appeal theory presumes that differences in the level of perceived threat lead to differences in the persuasiveness of a message (Keller and Block 1996; Rogers 1985; Witte 1992). Drawing on Terror Management Theory (TMT; Solomon et al. 1991), we challenge this fundamental assumption. By framing fear appeal efficacy in terms of level of perceived threat, extant research has overlooked the influence of the nature of the threatened consequence. Some fear appeals pose threats of injury or negative social outcomes while others pose threats of death. Researchers’ collective emphasis on the level of fear has come at the expense of research on the qualitative nature of the threat.

Fear appeal messages that threaten death as a consequence activate psychological concerns about mortality (Shehryar and Hunt 2005) which elicit different responses to fear appeal messages (Goldenberg and Arndt 2008). TMT suggests that fear appeals can produce both adaptive and maladaptive responses. Yet the cause of maladaptive responses, or boomerang effects, has not been identified empirically, limiting the predictive capacity of extant theory. Using meta-analytical techniques, we examine whether the degree to which a fear appeal activates conscious death-thoughts accounts for maladaptive responses to fear appeal messages. We tested the extent to which the presence of death-related threats in fear appeal messages affect outcome variables. For the main analysis, we calculated an effect size ($d$) for the comparison between a death-related threat condition and a control condition on one of the following DVs: attitude, behavior intention, or behavior. Our main comparison of interest addressed the question, “in what way do death-related messages affect message effectiveness?”

We conducted an extensive search for published articles addressing fear appeal research for the years 1887-2011. To be included in the meta-analysis the study had to present a message to participants that varied in level of induced fear; the message needed to be described in sufficient detail that a judgment could be made as to whether the messages implicitly or explicitly invoked thoughts of death; and the study needed to include a measure of persuasive outcome as a
function of message exposure. In all, we included 80 articles to code for the meta analysis.

Studies included in the meta-analysis were coded for the consciousness of mortality salience potentially evoked by the experimental treatment. As a proxy for conscious versus subconscious death awareness, we coded experimental manipulations to delineate treatments using explicit threats of death (e.g. unsafe sex may result in AIDS and eventually death) from treatments using implicit threats of death (e.g. unsafe sex may result in acquiring AIDS). This approach assumes that certain health issues (AIDS, cancer, etc.) are associated with learned defensive responses.

**Results**

First, there was no difference in persuasive outcomes for the studies for which the fear manipulation had a minimal effect (d=.336) and those studies for which the fear manipulation had a strong effect (d=.328). Therefore, there is no evidence that persuasive outcomes are greater when the level of fear is higher. Second, nineteen studies provided sufficient data to examine the effect of fear appeal on persuasion at varying levels of efficacy. Persuasion outcomes were stronger when messages were associated with high efficacy (d=.560) as compared to messages associated with low efficacy (d=.101).

Finally, examining whether death was explicitly or implicitly present in the threat, revealed that that the type of threat is important. In the high efficacy condition, when the threat was explicit, persuasion was greater than when the threat was implicit (d=.739 vs. d=.399). Furthermore, when the message is low in efficacy, explicit messages are associated with a low level of persuasion (d=.127), whereas implicit messages are associated with a boomerang effect, or a persuasive outcome in the opposite direction of that advocated in the message (d=-.239).

The patterns we observed in published fear appeal research support applying TMT to the study of fear appeal efficacy and suggest consciousness of death thought awareness as a key strategic variable in fear appeal message design. In sum, death matters. Identifying fear appeal messages that threaten death from those that threaten non-fatal consequences is a simple matter of observation. Thus, by demonstrating the influence of the type of threatened consequence, we introduce an approach to fear appeal research and to fear appeal message strategy that is at once more parsimonious and more predictive of persuasion than approaches guided by extant theory.

*References are available upon request.*
Pride Regulation During Social Coupon Redemption

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Keywords: consumption avoidances, emotion regulations, pride maximization, situation selection, situation modification, social coupons

EXTENDED ABSTRACT

Research Question
Conventional wisdom suggests that social coupon (SC)-consumers are high in deal proneness and therefore are willing to prepay for SCs to get a good deal. Due to prepayment, SC-consumers have high intentions to redeem the SC they purchase and are motivated to get the most out of the SC to maximize their feeling of pride (i.e., feeling proud for saving money from their own effort). The objective of this paper is to investigate how pride maximization influences SC-consumers’ consumption avoidances via two emotion regulation strategies: situation selection and situation modification (Gross 1999). Situation selection refers to avoiding people or places before entering an emotion-eliciting situation to regulate emotion. Situation modification is adopted after an individual enter an emotion-eliciting situation. Once a situation is selected, it can be modified to change its emotional impact. We use restaurants as examples to examine the role of pride maximization in the SC-redemption context. We hypothesize that 1) before entering the restaurant (i.e. activating situation selection), SC-consumers tend to avoid going to the restaurant during Happy Hours and 2) after entering the restaurant (i.e. activating situation modification), SC-consumers tend to avoid ordering special-priced items. Such avoidance behavior is due to consumers’ intention of pride maximization.

Method and Data
We conducted two experiments with Experiment 1 focusing on situation selection strategy and Experiment 2 focusing on situation modification strategy. 125 participants were recruited from MTurk online panels (M_Age = 30.84, 39% females) to test our prediction that SC-consumers are more likely to avoid going to the restaurant during happy hours than non-SC consumers (H1). A 2 (consumer type: SC-consumers vs. non-SC consumers) x 2 (Happy Hour time slots: 5.00 – 6.00 PM vs. 6.00 – 7.00 PM) between-subject design was conducted. The second factor of Happy Hour time slots is included to tease out several possible confounds related to participants’ time preference for dinner and hunger level. After reading the scenario, participants indicated at which time slot they would prefer/be more likely/more favorable to make a reservation and indicate their feeling of pride. 56 participants recruited from MTurk online panels (M_Age = 33.67, 50% females) participated in Experiment 2 to test our prediction that SC-consumers are more likely to avoid ordering special-priced menu items when pride-maximization goal (vs. hedonic goal) is made salient (H2). We conducted a one factor, two-level (consumption motivation: pride vs. hedonic) between-subject design. After reading the scenario, participants indicated their food choice between special-priced item and regular-priced item.

Summary of the Findings
For Experiment 1, a 2 x 2 ANOVA was conducted with consumers’ preferred time slot for reservation as the dependent variable. The results show that SC-consumers tend to avoid happy hours regardless of when the happy hour is. This indicates that the avoidance behavior does not depend on when the happy hour is, showing the robustness of the proposed effect as well as successfully removing the confounds related to participants preference for certain time slots for dinner or their hunger level. Thus, H1 is supported. For Experiment 2, a binary logistic regression was ran with choice (regular-priced item vs. special-priced item) as the dependent variable and motivation prime as the independent variable (pride maximization vs. hedonic maximization). The
results reveal a significant coefficient for consumption motivation prime (pride vs. hedonic). As expected, participants in the pride-motivation prime are more likely to choose the regular-priced item while those in the hedonic-motivation prime are less likely to choose this item ($P_{\text{Pride}} = 75\%$ vs. $P_{\text{Hedonic}} = 46.4\%$; $\chi^2(1) = 4.79, p < .05$). This implies that pride maximization influences consumers’ avoidance for ordering special-priced items even if it is at the expense of their eating enjoyment. Thus, $H_2$ is supported.

**Key Contributions**

This paper provides several contributions. First, we identify the importance of pride regulation in the SC-redemption context. SC-consumers are creative in adopting different emotion regulation strategies to manage their pride and such motivation for pride maximization leads to certain avoidance behaviors in consumption (e.g., avoiding happy hours and avoiding ordering special-priced items). Further, SC is a new type of price promotion and it differs from traditional coupons in a way that it offers a large discount that requires prepayments. As large discounts requiring prepayment is a unique feature of SCs, our results add to the decision-making literature by showing how prepaying for coupons activates consumers’ emotional responses and thus alters consumption behaviors. Third, our paper provides useful insights for managers. As SCs could potentially backfire retailers’ or restaurants’ other promotional offerings (avoiding Happy Hours or ordering special-priced items), managers need to manage multiple promotions effectively in order to maximize profits. Lastly, our paper provides some directions for future research. As we examined only one type of emotion and two types of pride regulation strategies future research should examine other potential emotions that could come into play and other types of emotion regulation strategies (e.g., attention deployment, cognitive change) (Gross 1999, 2007).

*References are available upon request.*
Effects of Guilt and Sadness on Carbohydrate Consumption

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Keywords: emotions, food consumption, health, diet composition

EXTENDED ABSTRACT

Introduction
Research has shown that consumers’ food consumption behaviors are often associated with the affective state they are experiencing (Bublitz, Peracchio, and Block 2010; Dubé, Lebel and Lu 2005; Winterich and Haws 2011). These pioneering studies predominantly use valence-based comparisons (positive versus negative feelings) and focus on total caloric consumption or choices for healthy versus unhealthy foods. There is a lack of investigation on how discrete emotions impact consumers’ diet composition, particularly at the macronutrient level. Our research attempts to narrow this lacuna by examining how two discrete negative emotions (guilt versus sadness) differently impact consumers’ consumption of carbohydrates, particularly in the form of sugar.

Research Question
Research within neurophysiology has found that the emotion of stress can be experienced as a challenge stressor or a threat stressor (Adam and Epel, 2007). We propose that the emotion of guilt can be experienced as a challenge stressor, because it is closely associated with control and avoidance of indulgence (Zemack-Rugar et al. 2007; Miller 2010). Sadness, in contrast, is experienced as a threat stressor, as it is linked with feelings of defeat, uncontrollability, and motivation for indulgence (Adam and Epel 2007; Garg et al. 2007). These two forms of stressors and thus, two discrete emotions lead to differing responses within the brain, which affect the release of adrenaline and cortisol respectively (Rohleder, Nater and Ehlert 2005). This process in turn results in opposing food consumption behaviors; adrenaline decreasing sugar intake and cortisol increasing sugar consumption (Adam and Epel 2007; Epel et al. 2001; Tempel and Leibowitz 1994). Taken together, we predict that consumers should develop a preference for sugar while in a sad or upset state, but will show avoidance for sugar intake when they experience guilt.

Method and Data
We conducted two studies to test the main hypothesis. In Study 1, we simulated a “create-you-own-shake bar” in a behavioral lab. Participants (73 undergraduate students) were first primed with one of two emotion conditions (guilt versus sadness) through a written recall developed based on Roseman, Wiest, and Swartz (1994). Participants were then directed to use the provided cup to scoop as much or as little of each item they wished to include in their shake. The selection process was observed and recorded by a proctor. We measured sugar intake intention by the total grams of sugar each participant chose to add to their shake.

In Study 2, we established the robustness of our results and ruled out product-specific effects. Moreover, we used a more unobtrusive assessment of consumers’ food intake at the macronutrient level. Specifically, participants (216 undergraduate students) were first provided with a PANAS scale to assess emotional state. Following this, participants reviewed a series of food and beverage products in a style similar to a grocery store flyer and were asked to identify items that they would want to receive in exchange for taking part in a similar survey. Nutrition information for each of the included products was provided.

Summary of Findings
In study 1 independent-samples t-test results indicate that the total amount of intended sugar intake is significantly higher when participants experience sadness ($M = 4.69$), compared to when participants experience guilt ($M = 2.50$;
This finding supports our proposition that guilt leads to sugar avoidance compared to sadness.

Pearson correlation analysis was performed in study two. Results reveal a significant negative correlation between “guilty” and sugar intake intention \((r = -.14, p < .05, \text{two-tailed})\). The correlation between “upset” and sugar intake intention is not significant \((r = -.08, p, \text{n.s.})\). Our main thesis that guilt leads to sugar avoidance is supported, but we did not find support that sadness will lead to increased sugar intake intentions.

**Key Contributions**

This research makes several theoretical contributions. First, we add to the limited research on discrete emotions and food consumption. To our knowledge, this study is the first attempt to extend beyond total caloric intake and healthy versus unhealthy consumption by examining a specific macronutrient—carbohydrates. Second, our research resonates with the emerging perspective that deviates from the traditional valence-based predictions and highlights the differential impacts of discrete negative emotions on consumers’ decision-making, risk-taking, choices, and regulation strategies (e.g., Garg and Lerner 2013; Lerner et al. 2004). Adding to this literature, our study illuminates how discrete negative emotions can differentially impact consumers’ preference for sugar intake temptations via a physiological mechanism. Finally, our findings enrich prior research that demonstrates how consumers’ awareness of nutritional information may moderate their food choices. Garg, Wansink, and Inman (2007) find that the impact of sad feelings on consumers’ hedonic foods consumption is attenuated when consumers are presented with nutritional information. We find a similar moderating effect in Study 2. Interestingly, the negative correlation between guilt and sugar intake remains significant even when nutrition facts are salient, which seems to indicate that the moderating effect of nutrition information could be more complicated than previously expected.

*References are available upon request.*
Covariation Effects on Compensatory Decision Processes

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Keywords: multifunctional products, compensatory reasoning, attribute alignability, attribute positioning

EXTENDED ABSTRACT

Introduction
Multifunctional products have become increasingly popular as marketers seek to attain broader customer appeal at a reduced portfolio management cost. However, when they are evaluated along with single-function alternatives (“context-based covariation”), multifunctional products are less effective on common features. This reduced effectiveness occurs because of a process called compensatory reasoning. Consumers evaluate multifunctional products as more effective on their unique features, and then “compensate” to assess them as less effectiveness on their common features. A potential limitation of this finding is the attributes of multifunctional products were not allowed to vary. Important, other work finds changing the attribute composition of multifunctional products can alter their judgments. Yet, research has not examined whether changing the attribute composition (“attribute-based covariation”) in multifunctional products can eliminate their lower effectiveness when they are evaluated with single-function alternatives. We alter attribute composition via positioning (functional versus emotional) and alignability (high versus low). In two studies, we find changing the attribute composition of multifunctional products does in fact eliminate, and at times even reverses, their perceived disadvantage compared with single-function alternatives. We also identify a specific attribute context (emotional positioning and low alignability) that causes multifunctional products to display the highest choice and greatest perceived differentiation.

Research Question
The research question is whether perceptions about multifunctional products can be enhanced by changing their attribute composition. An important decision faced by marketing managers is which functions to link with a product. A specialized product contains a single function (e.g. Colgate® Sensitive Pro-Relief™) while a multifunctional product contains two or more (e.g. Colgate® Sensitive Pro-Relief™ with Enamel Repair). Multifunctional products can have broader appeal at a lower portfolio management cost. However, multifunctional products display reduced effectiveness versus single-function alternatives with technology products (Han et al. 2009), risk post-purchase feature fatigue (Thompson et al. 2005), and are “devalued” on common features (Chernev 2007). A limitation in these studies is that different attribute compositions were not explored. Yet, adding new attributes enhances overall judgment (Bertini et al. 2009; Mukherjee and Hoyer 2001; Nowlis and Simonson 1996), even when they were known to be unimportant (Brown and Carpenter 2000). Moreover, positioning can change the meaning of attributes (e.g, Pham and Muthukrishnan 2002; Kim and Meyers-Levy 2008; Punj and Moon 2002), thus enhancing product judgments under particular circumstances. This raises the issue that judgments of multifunctional products may in fact be improved relative to specialized alternatives with more careful attribute selection and positioning.

Method and Data
Study 1 (n = 260) was a 2 (multifunctional-product attribute alignability: high and low) × 3 (product category: toothpaste, laundry detergent, and athletic apparel) design, and Study 2 (n = 346) was a 2 (multifunctional product attribute alignability: high and low) × 2 (multifunctional product positioning: functional and emotional) × 3 (product category: toothpaste, laundry detergent, and athletic apparel) design. Pretests validated all stimuli. The dependent variables were multifunctional product choice and attribute ratings, manipulation checks were all as expected, and the

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category factor displayed no effects so data were merged. In Study 1, with low versus high alignability, choice of the multifunctional product increased ($p < .0001$) and unique-attribute enhancement increased ($p < .0001$). The unique-attribute rating mediated the relationship between alignability and choice. In Study 2, these results were replicated within the context of the expected 3-way interaction ($p < .01$). With low alignability/emotional positioning, the largest unique-attribute enhancement occurred (each $p < .0001$). With high alignability/functional positioning, common attribute rating enhancement was the largest (each $p < .0001$). With low alignability/emotional positioning, choice increased the most (each $p < .001$). There was complementary mediation of the unique-attribute difference between alignability and choice ($a \times b \times c = .17$), and competitive mediation of the common-attribute difference ($a \times b \times c = -.03$).

**Summary of Findings**

Under low alignability, compared with high alignability, multifunctional products displayed increased unique-attribute enhancement (hypothesis H1a) and choice (hypothesis H1c) but not reduced common-attribute devaluation (hypothesis H1b). With low alignability, common-attribute devaluation was eliminated as expected. With high alignability, we expected increased common-attribute devaluation but, surprisingly, it was not only eliminated but also reversed. In other words, common-attribute enhancement occurred. In Study 2, we replicated and extended Study 1 by examining multifunctional-product attribute positioning in conjunction with alignability. Hypotheses H1a and H1c were replicated, as was the non-confirmation of hypothesis H1b. However, regarding this hypothesis, results converge across the two studies that common-attribute devaluation is eliminated with low alignability, and common-attribute enhancement occurred with high alignability. Study 2 made the implications of noncompensatory processes even stronger through the addition of emotional positioning, and therefore further demonstrated that the appeal of multifunctional product changes with different types of attribute covariation. Once again, the unique attribute was more diagnostic than the common attribute for multifunctional product choice. The unique attribute difference was a significant mediator with both alignability and positioning, while the common attribute difference was only significant with alignability. These findings represent the first evidence that attribute-based covariation moderates context-based common-attribute devaluation.

**Key Contributions**

The results help resolve some of the conflicting findings in the literature on multifunctional products. Prior work had found evidence of additional attributes enhancing (e.g., Bertini et al. 2009; Mukherjee and Hoyer 2001) and diminishing (Chernev 2007; Han et al. 2009; Thompson et al. 2005) product evaluation. We expand this literature by finding judgments of multifunctional products in the same choice sets as specialized alternatives (“context-based covariation”) change as a function of their attribute composition (“attribute-based covariation”). First, we find no evidence of common-attribute devaluation, countering Chernev (2007). We find either common-attribute devaluation is eliminated or common-attribute enhancement occurs regardless of alignability and positioning, demonstrating how significantly attribute-based covariation moderates context-based covariation. Multifunctional products were preferred when their attributes were low versus high in alignability because they were perceived as more differentiated via increased unique-attribute enhancement. The differentiation caused noncompensatory reasoning through the likely formation of a subtype, which pulled the common attribute out of the comparative context with the specialized alternative. Hence, either attribute devaluation was eliminated or attribute enhancement occurred. The same process and outcomes occurred when multifunctional products were positioned emotionally versus functionally, leading to their largest choice and perceived differentiation under conditions of low alignability and emotional positioning. References are available upon request.
Trick or Treat? Effects of Suspicion on Schematic Processing and Sales Promotion Tactics

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EXTENDED ABSTRACT

Introduction
This research examines the schematic processing posited by the defensive suspicion (Darke and Ritchie 2007) and persuasion knowledge models of persuasion (Friestad and Wright 1994) to test the effects of consumer suspicion on a variety of different sales promotion tactics. Specifically, consumer suspicion should have negative effects on sales promotions that are schema-congruent (i.e., fit tactics stereotypical of manipulative/deceptive marketers), while having more positive effects on sales promotions that are schema-incongruent (i.e., associated with honest/fair marketing) and little effect on schematic offers (i.e., not clearly associated with the stereotype).

Price discounts are one of the most common forms of sales promotion (Darke and Chung 2005), and the literature has shown such offers can increase perceptions of value (Compeau and Grewal 1998). Despite this, consumers can also have distinct negative reactions to discounts, for instance when it is inferred the seller is just offering lower quality products (Chen, Monroe and Lou 1998). Marketing managers use a variety of promotional strategies as alternatives to discounts, perhaps in part to avoid consumer skepticism (Ortmeyer et al. 1991). For instance, everyday low prices (EDLPs) are said to convey value in a straightforward manner (Darke and Chung 2005). Price-matching guarantees (PMGs) are another means of potentially allaying consumer doubts about the true value of the deal (Sivakumar and Weigand 1997). Free gifts may also be effective, since they tend to be taken at "face-value" rather than viewed as sales incentives per se (Darke and Chung 2005). The current research examines how each of these promotional tactics relates to schemer schemas (congruent, incongruent or aschematic) and predicts that defensive suspicion should activate both negative and positive schema content, which determines whether suspicious consumers respond negatively (assimilation effect) or positively (contrast effect) to promotional offers.

Study 1
Study 1 was a 2 (suspicion: yes vs. no) × 2 (initial sales promotion: EDLP vs. discount) × 2 (second sales promotion: EDLP vs. discount) between subjects design (N = 167). Pilot data indicated that discounts were perceived as typical tactics for deceptive/manipulative marketers (schema-congruent), whereas EDLPs were seen as a straightforward, honest tactic (schema-incongruent). First, participants reviewed an internet advertisement and indicated how good the promotional deals shown in the ad were. Second, participants were then presented with a Federal Trade Commission (FTC) report regarding indicating the same company had been fined for misleading pricing practices (suspicion condition) or received no information (control condition). The FTC report was varied to focus on two different types of promotional tactics included in the initial ads. For the initial discount condition, the report suggested the firm advertised discounts that were inflated or nonexistent, whereas the everyday-low-price (EDLP) version suggested the prices offered by the firm were actually above the industry average (based on Darke et al. 2008). After a 15 minute filler task, participants reviewed a second advertisement for a television that was promoted either as being at an EDLP of $249 or for the sale price of $249, representing a $50 discount. The primary dependent measure was perceptions of deal value (based on Biswas et al. 1999; α = .88).

Checks indicated the initial deception successfully manipulated defensive suspicion. Results of the 2 × 2 × 2 between subjects ANOVA revealed only a significant Suspicion × Second-Promotion interaction on perceptions of deal value for further information contact: Peter R. Darke, York University (e-mail: pdarke@schulich.yorku.ca).
As expected, while suspicion decreased evaluations of the subsequent discount (Ms = 5.35 vs. 4.70), it actually increased evaluations of the EDLP offer (Ms = 4.92 vs. 5.55). This is consistent with the prediction that defensive suspicion can have positive or negative effects on subsequent promotions depending on the level of congruence with schemer schemas. Moreover, the fact the effects were similar regardless of the type of deceptive tactic used in the initial ad indicates the second offer was conceptually matched to schemer schemas evoked rather than on the basis of perceptual feature matching between the promotional offers in the two ads.

Study 2
Study 2 was a 2 (suspicion: yes vs. no) × 2 (second sales promotion: EDLP vs. PMG) between subjects design (N = 64) following a similar procedure as Study 1. The PMG offer in the second advertisement stated that “If you find the identical product at another authorized retailer before or within 30 days of your purchase we will match the price PLUS refund an additional 25% of the difference.” Pilot testing indicated PMGs were in fact perceived as schema congruent tactics, meaning suspicious consumers should react negatively. The EDLP advertisement was the same as the previous study. Deal value (α = .80) again served as the main dependent measure. A 2 × 2 between subjects ANOVA for perceptions of deal value revealed only a significant Suspicion × Promotion interaction (F (1, 64) = 3.90, p < .05). Suspicion again increased evaluations of the EDLP tactic (Ms = 5.45 vs. 6.20), while decreasing evaluations of the PMG tactic (Ms = 6.67 vs. 6.00).

Study 3
Study 3 was a 2 (suspicion: yes vs. no) × 2 (second sales promotion: regular price vs. free gift) between subjects design (N = 75). Pilot testing indicated regular prices were not related to schemer schemas, and therefore consumer suspicion should have little impact on such offers. The exact nature of the free gift was not mentioned in the advertisements, only its value of $50. Results of the 2 × 2 between subjects ANOVA revealed only a significant Suspicion × Promotion interaction (F (1, 80) = 4.81, p < .05) where planned contrasts revealed that suspicion increased evaluations of the deal for the free gift (Ms = 4.19 vs. 5.90), but had little impact on the regular price (Ms = 5.88 vs. 5.53).

General Discussion
This work makes a number of contributions to the literature. With respect to the sales promotion literature, we identify which specific promotional strategies are effective (EDLPs and free gifts) versus ineffective (discounts and PMGs) in dealing with suspicious consumers, and provide a theoretical explanation as to why these effects occur. The current research also makes a number of contributions to the existing consumer suspicion literature. First, we show that the more obvious negative effects of defensive suspicion can be eliminated or even reversed depending on the schematic processing involved. Second, we provide a theoretical rationale for these effects. Third, we expand on evidence and theory for the schematic processing of trust and suspicion cues posited by the defensive suspicion and persuasion knowledge models.

References


Responses to Risk Communication: The Role of Receivers’ Comparative Optimism and Information Type

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Keywords: comparative optimism, social marketing, advertising, anecdotal information, statistical information

EXTENDED ABSTRACT

Research Question
Message receivers who are optimistically biased underestimate their risks for negative life events and thus constitute a relevant target group for social marketers. However, previous research suggests that such individuals are challenging to reach and that statistical information (e.g., 1 in 3 smokers will ...), which messages often use, is not effective with this group. This paper explains why, when attempting to reach optimistically biased individuals (optimists), anecdotal information is more influential than statistical information. Statistical information communicates the risk that an average person, who engages in the specific risky behavior, has of experiencing an unwanted life event. However, the distinctive characteristic of comparative optimism is that such individuals do not perceive themselves as average. Thus, optimists, compared to non-optimists, should perceive statistical information as less self-relevant. However, in an anecdotal message the person described can be very similar to the receiver—even in terms of their comparative optimism.

We test the following hypotheses (among others):

H1a: Optimists perceive a risk-communication message using negative statistical information as less self-relevant than non-optimists.

H2b: Among optimists a risk-communication message using negative anecdotal information results in a higher willingness to reduce their risky behavior than a message using negative statistical information.

Method and Data
Both studies used anti-speeding messages. Study 1: Participants in the statistical-information condition learned that in 2011, 392,365 people in Germany were injured in car accidents caused by speeding. In the anecdotal-information condition, participants learned that Martin, aged 24, also believed that he always had his car under control, but that he now has been quadriplegic since September 2011 (see Cox and Cox, 2001). 290 students from a German university who indicated that they exceed the speeding limits participated. Before participants saw one of the messages, comparative optimism was measured with the item “Compared to a person with my driving skills, the probability that I will have a severe car accident within the next 10 years is …” (1=much lower, 4=the same, 7=much higher; responses below four were classified as optimistic). Respondents’ intention to reduce the relevant risky behavior was measured with two items (“How likely is it that you will drive slower / more carefully in the next weeks?” 1=very unlikely; 7=very likely). Self-relevance of the messages was measured with items adapted from Cox and Cox (2001), e.g., “The message made me think.”

Study 2 is similar to Study 1. 177 drivers aged 19-40 who indicated that they exceed speed limits participated.

Summary of Findings
Hypothesis 1a predicated that optimists perceive a risk-communication message using negative statistical information as less self-relevant than non-optimists. Study 2 supports Hypothesis 1a (p<.05). The mean values of Study 1 show the
expected direction. However, due to the relatively small cell size the difference is not large enough to support the hypothesis (p>.10).

Hypothesis 1b predicted that after seeing a risk-communication message using negative statistical information, optimists show a lower intention to reduce their risky behavior than non-optimists. Study 1 and Study 2 support H1b (p<.05).

Hypothesis 2a predicted among optimistic individuals, anecdotal information is more self-relevant than is statistical information. Both studies support H2a (Study 1: p<.05 and Study 2: p<.01).

Hypothesis 2b predicted that among optimists a risk-communication message using negative anecdotal information results in a higher willingness to reduce their risky behavior than a message using negative statistical information. Both studies support H2b (Study 1: p<.10 and Study 2: p<.01).

**Key Contributions**

This paper compares the effectiveness of messages containing statistical versus anecdotal information in reaching optimistic and non-optimistic receivers. Previous research has not tested how optimistic and non-optimistic individuals respond to different information types.

This paper explains why, when attempting to reach optimistically biased individuals, anecdotal information is more influential than statistical information. Two studies that test the effectiveness of the two information types in reaching optimists and non-optimists support the proposed hypotheses. The findings of Studies 1 and 2 suggest that individuals who are characterized by comparative optimism, compared to non-optimistic individuals, are not generally more resistant to risk-communication messages. When anecdotal information was used, the optimists’ intentions to reduce risky behavior were comparable to those of non-optimists. However, as expected, statistical information was not effective in persuading optimists. Furthermore, the findings supported our explanation for the low effectiveness of statistical information among optimists, that is, that optimistic individuals do not perceive this information (about average people) as self-relevant. Thus, our findings suggest that social marketers can reach and persuade optimistic individuals as effectively as non-optimistic individuals but that they should use anecdotal instead of statistical information when targeting this group.

*References are available upon request.*
Counterfactual Thinking and Consumers’ Preference for Product Feasibility

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Guanzhi Zhao, Loyola University of Maryland

Keywords: counterfactual thinking, feasibility, desirability, ad persuasion

EXTENDED ABSTRACT

Research Question
Prior research has shown that some factors related to the characteristics of choice tasks (e.g., temporal distance of choices, choice interruptions, etc.) can impact consumers’ trade-off between product feasibility and desirability when making choices (Goodman & Malkoc, 2012; Hamilton & Thompson, 2007; Liu, 2008; Liberman & Trope, 1998; Zhao, Hoeffler, & Zauberman, 2007). In this research, we seek to broaden the research scope and study how consumer prior consumption experience or knowledge can influence consumer information processing mind-set (Hong and Sternthal 2010) and subsequently impacts consumers’ trade-off between product feasibility and desirability in making choices. The research question we ask in this research is whether and how counterfactual thinking (CFT) - a mental simulation process that generated possible alternatives and outcomes can alternate consumers’ preferences for product features - feasibility versus desirability.

Method and Data
We conducted three experiments to test our propositions. Study 1 examined how CFT (vs. control) impacts the way in which individuals construe activities. 56 participants were randomly assigned to either a control condition or a CFT group. Participants in the CFT group were instructed to engage in CFT with a standard procedure borrowed from the literature. Then, all the participants completed the Behavior Identification Form (BIF). The BIF, a 25-item, dichotomous-response questionnaire, assesses individual differences in level of action identification. Each respondent’s proportion of the concrete (i.e., how to) action identifications was calculated. A one-way ANOVA on the proportion of the concrete action identifications revealed a significant main effect for CFT such that CFT individuals had higher preferences for the “how to” action identifications than the control group. Studies 2 and 3 examine how CFT impacts ad persuasion (digital camera) and choice preference (mp3 player), respectively when the product/choice was presented either with a focus on product feasibility or on desirability. A 2 (CFT: CFT vs. control) ¥ 2 (product features: high-feasibility vs. high-desirability) between-subjects factorial design was used for both studies. Ad and product evaluations as well as purchase intentions were measured in both studies.

Summary of Findings
Study1 demonstrates that CFT are more likely to engage individuals in construing activities at a concrete, detailed, low-level. CFT can activate a process-focused (vs. outcome-focused) information processing mentality and sensitize individuals to procedural information. Studies 2 and 3 show that consumers’ preference for product feasibility will be boosted after going through CFT. After going through a CFT process, individuals weigh the process of using a product (i.e., feasibility) more heavily and consequently evaluate high-feasibility products more than high-desirability products.

Key Contributions
This research advances our understanding of how reflecting a past consumption episode could influence individuals’ considerations in product choices. Psychologists have investigated some of the potential consequences of CFT, including attributions of blame and responsibility (Wells & Gavanski, 1989), dissonance reduction (Gilovich, Medvec, & Chen, 1995), and regret and satisfaction (Gilovich & Medvec, 1995; Wang, Liang, & Peracchio, 2011). Much research has focused on the relationship between CFT and individuals’ emotional experiences (e.g., Zeelenberg, van Dijk, Manstead, & Van der Pligt, 1998), yet little is known about how CFT might influence individuals’ subsequent information processing and behavior. Our research is among the few studies that strike a relationship between CFT and information processing.

References are available upon request.

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Expectation Experience and Action Across Consumers’ Purchase Cycle

Sabita Mahapatra, Indian Institute of Management

ABSTRACT

Purpose – This paper makes an attempt to study both cognitive and affective component of customer satisfaction not as an end result of purchase or consumption but as a process that customers experience at different touch point of purchase cycle. In this paper customer satisfaction is defined as the overall level of customer pleasure and contentment resulting from experience based on multiple transaction experiences throughout purchase decision-making cycle.

Design/methodology/approach – A structural equation model was used for analysis of data collected from a sample size of 330 customers of eastern India.

Findings – Cognitive as well as affective components together proved better predictors of customer satisfaction. A holistic customer experience at different touch point of purchase cycle was found to influence customer satisfaction in terms of future course of action and not just satisfaction experienced after purchase or consumption.

Research limitations/implications – The most obvious limitation was the study being restricted to a modest size limited to capital of three state of eastern part of India, which could result in the findings being contextual. This study has taken the confirmation and not disconfirmation to explain the concept of customer satisfaction. Though contribution of emotion to the total explanation of customer satisfaction may vary significantly depending on the type of product and specific buying situations the present study was not very specific to any particular situation.

Practical implications – The present study would contribute significantly to product and service providers and managers in realizing how to effectively recognize and engineer emotion in buying and consumption experience to maximize customer satisfaction in terms of future course of action. Besides offering high quality, corporate need to realize and add an element of excitement and surprise at every touch points as various episodes of consumer purchase decision making unfold before and after purchase stage.

Originality/value – Use of cognitive component to measure customer satisfaction is common in most of the research study. This approach suffers from one-sided view rendering its practical utility questionable. To the best of the authors’ knowledge, the present study represents the first attempt to use both cognitive and affective component in studying customer satisfaction. This study also has made an attempt to study customer satisfaction as a holistic experience at different touch point of purchase cycle. The present study is conducted in India for the first time.

Keywords: cognitive, affective, purchase cycle, customer satisfaction and experience

Introduction

A new realization that conventional marketing based on features advantages and satisfaction (FABS’) has become a history. Customers of present generation listen mostly to their impulse and emotional requirements. They no longer buy things because it will last longer but because the psychological satisfaction in terms of image, prestige and snob value. The 4P of marketing mix is no longer effective in today’s connected world. The new marketing strategy of the 21st century is emotional and experiential marketing. As marketers, we have gone from marketing products and services to building total customer experience. Customer satisfaction is one of the key determinants of company performance (Laura Martínez Caro and José Antonio Martínez García, 2007).

Much of consumer research has been predominantly cognitive in nature, while the role of affect has received inadequate attention. This has been widely criticized by eminent researchers such as Bettman (1993), Hoch and Loewenstein

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(1991), and Hirschman and Holbrook (1982) as consumer choices are driven by both utilitarian and hedonic considerations. Work of Bazerman, Teunbrusel, and Wade-Bezoni (1998) suggests that it is important to distinguish between affective preference (“want”) and cognitive or reasoned preferences (“should”) that underlines consumer choice (Shiv and Fedorinkhin 1999; Wertenbroch 1998). Scholars comment that it is inappropriate to ignore affective component of satisfaction, hence the reliability of findings of the previous studies are questioned ( Liljander and Strandvik, 1997; Peterson and Wilson, 1992; Stauss and Neuhaus, 1997; Wirtz and Bateson, 1999). Satisfaction research (Matilla A. Wirtz J. 2000) has been dominated by disconfirmation-of-expectation frameworks.

The work by Dickson and Sawyer (1990), on how consumers actually make decisions in various buying contexts, suggests that consumer is most often mindless rather than mindful decision maker. Though emotion may not be the only element to influence decision-making but a necessary condition if decisions are not to be continually postponed. As indicated in previous decision-making research by eminent researchers Bettman, Hoch, Holbrook, and Loewenstein, the characterization of consumer, as a ‘thinking machine’, driven purely by cognitions, is a poor reflection of reality. This study intends to examine the power of emotions as a behavioral driver. In doing so, author does not intend to negate cognitive influence nor minimize their importance. In this context the present paper focuses on two aspects. First to study both cognitive and affective component of customer satisfaction in terms of future course of action. Second to study customer satisfaction not as an end result of purchase or consumption but as a process that customers experience at different touch point of purchase cycle.

**Component of Customer Satisfaction**

Customer satisfaction is key to firm’s survival in today’s marketplace as it influences future purchase behavior. Customer satisfaction (Mittal and Kamakura 2001; Voss, Parasuraman and Grewal, 1998; Zeithmal, et al., 1996; Taylor and Baker 1994 and Anderson, Fornell and Lehman 1994) has been embraced by practitioners and academics as the highest goal of a company (Peterson and Wilson 1992). Indeed, if ‘the ultimate aim of marketing is human happiness’ (Bagozzi and Natarajan 2000), then marketers must constantly seek insights into what constitutes the multifaceted needs of consumers and how to satisfy those needs, which will contribute to the ‘emotional well-being’ of consumer ( Holbrook 2001). Satisfaction is characterized by element of surprise (Oliver 1981), contentment, pleasure and or relief (Woodruff, Cadotte and Jenkins 1998) that a customer feels after any purchase or service encounter. The cognitive component of customer satisfaction refers to a customer’s evaluation of the perceived performance in term of its adequacy in comparison to some kind of expectation standard (Liljander and Strandvik, 1997; Oliver, 1980; Wirtz 1993).

A research study that examines (J. Joseph Cronin, Jr. Michael K. Brady G. Tomas M. Hult 2000) only a limited subset of the direct effects of quality, value, and satisfaction, or only considers one variable at-a-time, may confound understanding of consumers’ decision-making. According to Yi-Ting Yu and Alison Dean (2001) there is a significant positive relationship of emotional satisfaction to customer loyalty.

There is increasing evidence that customer evaluation is monitored by their subjective affective responses (feelings and emotions) (Pham, Cohen, Pracejus and Hughes 2001). In fact, affect monitoring has been shown to be an excellent diagnostic pathway to evaluation, particularly when a product is evaluated on the basis of experiential nature of consumption. The affective process is believed to be outside the consumer’s conscious control (Liljander and Strandvik 1997). Thus, cognitive and affective responses can be viewed as separate and distinct, each exerting their own influence on consumer satisfaction (Westbrook and Oliver 1991; Oliver 1993b). The importance of the affective component can be understood when (Oliver 1996) satisfaction is defined as ‘the consumer’s fulfillment response’. Cohen and Areni (1991) believe that affect is best defined as a general descriptor of a valence feeling state or mental feeling processes.

Research on satisfaction has been mostly cognitive in nature. Satisfaction has been viewed as a post-consumption cognitive process in which customer compares perceived performance of product/service with an evaluative standard (Westbrook and Oliver 1991). Experiential aspect of products and services in terms of feelings and emotions elicited during consumption has been emphasized repeatedly with regard to consumer behavior (Chadhuri 1997; Havlena and Holbrook 1986; and Holbrook and Hirschman 1982). Emotions and evaluations are intimately intertwined (Guinond, Kim and Laroche 2001) and it has been shown that emotional experience can predict consumer behavior better (Allen, Machleit and Kleine 1992).

Fournier and Mick (1999) state that post purchase consumption comparison standards and its models have ignored or understated the role of emotion in satisfaction. Their study showed that it is not comparison standards matched against performance perceptions that mattered most in customer satisfaction, but rather meanings and emotions which carried more weight in the overall satisfaction judgment. Roest and Pieters (1997) also viewed satisfaction as containing an affective dimension and stated that is an important construct to study as it appears to influences the formation of cus-
customers’ purchase intentions. Satisfaction is now being believed to have an affective dimension also, without which consumers’ responses cannot be fully explained (Liljander and Strandvik 1997). Hence, consumers’ affective reports have been highly predictive of satisfaction and may even be superior to cognitive evaluations of the same product/service in predicting satisfaction (Dube-Rioux 1990).

Customer Satisfaction and Customer Experience

Indeed, emotions are basic and primal motivations that are considered to be crucial determinants in choice of products and services (Chadhuri 1997). The relationship between emotion and satisfaction can be interpreted against the result after comparing an actual experience state with a desired experience state. Emotions both influence and are influenced by other elements such as external events, attitudes and action of other individuals involved (Ellsworth 1994). When a customer purchases a product/service he or she purchases an experience created by delivery of the product/service. During the consumption experience, these customer emotions convey important information about how the customer will ultimately assess product information, shopping encountered and subsequent behaviour disposition. Literature suggests that emotional reactions associated with the consumption experience are important in determination of satisfaction (Matilla and Wirtz, 2001; Jayanti, 1996; Erevelles 1998). Most notably, (D. Rudrauf et al., 2005) draws an intimate connection between emotion and cognition in practical decision-making and explains how emotions are indispensable to decision-making process.

Babin, Darden and Griffin (1994), for example, discuss the importance of emotions in retailing, and point out the need to include affective factors when studying store image and purchase behaviour. They contend that, in order to account fully for a store’s retail personality, both its functional and emotional meaning should be assessed as both factors influence the customer’s perceived store image and his/her purchase behaviour. They argue that including affective quality would thus enable better prediction of shopping-related responses. Affective quality should not, however, be seen as a replacement for traditional measures, but as an additional, supplementary factor. Muller et al. (1991) clearly argue that they are present in all instances of an episode, in the pre purchase phase, in the interaction phase and in the post purchase phase. This episode-dominated conceptualization can be enlarged in a relationship perspective. A relationship consists of several episodes in which the post purchase reactions serve as input to the next pre purchase phase. Emotions can be experienced from the start of consumption to the termination of the experience, and even long after the actual consumption has ended. Nyer (1997) coined such post consumption responses as repurchase intentions expressed in terms of action and word-of-mouth communication. Many businesses operate on the assumption that their customers make decisions consciously and therefore design their strategies based on the assumption that customers make decisions purely consciously and rationally. But the structure of our brains is such, no human being is immune to the influence of their unconscious emotions. So it can be said all buyers are affected by their emotions, few buyers are aware of it. According to Jeremy J. Sierra and Shaun McQuitty (2007) marketers can increase purchase intentions for nostalgic products by using communications that positively affect consumers’ attitudes and emotions associated with previously experienced over a time span.

Customer Satisfaction. A flurry of research has identified a salient antecedent to customer loyalty, retention, behavioral intention, market share and profitability is customer satisfaction (e.g. Anderson and Mittal, 2000; Athanassopoulos et al., 2001; Beerli et al., 2004; Heskett et al., 1997; Levesque and McDougall, 1996; Muffato and Panizzolo, 1995; Wood, 2008). A satisfied customer is expected to be more likely to be engaged in positive word of mouth and future purchase intention, (Jamal and Naser, 2002) and be more tolerant of price increases (Anderson et al., 1994).

Extensive review of the marketing literature had lacked a consensus definition of customer satisfaction. The period between 1981 and 1996 alone has witnessed more than 11 different definitions of customer satisfaction (Meng et al., 2008). Meng et al. (2008) indicated models of customer satisfaction introduced in the literature, such as the expectancy-disconfirmation paradigm, the attribution model and the equity model. Among these, the expectancy-disconfirmation model has gained the widest popularity in the academic community. This model is based on the premise that customers form certain expectations prior to consumption, and these expectations become a standard against which actual performance about a product or service is compared (Oliver, 1980). This model, views customer satisfaction as a post-purchase response that occurs as a result of comparing pre-purchase expectations and perceived performance (disconfirmation) (Oliver, 1980). Olsen and Johnson (2003) distinguished between two form of customer satisfaction: cumulative and transaction-specific. Cumulative satisfaction denotes a customer’s overall evaluation of a product or service and is measured after consumption as an end result. In contrast, transaction-specific refers to a customer’s evaluation of an array of different attributes of the product or service after having an experience with it. Olorunniwo et al. (2006) conceptualized customer satisfaction as a customer’s fulfillment response following the consumption experience. This response can be both evaluative and emotional-based. For Oliver (1993, 1997), customer satisfaction is an affective
construct rather than a cognitive one and involves emotional process. This position is consistent with Westbrook’s (1980) conclusion that customer satisfaction judgments are a function of affective (emotional) post-purchase responses. In his work, Oliver (1989), suggested five models of customer satisfaction and its antecedents. Labeled as evaluative-based satisfaction, three of these models described customer satisfaction as a consequence of the disconfirmation of expectations. The other two models dubbed as emotional-based satisfaction regarded customer satisfaction as an outcome of non-rational processes. Thus, customer satisfaction constitutes a combination of cognitive (beliefs about the product or service) and affective (feelings toward the product or service) dimensions (Bagozzi et al., 1999).

Research Methodology. To achieve the purpose of this study, a self-administered questionnaire was developed on the basis of an extensive review of the literature related to cognitive affective component of customer satisfaction. The review of the extant literature led to the identification of an expanded list of 25 attributes as related to customer satisfaction at different stage of purchase cycle. However, due to its exhaustiveness and length, it was decided that this pool of attributes needed further filtration as it was expected that such a length would be cumbersome and hence would constitute a hindrance to drawing adequate responses from potential participants. Thus, customers with different background were invited to participate in a focus group session for the purpose of selecting the most important consideration at different stage of purchase cycle. The discussions of the focus group resulted in the selection of only 12 attributes out of the 25 identified at first.

The questionnaire consisted of two parts and was prepared in English. The first part of the questionnaire contained 12 statements that measure customer satisfaction at different stage of purchase cycle. A five point Likert scale was used with the assigned values ranging from 1=Strongly Agree, 2=Agree, 3=Can’t Say, 4=Disagree, 5=Strongly Disagree. The last part of the questionnaire solicited information about the demographic characteristics of the respondents, such as age, gender, education level, and household income. To assess the clarity and readability of the questionnaire’s statements and the time needed to complete the questionnaire, a pilot study was carried out with a total of 50 respondents. The wording of the 24 statements included in the questionnaire achieved a high degree of clarity, and the average time for completing the questionnaire was computed to be less than five minutes.

The sample for the study was selected from three major states of eastern India. State capital were identified for collecting the sample points. The state capitals were selected on the presumption that the population has the tendency to have heterogeneous and diverse culture. Ideally, to make generalizations about such a population, one should start with a sampling frame from which a random sample would be drawn. However, due to the absence of the prospect for obtaining lists of existing customers and their contacts, a convenient sampling approach was followed as the best possible alternative. The study population consists those who were involved in the purchase decision process some time or the other. Out of 390 questionnaires, 330 were assessed as usable, establishing a response rate of (85 percent). Missing responses was the main reason behind the exclusion of the 60 filled questionnaires.

Results
The demographic characteristics of this study’s respondents are disclosed in Table I. Table 2 shows the mean and SD of factors derived from factor analysis. As shown in table 1, 74.58 % were male while 25.45 % were female. 41.51 % of the respondents belonged to lower middle class income group, while 37.57 % were of middle-income group with a monthly income of Rs 25000 and the rest 20.90 % belonged to higher income group of above Rs 25000. 41.22 % of the respondents were graduates and above. 48.48 % of the respondents belonged to below 30 years age group 43.34 % were of the age group of 30 years to 50 years while rest belonged to above 50 years age group. The respondent of three cities C1, C2, C3 were of equal representation.

Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th>Profile of Sample</th>
<th>No.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>246</td>
<td>74.54</td>
</tr>
<tr>
<td>Female</td>
<td>84</td>
<td>25.46</td>
</tr>
<tr>
<td>Total</td>
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</tr>
<tr>
<td><strong>Income</strong></td>
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<td></td>
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<tr>
<td>&lt; 10000</td>
<td>137</td>
<td>41.52</td>
</tr>
<tr>
<td>10-25000</td>
<td>124</td>
<td>37.58</td>
</tr>
<tr>
<td>&gt; 25000</td>
<td>69</td>
<td>20.91</td>
</tr>
<tr>
<td>Total</td>
<td>330</td>
<td>100</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
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<tr>
<td>&gt; Graduate</td>
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<td>58.78</td>
</tr>
<tr>
<td>&lt; Graduate</td>
<td>136</td>
<td>41.22</td>
</tr>
<tr>
<td>Total</td>
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<td>100</td>
</tr>
<tr>
<td><strong>Age</strong></td>
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<td></td>
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<tr>
<td>&lt; 30Years</td>
<td>160</td>
<td>48.48</td>
</tr>
<tr>
<td>30-50 Years</td>
<td>143</td>
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</tr>
<tr>
<td>&gt; 50Years</td>
<td>27</td>
<td>8.18</td>
</tr>
<tr>
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<td>100</td>
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<tr>
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<tr>
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<td>33.33</td>
</tr>
<tr>
<td>Total</td>
<td>330</td>
<td>100</td>
</tr>
</tbody>
</table>
The proposed model developed based on focus group discussion (figure-1) had 10 hypothesized paths consisting of one exogenous variable as pre purchase expectation and 4 endogenous variables as pre purchase excitement, product evaluation, purchase experience, post purchase expectation and later these variables became exogenous variable and one endogenous variable as future course of action. All variables were measured on 5-point scale. The above-mentioned factors were derived from factor analysis.

In the first phase, reliability of each independent construct was assessed through degree of internal consistence, or degree of inter-correlation among several measure for the same construct. Cronbach’s alpha was used to assess the degree of internal consistency within a particular scale (Nunnally, 1978). The value of Kaiser-Meyer-Olkin (KMO) as indicated in table 3 is a measure of sampling adequacy, was found to be 0.75 indicating that the factor analysis test has proceeded correctly and the sample used is adequate as the minimum acceptable value of KMO is 0.5 (Othman and Owen, 2001).

### Table 2. Factors

<table>
<thead>
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<th>Measures</th>
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### Figure 1. Proposed Research Model

Pre Purchase Expectation → Pre Purchase Excitement → Purchase Experience → Future Course of Action

Pre Purchase Expectation → Product Evaluation → Purchase Experience

Post Purchase Expectation → Product Evaluation

H1 → H3 → H9

H2 → H4 → H10

H5 → H7 → H8

H6

PPE: Pre purchase expectation
PPEX: Pre purchase excitement
PE: Product evaluation
PEX: Purchase experience
POPE: Post purchase expectation
FCA: Future course of action
In the second phase construct validity was tested through factor analysis by principal components. As evident from table 2, six major factors were identified at this stage. The result of Bartlett test of Sphericity showed high significance (sig=0.000), which indicates that the factor analysis process is correct and suitable for testing multidimensionality (Othman and Owen, 2001). The factors with factor loading =0.6 were considered as significant under each dimension. The eigen values of selected factors were greater than 1. A total of seven factors were extracted which cumulatively account for 62.359 % of the total variance in the model. Cronbach’s alpha 76 % is an acceptable value for the principal component varimax rotated factor loading procedure (Johnson and Wichern, 1982). Therefore, it can be concluded that the matrix did not suffer from multicollinearity or singularity as evident from correlation matrix table 4.

Based on factor analysis shown in table 5, the first factor labeled as pre purchase expectation is explained by variable X7, X8, X9. The second factor labeled as pre purchase expectation is explained by variable X4, X10, X11. The third factor labeled as product evaluation is explained by variable X5, X6, X12. The fourth factor labeled as purchase experience is explained by variable X1, X2, X3. The fifth factor labeled as post purchase expectation is explained by variable X14, X15, X16. The sixth factor labeled as future course of action is explained by variable X18, X19, X20. In the current study future course of action is indicator of customer satisfaction.

Data analysis took place in two phase as described below. First analysis was on three types of validity: Convergent, Discriminate and Nomological. These three types of validity constituted construct validity, or the extent to which an operationalization measures the concept it is supposed to measure (Bagozzi, et. al., 1991). Convergent validity means the extent to which the measures of a variable acts as if they were measuring the underlying theoretical construct because they share a variance. Discriminate validity means the degree to which measure of two construct are empirically distinct (Davis, 1989). Nominal validity refers to whether the construct performs as expected within its nomonical network (Schwab, 1980), such as relating to other constructs as theory suggests (Boudreau, et al, 2001), (Webster and Martocchio 1992).

Phase 1: Confirmatory Factor Analysis (CFA)
The CFA was carried out using structural equation modeling to assess the convergent, discriminate and nomological validity of the latent constructs pre purchase expectation (PPE), pre purchase excitement (PEX), product evaluation (PE), purchase experience (PEX), post purchase expectation (POPE) and future course of action (FCA). This analysis was performed using AMOS GRAPHICS-6 path diagram for each construct and its observed variables. The following were applied to assess the model fit: Chi Square, Goodness of Fit Index (GFI) was greater than 0.90, Adjusted Goodness of Fit Index (AGFI) was greater than 0.80 (Gefen, et. al., 2000). Comparative Fit Index (CFI) was greater than 0.90 and Root Mean Square of Approximation (RMSEA) of less than 0.08 for a good fit and 0.05 for an excellent fit (Browne and Cur-dock, 1993) as shown in figure 2. Convergent validity was assessed using the three criteria: individual lambda coefficient greater than 0.70, a significant t statistics for each path (Gefen et. al. 2000) and each path loading greater than twice its standard error (Anderson and Gerbing 1988). Discriminate validity among the latent variables to see if the inter-correlation is less than 0.60 (Carlson 2000), Figure 2 shows the relationship of the factors that influence consumer satisfaction expressed in terms of future course of action.

Results of table 6 shows that most of the variable passed the discriminate test with interco relation less than 0.6 except correlation between PPE and PEX which has a correlation of 0.62 which is a little greater than 0.6. Assessment of the model fit is based on x2/df ratio RMESA, CFI, TLI, NFI and RFI.

Phase 2: Measurement Model
Data analysis was performed using structural equation modeling approach using AMOS graphics (Arbuckle, 2002). The covariance structure derived from observed data is used to simultaneously fit measurement equations and structural equations specified in the model. Such co-variance based approaches are especially appropriate where strong a priori theory has been established. Model establishment was done in AMOS using the maximum likelihood approach. The model validation was done in two stages; factor analysis for instrument validation and the analysis of structural equation model for testing the hypothesized association in figure 3.

The Measurement and Structural Equation Model
The first step in model estimation was to examine the goodness of fit of the hypothesis models. AMOS estimates model
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### Table 5. Factor Analysis

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<td>I go for a purchase for need fulfillment.</td>
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<td>I go for a purchase for need enhancement.</td>
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<td>I go for a purchase for experience a need.</td>
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<td>F2: Pre Purchase Excitement (PPEX)</td>
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<td>I prefer buying an item that will be appreciated by others.</td>
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<td>X10</td>
<td>I prefer buying an item that makes me feel proud of its possession.</td>
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<tr>
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<td>X11</td>
<td>I prefer buying an item that will reduces my worry of using and maintaining it.</td>
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<td>F3: Product Evaluation (PE)</td>
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<td>I purchase a product for satisfaction of functional need.</td>
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<td>X6</td>
<td>I purchase a product for satisfaction of functional and psychological needs.</td>
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<td>X12</td>
<td>I purchase a product for what it means to me.</td>
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<td>A friendly store keeper makes me spend more money than the planned amount.</td>
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<td>X2</td>
<td>Store environment full of surprise and fun makes me spend more time that usual time planned.</td>
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<td>A well maintained store gives me confident about its merchandise.</td>
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<td>I prefer product that performance well over a period of time of its use.</td>
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<td></td>
<td>X16</td>
<td>I prefer product that gives me positive consumption experience over a period of time.</td>
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<td>F6: Future Course of Action (FCA)</td>
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<td>I recommend to others about my experience when I have satisfying purchase and consumption experience.</td>
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<td>X19</td>
<td>I develop a likeness for product/brand that enriches my purchase and consumption experience.</td>
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<td>X20</td>
<td>I go for repeat purchase if I have an enriching purchase and consumption experience.</td>
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Figure 2. Relationship of CFA Factors to Factors That Affect Consumer Satisfaction

![Diagram showing the relationship between CFA factors and factors affecting consumer satisfaction.]

Table 6. Correlation between latent constructs

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Table 7. Measure of Fit Indices

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Adapted from Hair et al., 2008; Fen-Hui Lin and Jen-Her Wu, 2004: Amos 6.0 User’s Guide.
The results showed a good fit between the proposed model and sample data. All the fit indices were quite near to the acceptable range.

### Table 8. Measure of Fit Indices

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</table>

Adapted from Hair et al., 2008; Fen-Hui Lin and Jen-Her Wu, 2004: Amos 6.0 User’s Guide.
From Table 9 it can be seen that H3, H6, H8 & H9 are supported at p < 0.001. H3 posited that there is a positive relationship between pre purchase excitement (PPEX) and purchase experience (PEX). H6 states that there is a positive relationship between product evaluation (PE) and post purchase experience (POPE). H8 states that there is a positive relationship between post purchase experience (POPE) and future course of action (FCA). H9 indicates a positive relationship between purchase experience (PEX) and future course of action (FCA).

H1, H2, H4, H5, H7, H10, and H11 were not statistically significant at p < 0.001. There exist no relationship between pre purchase expectation and pre purchase excitement. This may be due to the fact that pre purchase expectation has to do with need fulfillment/enhancement and experience and not necessarily with real buying per se while pre purchase excitement include the act of buying. There exist no relationship between pre purchase expectation and product evaluation. Pre purchase expectation is got to do more with the fantasy, dream and experience enhancement or fulfillment, which may relate to things like shopping for a break from routine or for sensory gratification. While a person intending to buy a product purely for rational reasons might evaluate a product based on certain attribute fulfillment.

There exist no relationship between pre purchase excitement and product evaluation. Pre purchase excitement is an ideal state of a person having prefers to posses or buy a product while product evaluation has got to do with real reasons like financial or social which influence a person to actually buy a product. There exist no relationship between pre purchase excitement and post purchase experience and also between purchase experience and post purchase expectation. The excitement, experience expectation and preference of consumer do not remain the same as consumer progress in his purchase cycle.

There exist no relationship between product evaluation and future course of action. A product is purchased when it fulfils certain needs. Sometimes evaluation is done on the spot or in store based on the consumer trade off. Future course of action is based on moments of truth and not on one episode. There exist no relationship between pre purchase expectation and future course of action. Pre purchase expectation is more to do with dream realization or fulfillment while future course of action is to do with real action. A consumer may be committed but may not display behavioral loyalty. A person may like or be satisfied with a product/brand but he may not necessarily get motivated to convert his satisfaction to recommendation or repeat action. This might be due to lack of incentive or his need is fulfilled and requires no repeat purchase.

Discussion and Managerial Implications
This study began with the premise that both cognitive and affective component are important for understanding customer satisfaction. The result showed that there is an equal contribution of affect in explaining customer satisfaction expressed in terms of future course of action. This interpretation of results supports the hypothesis explaining the fact that PPEX is related to PEX and PE is related to PPEX. POPE and PEX influences FCA. The above findings make it quite evident that consumer pre purchase excitement triggers purchase experience and purchase evaluation triggers post purchase expectation. Both purchase experience and post purchase expectation triggers customer satisfaction in terms of future course of action. This proves the fact that both cog-

<table>
<thead>
<tr>
<th>H</th>
<th>Path</th>
<th>Std. Coefficient</th>
<th>SE Ratio</th>
<th>Critical Result (t-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>PPE ↔ PPEX</td>
<td>0.22</td>
<td>.071</td>
<td>3.13</td>
</tr>
<tr>
<td>H2</td>
<td>PPE ↔ PE</td>
<td>0.03</td>
<td>.024</td>
<td>1.29</td>
</tr>
<tr>
<td>H3</td>
<td>PPEX ↔ PEX</td>
<td>0.70</td>
<td>.195</td>
<td>3.60***</td>
</tr>
<tr>
<td>H4</td>
<td>PPEX ↔ PE</td>
<td>0.05</td>
<td>.041</td>
<td>1.28</td>
</tr>
<tr>
<td>H5</td>
<td>PPEX ↔ POPE</td>
<td>0.63</td>
<td>.975</td>
<td>0.98</td>
</tr>
<tr>
<td>H6</td>
<td>PE ↔ POPE</td>
<td>0.92</td>
<td>.190</td>
<td>3.34***</td>
</tr>
<tr>
<td>H7</td>
<td>PEX ↔ POPE</td>
<td>-0.05</td>
<td>.060</td>
<td>-0.76</td>
</tr>
<tr>
<td>H8</td>
<td>POPE ↔ FCA</td>
<td>0.31</td>
<td>.087</td>
<td>3.51***</td>
</tr>
<tr>
<td>H9</td>
<td>PEX ↔ FCA</td>
<td>0.21</td>
<td>.051</td>
<td>4.03***</td>
</tr>
<tr>
<td>H10</td>
<td>PE ↔ FCA</td>
<td>0.10</td>
<td>.062</td>
<td>1.64</td>
</tr>
<tr>
<td>H11</td>
<td>PPE ↔ FCA</td>
<td>0.11</td>
<td>.062</td>
<td>1.64</td>
</tr>
</tbody>
</table>

Note: CR = Composite Reliability, R2 = Square multiple correlation; N = 330; *p < 0.05; **p < 0.01; *** p < 0.001.
Cognitive and affective component of customer satisfaction plays equal role at different stage of customer purchase decision stage. The results makes it quite clear that cognitive as well as affective component of customer satisfaction experienced through total purchase experience is a holistic way of assessing customer satisfaction indicated by future course of action.

The finding involves several implications for management. This study gives a direction and an insight in understanding how emotion experienced through the entire consumer decision-making or buying process results in customer satisfaction. This study indicates the role affective component (emotion) plays in the formation of overall customer satisfaction by managing customer experience at different phase of purchase/decision cycle. Extensive efforts have been made to investigate the role of emotions in marketing and consumer behaviour (Erevelles, 1998; Bagozzi, Gopinath, & Nyer, 1999). Emotion has received greater attention in advertising (Edell & Burke, 1987; Satyman & Aaker, 1998), consumer decision making (Satyman & Batra, 1991), retailing (Donovan & Rossiter, 1982; Baker, Levy & Grewal, 1992; Donovan et al., 1994; Babin et al., 2005; Yukel, 2007), satisfaction (Westbrook, 1987; Westbrook & Oliver, 1991; Oliver, 1993; Nyer, 1997; Wirtz & Bateson, 1999; Bigne, Andreu, & Gnoth, 2005), and behavioural intentions research (Derbaix & Vanhamme, 2003; Zeelenberg & Pieters, 2004; Hicks et al., 2005).

The present study makes it evident to the product and service providers and managers to effectively recognize and ‘engineer’ emotion in buying and consumption experience to maximize customer satisfaction that may ultimately lead to loyalty. Moreover, we suggest that marketing strategies have to be designed to shape consumer emotions as various episodes of consumer decision making unfold before and after purchase stage. This will give a lot of scope to the corporate in not only making an effort to offer a high quality

**Figure 4. Structural Model**

![Structural Model]

<table>
<thead>
<tr>
<th>PPE</th>
<th>Pre purchase expectation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPEX</td>
<td>Pre purchase excitement</td>
</tr>
<tr>
<td>PE</td>
<td>Product evaluation</td>
</tr>
<tr>
<td>PEX</td>
<td>Purchase experience</td>
</tr>
<tr>
<td>POPE</td>
<td>Post purchase expectation</td>
</tr>
<tr>
<td>FCA</td>
<td>Future course of action</td>
</tr>
</tbody>
</table>
product or service but also in stimulating emotion through affective component by adding elements of excitement and surprise at every touch points. Therefore management has to manage product performance and customer experience resulting in customer satisfaction that may take them long way in building customer loyalty. Supermarkets require positioning strategy that focuses (Trang et al 2007) on both utilitarian and hedonic motivations such as excitement, entertainment, fantasy, and fun in order to influence shoppers to stay longer and buy more.

Until we have better understanding of how emotions works in different stage of purchase cycle and how should firm optimize emotions in the real day-to-day operations. We hope the present study would be able to spark interest for marketing managers in designing their market offers that will be able to address consumer holistic purchase experience. In order to delight customers emotionally, managers need to maintain a careful balance of ‘Emotional Marketing Mix’ by inculcating emotional elements in every phase of purchase stage and in every aspect of their offer. Practitioners (Christopher White Yi-Ting Yu, 2005) should be responsible for gathering information and incorporating the emotions framework into their existing satisfaction measurement strategies.

Of particular interest is that when experience is perceived as high, in combination with performance, the emotional component has more of an impact on customer satisfaction than does the cognitive component alone. This may mean that in today’s world where good service is expected, the competitive advantage will go to those companies that not only perform well, but also deliver “that little extras” in terms of total experience.

Another important strategy for addressing emotional component is to empower customers in a positive frame of mind at every point of purchase decision. As Howard and Gengler (2001) point out, a person’s emotional state can influence a person’s evaluation of a product or service. Firms need to seek ways to manage customer expectation over long term, as customer satisfaction management is key to such efforts. Customer satisfaction rates in India are currently not very high, with customer complaints and other expressions of customer discontent. Thus, research such as this should be used as a proactive tool for managing customer expectations and experience.

**Limitation and Future Research**

Emotions are most often interpersonal or group-based responses. Unfortunately, vast majority of research into emotional behavior has had an individualistic slant to it (e.g., Parkinson 1995). Marketing relationships seem to be contextual where more social conceptualizations of emotions would be worth pursuing. Research in this area would contribute to a great extent on understanding emotion both as positive and negative categories and emotions relating to interpersonal relationships and across different cultural context. Research can also be undertaken to understand the distinct influence of cognitive and affective component on satisfaction formation relating to different purchase situation and across different category of products.

The most obvious limitation of the study being restricted to a modest size limited to capital of three state of eastern part of India, which could result in these findings being contextual. This study has taken the confirmation and not disconfirmation to explain the concept of customer satisfaction. The contribution emotion makes to the total explanation of customer satisfaction will vary significantly across different product and specific buying situations while the present study is not very specific to any particular context or situation.

**References**


Overall Restaurant Image: A Triggering Mechanism for Relationships with Customers’ Overall Satisfaction, Intention Behaviors, and Perceived Restaurant Loyalty

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David J. Ortinau, University of South Florida

Keywords: restaurant image, customer satisfaction, customer intentions, restaurant loyalty

EXTENDED ABSTRACT

Research Questions
What is the actual role of retail image in creating, maintaining, and enhancing customer loyalty?

Do established retail images become a “triggering mechanism,” serving as a positive reinforcement enabler that influence customers post-consumption evaluative judgments of retail/customer loyalty and other outcome judgments?

How much, if at all, does an established retail image influence a customer’s feelings of retail/customer loyalty?

To what extent, if at all, does an established retail image serve as an enabler to other known indicators of retail/customer loyalty?

Method and Data
This research employed a two-stage design, starting with focus group interviews conducted with college student and non-student individuals. Through the focus group interviews, we gathered preliminary insights on customer dining patterns, familiarity with chain restaurants and dimensions consumers employ to craft an overall image of a restaurant. The second stage of the design consisted of 400 restaurant patrons completing a paper survey about their perceptions, attitudes and feelings towards dining at Applebee’s. The target and sample populations were comprised of experienced restaurant patrons of Applebee’s casual sit down dining restaurant. The restaurant image survey included pre-tested direct rating scales and standardized rating scales. The collected data were analyzed through mean comparisons, correlations and simple regression procedures.

Summary of Findings
H1 posits that the individual attitudes held by experienced customers toward the dimensional indicators would directly relate to their overall image impression of Applebee’s restaurant, which was strongly supported. H2 hypothesizes that experienced customers’ overall restaurant image of Applebee’s would have a positive impact on their loyalty feelings toward the restaurant, which was supported. H3 predicts that once an experienced customer established his or her overall image of Applebee’s, the image would positively influence their evaluative judgment of post-consumption satisfaction of cumulative dining experiences at Applebee’s, which was strongly supported. H4 posits that the overall restaurant image would have a positive influence on the likelihood of the experienced customer to increase positive word of mouth behavior, which was supported. H5 predicts that the overall restaurant image has a positive influence on customers’ post-consumption desire to revisit Applebee’s within two weeks, which was also supported.

Key Contributions
The current study’s results provide empirical evidence that known experienced restaurant patron’s overall restaurant image positively links and influences not only their feelings of restaurant loyalty, but also their post-consumption...
evaluative judgments of overall satisfaction with their cumulative dining experiences at Applebee’s, intentions to recommend and intentions to revisit Applebee’s. We argue that restaurant image should no longer be viewed only as an antecedent of customer loyalty, but that restaurant image can act as a positive reinforcing enabler in maintaining or enhancing customer loyalty feelings. Further, an established retail image can act as a customer’s benchmark in judging the satisfaction of future dining experiences at Applebee’s. This research also has implications for managers, suggesting that some image dimensions are more important than others, and managers should tailor marketing strategies to match the most important image dimensions.

References are available upon request.
The Role of Consumer Responsibility Attributions When Consumers Co-Produce

Boris Bartikowski, KEDGE Business School
Heribert Gierl, University of Augsburg

Keywords: failure attribution, co-production, justice, illusion of control, self-serving bias

EXTENDED ABSTRACT

Research Question
Understanding how consumers react to failures in product or service performance and implementing effective recovery strategies are critical issues for marketers (e.g., Smith and Bolton, 1998). Firms may remedy poor delivery with price reductions or compensations such as upgrading to a better hotel room (e.g., Bittner et al., 1990). Doing so may turn dissatisfied customers into satisfied and loyal ones. However, instead of assuming liabilities and engaging into costly recovery actions, firms may attempt to attribute failure responsibility to consumers and thereby shape satisfaction and ensuing behaviors (e.g., Amyx and Bristow, 2001; Bonifield and Cole, 2007).

Our study complements this prior literature by contrasting situations in which consumers attribute failure responsibility to the firm with situations in which consumers attribute failure responsibility to themselves. Moreover, we investigate if the effectiveness of these types of responsibility attributions may be contingent on the level of consumers’ participation in co-production.

Method and Data
A 2 x 3 between-subject experiment design was used to examine across four product or service categories how different types of responsibility attributions interact with low and high levels of consumer co-production to influence satisfaction.

Summary of Findings
The results reveal that attributing failure responsibility to consumers tends to increase satisfaction. However, the effectiveness of such a strategy is contingent on the type of failure attribution and the level of participation in co-production. Justifying failures based on consumer characteristics tends to be less effective than offering informed choices. The results also show that the effectiveness of justification decreases with raising levels of co-production. Marketers should consider attributing failure responsibility to consumers an effective strategy that may help avoiding consumer dissatisfaction or costly recovery actions.

Key Contributions
We contribute to the literatures on failure attributions in consumer-firm relationships and consumer co-production in several ways. First, we differentiate behavior as a result of internal responsibility attribution for performance failures either before or after failure occurrence and we assess the effects of these two types of internal attributions of failure responsibility relative to firm responsibility. Second, we investigate the effectiveness of internal responsibility attributions depending on the level of consumer participation in co-production.

References are available upon request.

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What Happens to an Object if It Has More Than One Owner?

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Keywords: object care, joint ownership, psychological ownership, social influence, social cognition

EXTENDED ABSTRACT

Research Question
Consumers share many objects. Students share flats and appliances, families share computers, and even neighbors share communal areas. While in some cases sharing does not grant ownership to either party involved, there are many situations in which multiple users have indeed joint ownership rights, e.g., a jointly purchased microwave or a common area that is part of a house with individual flats.

There is paucity in research on how joint entitlements affect how an object is consumed. This question is, however, relevant. Object usage and care are inherently linked to the object’s perceived value, consumers’ derived satisfaction, object lifetime, and repurchase decisions.

The paper at hand focuses on joint ownership and object care. The specific questions we address are how and why ownership mode (joint vs. individual) influences object care and whether there are factors (in particular the relationship between co-owners) that enhance care for jointly owned goods. In addition, we suggest that the psychological experience of ownership acts as an underlying process, and we pioneer an empirical distinction between the notions of individual (MY) and collective (OUR) psychological ownership.

Method and Data
Four studies were conducted. Studies 1 (owned object = computer; n = 61 students) and 2 (owned object = flat/house; n = 115 adults) were ecologically valid paper pencil surveys. They assessed object ownership and usage, psychological ownership, and object care. Their primary aim was to disentangle the effect of joint ownership on object care and the role of psychological ownership as a potential mediator.

Study 2 also assessed the potential moderating factor of co-owner relationship strength.

Study 3 (owned object = house presented in a scenario study; n = 67 students) aimed to ensure causality by manipulating ownership mode (joint vs. individual) and co-owner relationship strength (close friends vs. acquaintances). It assessed the main effect of ownership mode, the mediating effect of psychological ownership and the moderating effect of relationship strength.

Study 4 (owned object = garden; n = 50 students) elucidated the role of another potential moderator: collectivistic mindsets. It experimentally primed collectivism through a language task while keeping the situation constant.

Summary of Findings
Across studies joint ownership had a detrimental effect on object care. This was found in the context of actually owned goods as well as in the scenario studies and it holds for objects as diverse as computers, houses and gardens. The studies also consistently pointed towards the role of relationship strength. The reduction in object care was particularly pronounced if joint owners were not in a strong relationship. Importantly, variations in the psychological experience of ownership were able to explain why joint ownership reduces object care. Studies 1 to 3 showed that sharing ownership with someone else reduces the individual sense of ownership. Studies 3 to 4 showed that the relationship between co-owners can mitigate these detrimental effects on care—largely because the relationship between co-owners affects a collective (i.e., shared) sense of ownership.

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**Key Contributions**

From a managerial viewpoint, the main contribution is the provision of empirical evidence for the detrimental effect of joint ownership on object care. This has implications for a product’s lifetime, the degree of satisfaction that is likely to be derived from it and consumers’ repurchase decision making. From a theoretical viewpoint, the main contributions are the empirical verification of the role of psychological ownership across ownership modes and, perhaps more importantly, the first systematic empirical distinction between collective and individual sense of ownership. Whereas individual psychological ownership was identified as the main driver of differences in object care brought about by ownership modes, collective psychological ownership emerged as the main driver of differences within joint ownership situations. Hence, both facets of psychological ownership (MY and OUR) seem to provide viable but distinct routes to increased care for possessions.

*References are available upon request.*
A Three-Year Effect: Impact of Smile Strength on Perceived Age

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Xin He, University of Central Florida
Fan Liu, University of Central Florida

Keywords: smiles, facial expressions, age estimation, babyfaceness

EXTENDED ABSTRACT

Research Question
Nowadays a youthful appearance is desired or even worshiped. Age-related perceptions matter to consumers (Barnhart & Peñaloza, 2013). For instance, perceived age impacts consumption of beauty products and services (e.g., cosmetics and plastic surgeries), and the overall consumer spending in these categories is estimated at a staggering $426 billion globally in 2011 (Euromonitor, 2012). Age perception is also relevant to marketers, as perceived age influences the dynamics of the interpersonal interaction at the employee-customer interface. Surprisingly, age perception has been a neglected aspect in marketing or consumer research. The current study attempts to examine how a simple act of smiling may be sufficient to influence age estimation.

Specifically, we propose an age-defying effect of smiles because smiling modifies facial muscle configurations. Smiles create facial muscle movements that stretch the mouth and expand the width of the nostrils (Cunningham, 1986; Hess, 1991). Smiles uplift one’s lips, push up the cheeks, make the chin less prominent, and thus turn the face to appear rounder and more babyish (Hess & Thibault, 2009). Babyfaceness is closely related to perceived youthfulness (Berry & McArthur, 1986). Therefore, we propose that a smile leads to deductions in age estimation because of its facial structural resemblance with babyfaceness.

Method and Data
We first calibrate the smile intensity precisely by classifying six levels of intensity. Following the Facial Action Coding System (FACS) (Ekman & Friesen, 1978), two independent coders identified facial muscle configurations for each level of smile. Next, we shot photos of laypeople and created various levels of smile intensity using Morph Age Pro software (Sebbe, 2008) to manipulate the previously identified action unit configurations. We then tested the effect of smiles on age estimations through a series of four studies entailing different stimuli, contexts, and demographic characteristics.

646 undergraduate students in Study 1 were randomly assigned to one of the six levels of smile intensity. They estimated the displayer’s age, smile intensity (Gorn, Jiang, & Johar, 2008) and perceived babyfaceness (Gorn et al., 2008). In Study 2, we simplified the design with two levels of smile intensity (neutral expression and maximal smile) and tested the smile effect in both positive and negative contexts. We again tested the mediating role of perceived babyfaceness while ruling out alternative explanations. To further examine the robustness of our findings, we manipulated the gender of displayers (Study 3) and sample source (Study 4). Finally, we conducted a pooled analysis of 1,235 participants from four studies.

Summary of Findings
In Study 1, we provided initial evidence that a maximal smile leads to a significant and sizable deduction in age estimation compared to a neutral expression. Manipulation check indicated a successful manipulation of smile intensity. While controlling for the participants’ own age, gender, and ethnicity, the overall model was significant. Compared with the neutral expression, the maximal smile significantly reduced perceived age ($b_{\text{maximal}} = -3.08, t = -3.55, p < .001$). A mediation test with bias-corrected bootstrapping procedures (Preacher and Hayes 2008) indicated that perceived babyfaceness mediates the smile effect on age perceptions. Study 2 confirmed the mediating role of babyfaceness and
further revealed that regardless of context valence, the displayer was perceived significantly younger in a maximal smile condition. Study 3 demonstrated that smiles significantly reduced age perceptions for both male and female displayers. Finally, data from both student and non-student samples supported the age-defying effect of smiles.

In a pooled analysis with 1235 participants, findings indicated that a maximal smile led to significantly lower age estimates ($b_{\text{maximal}} = -2.97, t = -6.39, p < .001$). A post-hoc observation with power analysis showed that the magnitude of the age-defying effect of a maximal smile is approximately 3 years.

**Key Contributions**

Our paper has three main contributions to both theoretical and methodological developments: (1) based on the coding system of facial muscle configurations, we categorized six levels of smile intensity and such precision in smile calibration allows us to rigorously explore the smiling effect on age perceptions; (2) across four studies and the pool analysis, we consistently found that a maximal smile leads to a 3-year deduction in age perceptions; and (3) we proposed and proved that the effect of smiles on age estimations is mediated by perceived babyfakeness.

Our research is relevant for various audiences in marketing. The age-defying effect of smiles is helpful for consumers who desire a youthful appearance. For marketers and managers, smile can serve as an effective way to enhance the appearance of service providers and to improve customer service. More broadly, consumer interactions on social networks often started with profile pictures. A simple judgment of perceived age based on facial appearance can impact how people approach and interact with others (Voelkle, Ebner, Lindenberger, & Riediger, 2012). We hope that future studies may extend this line of research to investigate the power of a smile and other factors that influence perception of age.

*References are available upon request.*
How Music Touches: Investigating the Influence of Sounds on Haptics

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Monika Imschloss, University of Mannheim, Germany
Christina Kuehnl, University of Mannheim, Germany

Keywords: haptic perception, cross-modal correspondences, music, softness

EXTENDED ABSTRACT

Research Question
Since consumers often touch products in retail environments while being exposed to music we examine whether music affects consumers’ haptic softness perceptions. Particularly, we try to answer the following questions: Do consumers perceive a T-shirt as softer when they touch it in a store playing soft music? Can marketers change consumers’ softness perceptions even if consumers are aware of music’s influence?

To answer these research questions and to account for the transfer from the auditory to the haptic perception, we rely on the concept of semantically mediated cross-modal correspondences. Crossmodal correspondences generally describe “situations in which the presentation of a stimulus in one sensory modality can be shown to exert an influence on our perception of, or ability to respond to, the stimuli presented in another sensory modality” (Spence, Senkowski, and Röder 2009, 107). As research on touch has shown that people vary in their haptic orientation, we also investigate whether the effect of soft music on haptic softness perception is moderated by consumers’ need for touch (NFT; Peck and Childers 2003a, 2003b).

Method and Data
We conducted one pretest and two experiments all using student samples to examine whether music affects consumers’ haptic softness perceptions, whether this effect is moderated by consumers’ NFT, and whether consumer’s awareness constitutes a boundary condition of this effect.

Our pretest identified songs that differ in ratings of softness, but not in ratings of other dimensions (e.g., likeability). Study 1 was conducted to demonstrate the effect of semantically mediated cross-modal correspondences between music and haptic softness perception. To test this effect, we examine whether consumers perceive a fabric as softer (rougher) while listening to soft (hard) music. We further test the moderating effect of NFT. Study 2 was conducted to answer the question whether consumers are able to cognitively correct for the influence of soft music. We explore whether consumers still perceive a fabric as softer while listening to soft music when they are made aware that music can affect their haptic perceptions.

Summary of Findings
In support of our hypothesis, our results of study 1 reveal the existence of a semantically mediated cross-modal effect between the auditory and haptic modality and that this effect is moderated by consumers’ NFT. We find that haptic softness perceptions increase when people listen to soft music and decrease when they listen to hard music.

Study 2 demonstrates that consumers who are aware of music’s influence can correct for the impact of soft music on their softness perceptions. In particular, softness ratings of a T-shirt decreased when consumers’ attention was directed to the possible influence of music. Notably, consumers did not overcorrect their softness ratings when they were aware of music’s impact.

Key Contributions
This research contributes to the understanding of semantically mediated cross-modal correspondences between music and haptic perception, answering the call that “more systematic inquiry is needed to expand our understanding of this complex, yet natural, way in which consumers interact with their products."
surroundings” (Krishna 2010, 371). Because consumers perceive products in a multisensory way, the key contribution of this work is to advance research on multisensory perception by demonstrating how music can affect consumers’ perceptions in the haptic modality. In two experiments, we show that music, which is commonly employed in retail environments, can affect consumers’ haptic softness perceptions. We further contribute to research by investigating whether the effect of soft music disappears when consumers are aware of its influence. We show that consumers who were aware of music’s impact on haptic perception were able to cognitively correct their haptic softness perceptions for music’s influence.

References are available upon request.
Consumer Knowledge of Product Aesthetics: Moderating Role of Category on Purchase Intention

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Innigo Arroniz, Universidad de Navarra
Karen Machleit, University of Cincinnati

EXTENDED ABSTRACT

Introduction
Consumer knowledge of what constitutes good aesthetics in package design influences consumption preferences. Centralitvity of visual product aesthetics (CVPA) measures the consumer knowledge on visually pleasing design, the value they place on visual appeal and how they respond to products that are visually appealing. This research examines the effect that CVPA has on purchase intentions of products varying on package appeal. The findings of two studies demonstrated that consumer knowledge of visual aesthetics influences consumption preferences. Ironically, when it comes to hedonic consumption, consumers who have a tendency to place less importance on aesthetics used product appearance as a cue to hedonic benefits, whereas consumers who had a tendency to place more importance on aesthetics used product appearance as a cue to functionality. Hence, consumer’s reactions to a product’s visual aesthetics may be more about the category being evaluated than the actual appeal of the product.

Research Question
Given the critical distinction that hedonic products emphasize personal gratification versus utilitarian products that emphasize functional benefits (Chitturi, Raghunathan, & Mahajan, 2007), the relevance of visual aesthetics in each situation is different. The evaluation of package aesthetics, however, is dependent not just on objective product features, but also on subjective consumer emphasis that is associated with both the product and the context (Crilly & Clarkson, 2008). Context in which product preference is affected depends on actual product aesthetics as well as consumer emphasis of aesthetics as it exists in the category. Hence, in this research, we investigate the novel prediction that individual consumer emphasis about product aesthetics will moderate the effect that package appeal has on product preference. Further, we demonstrate this effect for hedonic versus utilitarian products with different brands varying in package appeal.

Method and Data
Two studies examined how emphasis on aesthetics and package appeal inform consumer preference. The first study, which is an experiment executed through an online panel, evaluated the role of CVPA on purchase decisions when the appeal of the packaging is varied. The product selected for the experiment was a bottle of perfume. The packaging with the highest and lowest appeal ratings were then carried forward into the study. A second pretest was conducted in which participants were asked to list and rate the awareness of brand names for each category. The list included fictitious and well-known brands in the beauty and household product categories. After viewing the target product, participants were asked a series of differential questions regarding their overall evaluation of the product (bad/good, unsatisfactory/satisfactory, unfavorable/favorable, did not like/liked) and purchase intents. The second study employs a unique data set consisting of 146 brand name beauty and household products. The data set includes information about the products featured and images of the product as seen in store. The effect of category (hedonic vs. utilitarian products) as a moderator was evaluated. Measures and manipulation checks similar to study 1 were captured.

Summary of Findings
It appears that high-CVPA individuals made assessments that reflected purchase intentions of the product in a package form that was typical of the category. In contrast, low-CVPA individuals may have used package appeal as a heuristic to

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inform purchase preferences. Although consumers in general prefer high-appeal products, we find support for the prediction that when product appeal is high, high-CVPA individuals indicate an increased preference for utilitarian products, in contrast to low-CVPA individuals who indicate a preference for hedonic products. This result is reversed for low-appeal products, with high-CVPA individuals indicating a greater preference for hedonic products over utilitarian products with the same package aesthetics. Further, low-CVPA individuals indicated a greater preference for utilitarian products when product appeal is low. This finding indicates that individuals for whom aesthetics is an important consideration utilize product appeal as a cue concerning utilitarian, but not hedonic, products. Individuals for whom aesthetics is not an important consideration use product aesthetics as a cue to hedonic, but not utilitarian, products. This novel finding indicates that perhaps the fact that they are aware of not being an expert in matters of aesthetics makes low-CVPA individuals more prone to the effects of package design being used as a heuristic.

Key Contributions
This research contributes to the literature on product aesthetics by showing how consumers with varying traits of CVPA use inferences based on package appeal to determine product preferences. Research has shown product form plays a critical role when consumers make purchase decisions (Bloch 1995). Product form takes on multiple roles in communicating to the consumer (Hoegg & Alba, 2011). In this research, we demonstrate that category is a moderator of the effect that package appeal has on purchase intent. Further, we also demonstrate that depending on the product category, consumer preferences vary. When it comes to hedonic consumption, consumers who have a tendency to place less importance on aesthetics used product appearance as a cue to hedonic benefits, whereas consumers who had a tendency to place more importance on aesthetics used product appearance as a cue to functionality.

References are available upon request.
Does Holbrook’s Nostalgia Index Measure Nostalgia Proneness?

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ABSTRACT
This research highlights the conceptual limitations of Holbrook’s Nostalgia Index: it conflates the cause (nostalgia) with the consequence (preference); it does not consider nostalgia as an emotion; and it opposes the past to the present and future. Hence, Holbrook’s Nostalgia Index measures belief in decline, not nostalgia proneness.

Keywords: nostalgia, nostalgia proneness, attitude toward the past, belief in decline

Introduction
Nostalgia is a concept that has generated interest in marketing since the seminal articles of Belk (1990), Havlena and Holak (1991), and Holbrook and Schindler (1991). The intuition of these pioneers regarding the importance of nostalgia in marketing has never been refuted. Indeed, the nostalgia generated by an ad has a positive impact on one’s attitude towards it (e.g. Muehling and Sprott 2004), one’s involvement towards it (e.g. Muehling and Pascal 2012), one’s attitude towards the brand (e.g. Pascal, Sprott, and Muehling 2002), one’s attitude towards the product (e.g. Bambauer-Sachse and Gierl 2009) and one’s intention to purchase (e.g. Marchegiani and Phau 2011).

Beyond its role in advertising, nostalgia has a positive impact on one’s intention to purchase products stemming from one’s personal past (Sierra and McQuitty 2007), one’s charitable intentions and behaviors (Ford and Merchant 2010; Merchant, Ford, and Rose 2011; Zhou et al. 2012b) and the image of a brand linked to the past (Zimmer, Little, and Griffiths 1999), and a negative impact on Internet use (Reisenwitz et al. 2007). This impact could apply to all types of products stemming from the past (Schindler and Holbrook 2003), which makes nostalgia proneness a potential segmentation variable in many markets (Holbrook and Schindler 1996; Schindler and Holbrook 2003).

Research on nostalgia owes a great deal to Holbrook, who proposed that certain individuals are more prone to feeling nostalgia than others. He created a psychographic variable, “nostalgia proneness”, and developed a scale to measure it, the “Nostalgia Index” (Holbrook 1993, 1994). This scale measures a preference for things of the past, in relation to the present and future, as per Holbrook and Schindler’s (1991) definition of nostalgia. Nostalgia proneness was quickly referred to as “attitude towards the past” (Holbrook and Schindler 1994). Both terms were then used synonymously (Holbrook and Schindler 1996; Schindler and Holbrook 2003).

The idea that nostalgia proneness, as measured by Holbrook’s Nostalgia Index (Holbrook 1993, 1994), influences preferences for products of the past was empirically supported. For example, consumers whose nostalgia proneness is high tend to prefer movies released when they were younger, in this case around their late teens (19 years old). As for those whose nostalgia proneness is low, they tend to prefer movies released in their late twenties (28 years old) (Holbrook and Schindler 1996). Similar results emerged for preferences towards movie stars (Holbrook and Schindler 1994) and cars (Schindler and Holbrook 2003). These studies thus support the idea that nostalgia proneness has a moderating influence on the relationship between age and preference for products from the past.

Holbrook’s Nostalgia Index is the most popular nostalgia proneness measurement scale in marketing; however, it is based on a definition of nostalgia as a preference for objects from the past (Holbrook and Schindler 1991), which is marginal to the other definitions in the literature. Furthermore, this view of nostalgia conflates the cause (nostalgia) and consequences (preferences). In addition, this index opposes the past to the present and future, an idea that now seems outdated. Finally, this scale seems multidimensional while
no theoretical element suggests that the concept it is supposed to measure is. We thus believe that Holbrook’s Nostalgia Index does not measure nostalgia proneness, but rather the belief in decline, as subsequently implicitly recognized (Schindler and Holbrook 2003).

The purpose of this study is to highlight the conceptual limitations of Holbrook’s Nostalgia Index in measuring nostalgia proneness. We suggest to use a more adapted scale, the Southampton Nostalgia Scale (Routledge et al. 2008), but nevertheless suggest developing a marketing-specific nostalgia proneness measurement scale. We conclude by distinguishing the stimulus (e.g., product linked to the past) and potential response (nostalgia) and its consequences (e.g., preferences).

Nostalgia According to Holbrook and Schindler: A Marginal Conceptualization

In marketing, most authors agree on the emotional nature of nostalgia, by considering it as an emotion, feeling or mood (Baker and Kennedy 1994; Belk 1990; Holak and Havlena 1998; Madrigal and Boerstler 2007; Stern 1992; Summers, Johnson, and McColl-Kennedy 2001). Also, in psychology, almost all authors consider nostalgia as an emotion (e.g., Hepper et al. 2012; Routledge et al. 2008; Sedikides et al. 2008). A notable exception to this interdisciplinary quasi-consensus is Holbrook and Schindler’s (1991) definition, which considers nostalgia as a preference (towards objects from the past).

Apart from this exception, nostalgia has been considered an ambivalent bittersweet emotion since the beginning in marketing (Belk 1990; Havlena and Holak 1991). Indeed, nostalgia involves both pleasant memories and the awareness of loss, the inaccessible character of an idealized past. The emotional complexity of nostalgia is emphasized by Holak and Havlena (1998) who show that nostalgia is linked to both positive emotions such as joy, affection and gratitude, and negative or mitigated emotions such as sadness and desire. Also, in a study on nostalgia generated by music, Barrett et al. (2010) show that nostalgia is linked to both joy and sadness. Other studies specify that the affective signature of nostalgia, be it mitigated, is mainly positive (Hepper et al. 2012; Wildschut et al. 2006). In addition, in the narratives analyzed by Wildschut et al. (2006), negative elements were combined with positive elements to build a redemption narrative that progresses from negative to positive.

Nostalgia is usually linked to a desire to go back in the past or relive it (Davis 1979; Holak and Havlena 1998). The past is distant and inaccessible, which increases consumer desire (Belk, Ger, and Askegaard 2003). Furthermore, the past, or rather the idealized souvenir of it, is familiar and comfort-
According to Zimbardo and Boyd (1999), an individual can be oriented towards both the past and future, and his psychological well-being can be linked to a balanced time perspective between the past, present and future. Future orientation allows individuals to reach their goals, past orientation allows individuals to stay connected with their roots and provides a foundation to their personal identity, and present orientation allows individuals to enjoy life’s pleasures (Zimbardo and Boyd 1999). The idea that past orientation is not opposed to future and present orientation is also supported by Spears and Amos (2012). Furthermore, in Batcho’s (1995) study, people who are very nostalgic evaluate the world in which they lived in when they were younger more favorably than people who are not very nostalgic, but their evaluation of the present-day world and the world they anticipate for the future (20 years later) does not vary significantly. These results, confirmed in a subsequent study (Batcho 1998), suggest that nostalgia does not necessarily involve a rejection of the present, or a negative attitude towards the future, which would correspond more to pessimism (Batcho 1995). Similarly, Godbole, Shelly and Hunt (2006) show that the outlook on the future does not have a direct impact on nostalgia. Our point of view, according to which nostalgia is not necessarily linked to a negative attitude towards the present or future, is consistent with the current conceptualization of nostalgia. Indeed, it is seen as an emotion that is not only mainly positive, but that also contributes to a person’s psychological (e.g., Iyer and Jetten 2011) and even physiological well-being (Zhou et al. 2012a), and constitutes a true existential resource (e.g., Routledge et al. 2011).

Moreover, Holbrook’s Nostalgia Index would be multidimensional. Although the original version with 20 items showed satisfactory reliability (Holbrook 1994), confirmatory factor analyses yielded disappointing results for a one-dimensional model (Holbrook 1993; Holbrook and Schindler 1994). This led authors to propose an eight-item version of the scale; however, three studies suggest that the reduced scale would be two-dimensional. The factor analysis conducted by Rindfleisch, Freeman and Burroughs (2000) revealed two factors. A first factor reflects product-specific “nostalgia” (e.g., “Products are getting shoddier and shoddier”) and a second factor reflects “nostalgia” regarding life in general (e.g., “History involves a steady improvement in human welfare”; reverse coded). The studies led by Reisenwitz, Iyer and Cutler (2004) and Reisenwitz and Iyer (2007) yielded a similar result: a “micro” factor, also called “individual nostalgia proneness” and a “macro” factor, also called “societal nostalgia proneness”. If the Holbrook’s Nostalgia Index measured nostalgia proneness, the two-dimensionality of this construct would require a theoretical explanation, absent from the literature to our knowledge.

We suggest distinguishing five concepts: nostalgia proneness; attitude towards the past; attitude towards the present; attitude towards the future and belief in decline. Belief in decline can be defined as a positive attitude towards the past, a negative attitude towards the present and an increasingly negative attitude towards the future. Moreover, having a negative attitude towards the present might be being unhappy and having a negative attitude towards the future is probably linked to pessimism. As for nostalgia, it would not necessarily involve a conscious evaluation of the past, present and future when it occurs. In other words, we do not think that believing in decline is the same thing as being prone to nostalgia. It is worth noting that believing in decline is not related to being attracted to things from the past, as measured by scales stemming from environmental psychology (Schindler and Holbrook 2003). Additionally, Holbrook’s Nostalgia Index is not correlated to Batcho’s (1995) nostalgia inventory (Batcho 2007; Batcho et al. 2008), which is a scale established in psychology (Routledge et al. 2008).

### Table 1. Holbrook’s Nostalgia Index (8 items version)

<table>
<thead>
<tr>
<th>Item</th>
<th>Reverse Coded</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. They don’t make ‘em like they used to.</td>
<td>reverse coded</td>
</tr>
<tr>
<td>2. Things used to be better in the good old days.</td>
<td>reverse coded</td>
</tr>
<tr>
<td>3. Products are getting shoddier and shoddier.</td>
<td>reverse coded</td>
</tr>
<tr>
<td>4. Technological change will ensure a brighter future.</td>
<td>reverse coded</td>
</tr>
<tr>
<td>5. History involves a steady improvement in human welfare.</td>
<td>reverse coded</td>
</tr>
<tr>
<td>6. We are experiencing a decline in the quality of life.</td>
<td></td>
</tr>
<tr>
<td>7. Steady growth in GNP has brought increased human happiness.</td>
<td>reverse coded</td>
</tr>
<tr>
<td>8. Modern business constantly builds a better tomorrow.</td>
<td>reverse coded</td>
</tr>
</tbody>
</table>

Source: Holbrook and Schindler (1994).

A **Measurement Scale for Each Concept**

Marketing research needs a valid nostalgia proneness measurement scale. Holak, Havlena and Matveev (2006) developed the “Index of Nostalgia-Proneness”, which measures one’s attitude towards the past, beliefs that the passage of time is linked to a decline and willingness to go back to the past. This scale shares the same conceptual origin as Holbrook’s (1993, 1994) Nostalgia Index, and thus the same limitations previously discussed. As for Batcho’s (1995) nostalgia inventory, it helps to determine how much respondents miss certain elements from the past (toys, television shows, carelessness, society as it was...), but only measures one aspect of nostalgia that then appeared to be a complex emotion (Wildschut et al. 2006).

Given this absence of a nostalgia proneness measurement scale in the literature, Routledge et al. (2008) developed the
Southampton Nostalgia Scale (SNS). It is composed of 5 statements that mainly measure the frequency at which an individual feels nostalgia, and thus constitutes a direct measurement of nostalgia proneness (see Table 2). It is correlated with other related scales, namely, Batcho’s (1995) nostalgia inventory and a subset of 8 statements of the Zimbardo Time Perspective Inventory (ZTPI) (Zimbardo and Boyd 1999) used by Routledge et al. (2008) as a measurement of one’s attitude towards the past. The SNS has a satisfactory internal consistency, as measured by Cronbach’s alpha, whose value ranges from 0.84 to 0.93 in five studies (Barrett et al. 2010; Juhl et al. 2010; Routledge et al. 2008). It is worth noting that, contrary to other nostalgia proneness measurement scales, the SNS is the only one that includes the word nostalgia in its statements. However, giving a definition to nostalgia or not before administering the scale yields similar results (Hepper et al. 2012; Wildschut et al. 2006; Wildschut et al. 2010). This can be explained by the fact that the lay conceptions that people have regarding what nostalgia is are rather consistent with the way in which nostalgia has been considered over the last several years in psychology (Hepper et al. 2012) and marketing. It is an emotion linked to the past, which is not pathological in any way, and which differs from homesickness.

We believe that the scales existing in the literature measure three concepts: nostalgia proneness, measured by the SNS (Routledge et al. 2008); attitude towards the past, measured by the “Past-Positive” and “Past-Negative” dimensions of the ZTPI (Zimbardo and Boyd 1999); and belief in decline, measured by Holbrook’s Nostalgia Index (Holbrook, 1993, 1994) or the Index of Nostalgia-Proneness of Holak, Havlena and Matveev (2006). These three constructs are probably linked. Especially, a positive attitude towards the past could be linked to nostalgia proneness (Godbole et al. 2006; Zimbardo and Boyd 1999). Furthermore, belief in decline should be linked to one’s attitude towards the past given that this attitude is included in the belief in decline. In fact, one’s intention to purchase a product linked to the past could be influenced by emotional and cognitive factors simultaneously (Sierra and McQuitty 2007). Attitude towards the past and belief in decline are two cognitive factors likely to influence the consumption of products from the past. Nostalgia proneness is an emotional factor. Further research is needed to examine which of these constructs influences consumer behavior the most.

Conclusion

Nostalgia has very recently generated renewed interest in marketing (e.g., Cattaneo and Guerini 2012; Marchegiani and Phau 2013; Muehling 2013; Muehling and Pascal 2012; Orth and Gal 2012; Zhou et al. 2012b). This may be partly due to a similar renewal in psychology, initiated a few years earlier by Sedikides, Wildschut and Baden (2004), and then by Wildschut et al (2006); however, the very recent reactivity of our discipline should not conceal the fact that marketing leadership on empirical nostalgia research, recognized in psychology until recently (see Wildschut et al. 2006), may belong to the past. Worse yet, advances in knowledge on nostalgia are at stake.

To improve comprehension on the impact of nostalgia on consumer behavior, a valid nostalgia proneness measurement scale must be used. We believe that only one exists now in the literature, the Southampton Nostalgia Scale (Routledge et al. 2008); however, a scale that is better suited to marketing should be developed. For example, it may be relevant to develop a product-specific nostalgia proneness measurement, like the product-specific innovativeness construct developed by Goldsmith and Hofacker (1991). More importantly, this new scale should incorporate the fundamental idea that one can be nostalgic of an era that one has not experienced.

Indeed, since the conceptualization of Havlena and Holak (1991) and of Holbrook and Schindler (1991), there was a consensus in marketing on one essential point: one can be nostalgic of an era that one has not experienced directly;

Table 2. Southampton Nostalgia Scale

| 1. How often do you experience nostalgia? | Very rarely - Very frequently |
| 2. How prone are you to feeling nostalgic? | Not at all - Very much |
| 3. Generally speaking, how often do you bring to mind nostalgic experiences? | Very rarely - Very frequently |
| 4. Specifically, how often do you bring to mind nostalgic experiences? | At least once a day / Three to four times a week / Approximately twice a week / Approximately once a week / Once or twice a month / Once every couple of months / Once or twice a year / |
| 5. How important is it for you to bring to mind nostalgic experiences? | Not at all - Very much |

Source: Routledge et al. (2008).
however this consensus was recently broken by Zhou et al. (2012b) who specify, from the first sentence of the summary of their article, that the object of nostalgia is “a personally experienced and valued past”. This conceptualization, stemming from the field of psychology, denies the idea that one can be nostalgic of a past experienced indirectly through books, songs, parents, grandparents, etc. Such a narrow definition of nostalgia risks limiting the advances in knowledge.

Before developing a new nostalgia proneness measurement scale, conceptual work thus seems necessary. Accurate semantics should first be used. Words such as “nostalgic product” (e.g., Loveland et al. 2010), “nostalgic brand” (e.g., Orth and Gal 2012), “nostalgic ad” (e.g., Muehling and Pascal 2012), “nostalgic preference” (e.g., Holbrook 1993), “nostalgic attachment” (e.g., Schindler and Holbrook 2003) “nostalgia purchase” (e.g., Sierra and McQuitty 2007), and “nostalgic association” (e.g., Cattaneo and Guerini 2012) are likely to cause confusion. Indeed, only a human being can be nostalgic. These words conflate the stimulus (product, brand or ad linked to the past) with the potential response (nostalgia) and its consequences (preferences, attachment and purchase). Instead, we suggest distinguishing three concepts: the perceived age of the object (product, brand or ad), nostalgia felt, and attitudinal or behavioral response. The nostalgia felt would be considered a mediator variable. Nostalgia proneness, as well as one’s attitude towards the past and belief in decline, would be potential moderator variables.

References


Part D
Consumer Culture Theory

Track Chairs
Hope Jensen Schau, University of Arizona
Amber Epp, University of Wisconsin

Co-creating Value: From Necessity to Luxury
How Does a Product Come to Be Perceived by Consumers as a Necessity? A Narrative Analysis of the Necessitation Process
Jakob Braun, Mohammadali Zolfagharian

How the Management of Branded Luxury Accelerates the Symbolic Legitimization of Counterfeit
Joel Hietanen, Pekka Mattila, Antti Sihvonen, Henrikki Tikkanen, Iiro Vaniala

The Construction of Beauty Ideals in the Brazilian Luxury Market: A Socio-Semiotic Approach to Cultural Branding
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Preserving the Past, Present, and Future: Consumer Involvement in Community Heritage Marketing
Matthew Alexander, Kathy Hamilton
How Does a Product Come to Be Perceived by Consumers as a Necessity? A Narrative Analysis of the Necessitation Process

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Keywords: necessitation process, necessities, needs, narrative analysis

EXTENDED ABSTRACT

Research Question
In recent years, various media outlets have described products, such as connectivity and mobile phones, as “new necessities” (e.g., Carmichael 2011). Such observations suggest that certain products perceived as necessities today were not seen as such in the past. Therefore, we argue that at some point in the life cycle of such products, consumers may begin feeling that they no longer can live without them.

Despite the indispensable pertinence of this matter to marketing and consumer research, we have yet to explore how a product comes to be perceived as a necessity over time. We use the term ‘necessitation’ to refer to the process through which consumers come to perceive as necessary what they previously regarded as non-necessary. This research attempts to show how a product becomes a necessity in the eye of the consumer over time. We attempt to identify the process that shapes such development. We understand necessities as products and services without which the individual proclaims not to be able to sustain his or her multifaceted life (e.g., Alvesson 1994; Baudrillard 1993).

Method and Data
This research is guided by a hermeneutical approach (Thompson 1997). It provides an in-depth understanding from the consumer’s individual perspective rather than from a third person account.

The generation of consumer texts was twofold drawing narratives from open-ended, in-depth interviews and essays from consumers about a product that had in fact necessitated for them. All participants were encouraged to draw on lived experiences and give extempore narrations of product necessitation.

Summary of Findings
The study uncovers the necessitation process, which is germane to different consumers and products. After the consumer’s initial familiarization the relationship between the consumer and the product is altered in subsequent stages. Eventually, it comes closer to being viewed as a necessity as the relationship solidifies. Subsequent changes may unfold, which help advance and strengthen the consumer-product relationship.

Key Contributions
This study provides important contributions. It offers a foundation and starting point to further our understanding of necessities as artifacts of social and historical formations. It builds on an eclectic literature review, moves the focus onto the process of necessitation (as opposed to classification of products). This research has important managerial implications as it draws marketers’ attention to a thus far under-researched phenomenon. Knowing the stages of the necessitation process for a given product, managers are better prepared to devise and market their offerings effectively.

References are available upon request.
Research Question
The concept of luxury has a long history in Western thought (Veblen, 1899), and it was long regarded as a vice as indulgence of vanity and superfluity (Adams 2012; Berry 1994). The advent of luxury as a societal necessity has become a ubiquitous tool for marketers only following the advent of the capitalist marketplace and consumerism of the modern era (Adams 2012; Berry 1994).

Business ethics research has been couched in the modernist worldview, where the luxury brand assumes that these symbols act as signifiers of actualities, such as measureable wealth that the consumers use strategically. In this conceptual study, we offer a reconsideration of the ethical grounding of extant academic publications in counterfeit luxury.

We ground our perspective on the work of Jean Baudrillard, who demonstrates how the stability of signifier-signified relations becomes untenable in a postmodern economy of symbolic value. If luxury brand companies are increasingly selling pure (branded) symbolic value (not exclusivity or even quality) (e.g. Dion and Arnould 2011; Kapferer and Bastien 2009), what are the consumer ethics of appropriating counterfeit luxury products, if our contemporary consumer society is simultaneously celebrating the freedom of choice and the postmodern promise of freely appropriable symbolic meaning?

Summary of Findings
It could be also argued that the postulated ‘superior quality’ of branded luxury (see Dubois and Duquesne 1993) can be conceived as a mere modernist artifact, where its wastefulness constitutes its value as a class divider (Veblen 1899/1994). The similar holds true in Baudrillard’s (1981a) analysis of the sign, where use value is inextricable from exchange value, and carries meanings only as signification through the sign it demonstrates to other onlookers (Baudrillard 1981a). In the proliferation of counterfeit branded luxury commodities - a practice often championed by the brand owners themselves (e.g. Eisend and Schuchert-Güler 2006; Hilton, Choi and Chen 2004; Wilcox et al. 2009), we are seeing a simultaneous dissipation of both the exchange value and the importance of the sign (of useless and wasteful, thus ‘honorific’, luxury). Thus the symbolic distinction between ‘authentic’ luxury and counterfeit is gradually crumbling.

If marketers (and many academics) continue to use coercive rhetoric that subjugates the consumer under a moralistic banner of the ‘authenticity’ narrative (cf. Fukukawa 2003; Gaski 1999; Kjonstad and Willmott 1995), the question of the ethicality of such action arises when it becomes recognized that these brand meanings are mere signifiers up for the taking by the postmodern subject.

Key Contributions
It is illuminating to survey how the consumer is depicted in extant literature on counterfeit products. It can be highlighted that the consumer:

1. Is a rational/strategic agent who is able and willing to optimize utility functions.
2. Is a passive receiver of stimuli who should act in accordance with the marketers’ messages

3. Is part of a social class inextricably dependent from conspicuous consumption

4. Seeks to rise in the class structure through materialistic pursuits

5. Is a part of a capitalist marketplace order that is the only possible societal order

These general assumptions have become used to construct the consumer who purchases and consumes counterfeit products as either 1) an easily fooled dupe (or ignorant of the semiotic system and thus unable to distinguish between ‘authentic’ and ‘fake’), or 2) an unethical criminal or a ‘savvy player’ who doesn’t appreciate the order of the marketplace. We broaden the spectrum from a postmodern perspective by introducing a 3) more active and playful consumer who readily produces his/her semiotic game by appropriating various signs from the marketplace to enter into a play of meaning that is neither explicitly strategic nor inherently situated in the rigid ideological materialist system.

References are available upon request.
The Construction of Beauty Ideals in the Brazilian Luxury Market: A Socio-Semiotic Approach to Cultural Branding

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Keywords: branding, Brazil, semiotics, luxury, consumer culture, emerging markets

EXTENDED ABSTRACT

In order to fully understand local and global luxury brands’ positioning in emerging markets, market research should integrate socio-historical analyses to support the strategic positioning of the brand narrative in the local cultural landscape. Luxury brands can be viewed as cultural platforms for ideological statements (O’Guinn and Muniz, 2004; Askegaard, 2006). As such they are highly connected to socio-historical elements that permeate their identity (Lipovetsky and Roux, 2003). Advertising, fashion, and design infuse brands with societal values (McCracken, 1986) that are not only reproduced but also subject to modification when brands travel to distant markets. Consequently, the translation of the brands’ identity into a market positioning varies depending on the context in which the brand is operating. For example, the Brazilian market is characterized by specific beauty values and cultural contradictions intrinsic to the development of Brazilian society. Understanding the origin and interplay of these cultural contradictions is key to successful branding in this market. Therefore, in this paper, we explain how the cultural analysis of cultural contradictions regarding the female body and status in Brazil can shed light into strategic positioning of local and global luxury brands.

Research Questions
How can a socio-historical analysis of relationships between social status and body/appearance help marketers navigate the luxury brand market? How should local and global luxury brands position themselves in a market where the relationships between social status and body/appearance create specific symbolic distortions in the market?

Method and Data
To understand beauty discourses in Brazilian society as well as their relationship to luxury brands, we started by reviewing historical and trans-disciplinary sources to sensitize the researchers to key cultural contradictions (Holt and Thompson, 2004) regarding status and the female body in Brazilian society. Then, we conducted a semiotic investigation (Floch 2002; Oswald 2012; Ourahmoune and Ozçaglar-Toulouse, 2012) of the various symbolic discourses embraced by luxury brands in the Brazilian context. We first explored the luxury brands’ print ads so we could identify the major stories within the brand discourses. The second wave of data collection consisted of netnographic research (Kozinets 2002); we collected data from the Brazilian *Vogue* and *Elle* websites as well as Brazilian fashion and luxury blogs, searching systematically for luxury brands’ advertising campaigns approximately from 2010 to 2013. Drawing from a deep reading of cultural texts on luxury and Brazilian body/status dialectics, together with the analyses of advertisements, we constructed a semiotic square around the main cultural opposition we found in the socio-historical analysis of the relationships between Brazilian female bodies and status. With this method, we were able reach deeper levels in brand discourse, establishing a structural correspondence between brands’ narratives and the cultural system underlying them.
Summary of Findings
We contrasted two deeply rooted cultural discourses on the female body that reflect the dialectics of tropical vs. polar beauty ideals in Brazil to construct our semiotic square. The semiotic analysis associated with a socio-historical contextualization of these discourses allows us to explain the recent transformation of beauty ideals in the Brazilian luxury market and reveal the broader cultural discourses that animate the current positioning of various luxury brands. The emergent semiotic square yields a map of six cultural territories of expression available to luxury brands in Brazil. This map can be a helpful tool for brand positioning and strategy building for both local and global luxury brands.

Key Contributions
By combining a socio-semiotic approach to cultural branding, we map the cultural field of significant distinctions to reveal competitive grids and link brand identity to consumer culture. Our analysis allows us to provide informed recommendations to both local and global brand managers on how to best profit from their brand narratives in the specific cultural context of Brazil. Theoretically, we advance the understanding of how socio-semiotic analysis and consumer culture theory can be combined to make sense of the contextual specificities in foreign markets.

References are available upon request.
The Context of Experience

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Keywords: value-in-context, service-dominant logic, consumer culture theory, value co-creation, experience

EXTENDED ABSTRACT

Research Question
There is increasing interest among managers to enhance engagement with customers by better understanding how customer experiences and value are created and realized through markets. This emphasis on customer experience is a central focus in an emerging body of literature regarding collaboration in value creation – value co-creation (e.g., Helkkula, Kelleher and Pihlstrom 2012; Prahalad and Ramaswamy 2004; Schau, Muniz and Arnould 2009; Vargo and Lusch 2008; Vargo, Maglio and Akaka 2008). Although the study of experiences has generally focused on “consumers” evaluations of market offerings (see e.g., Holbrook 1999), the notion of value co-creation suggests that the evaluation of an experience, or phenomenologically determined value, is dependent on collective forms of value (Penaloza and Mish 2011), past and anticipated interactions (Helkkula et al. 2012), and the broader social context through which value is derived (Chandler and Vargo; Edvardsson, Tronvol and Gruber 2011; Vargo et al. 2008). This raises questions regarding the nature of the context through which experiences are evaluated and value is created (Askegaard and Linnet 2011). In this research, we conceptually explore the social and cultural context of experience and how it influences, and is influenced by, the ongoing co-creation of value.

Summary of Findings
To gain deeper insights to the context of market experiences, we integrate two developing streams of research that focus on collaboratively created value – consumer culture theory (CCT) (Arnould and Thompson 2005) and service-dominant (S-D) logic (Vargo and Lusch 2004; 2008). This intersection sheds light on the experiential aspects of value and the dynamic social and cultural contexts through which it is created. In addition, we discuss an ecosystems approach, grounded in S-D logic, which helps to further integrate CCT and S-D logic. This approach draws attention toward the evaluation of an experience from an A2A view, within a multi-level, multi-dimensional social and cultural context – i.e., value-in-context. Based on this integration and extension of CCT and S-D logic, we propose a conceptual framework to extend the scope of context by drawing attention toward 1) value-in-cultural-context, 2) multiplicity of structures and institutions, and 3) sign systems and service ecosystems. We elaborate on the processes by which the context of experiences form and reform through the enactment of practices and interaction among a variety of actors and their varying views on value. We outline several implications for broadening the context of experience to an ecosystems view and highlight directions for future research.

Key Contributions
We extend the context of experience to an ecosystems view, which aligns with a cultural perspective of experience, but is grounded in S-D logic. According to Vargo and Lusch (2011b), service ecosystems are “relatively self-contained, self-adjusting systems of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange.” This multi-level, multi-faceted view of the context through which value is created can potentially help researchers and managers gain a better understanding of market-related experiences (Askegaard and Linnet 2011). Importantly, this approach emphasizes the importance of institutions and the enactment of practices (Kjellberg and Helgesson 2006; Schau, Muniz and Arnould 2009; Warde 2005) in value co-creation and provides a framework for extending the rich cultural context of CCT beyond a consumption perspective by considering an actor-to-actor (A2A) perspective (Vargo and Lusch 2011a). This approach broadens the scope of experience to consider the collective creation and evaluation of value beyond a “consumer” or customer perspective and provides important insights for researchers and managers wanting to better understand and/or enhance experiential aspects of markets, or improve market-related experiences.

References are available upon request.

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Reactionary Modernism: Thoughts on the Post-Postmodern Condition

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Keywords: postmodernism, post-postmodernism, modernism, consumption systems

EXTENDED ABSTRACT

Research Question

What Is Reactionary Modernism? The epoch of postmodernism and enchanted consumption is over and its emancipatory attributes linger in subterranean stasis. As Cova and Maclaran (2012) mention, the second decade of the new millennia has marked the end of postmodernism. In the past few years we have witnessed the suppression of multivocality related to knowledge and a shift away from the cultural economy towards the monolithic, global, brand-centered, experience. The role of the aesthetic and the symbolic has given way to concrete objectification facilitated by constructed myth that supports a dogmatic, all-encompassing philosophical system.

We introduce, as one possible replacement, the age of reactionary modernism. Reactionary modernism, while similar to other post-postmodern (Boje 2006; Cova and Maclaran 2012) conceptualizations such as metamodernism (Vermeule and van den Akker 2010) and remodernism (Childish and Thomson 2000) in terms of its temporality, differs from them in terms of politics and its reactionary focus, which more closely embraces the reemergence of global fundamentalism and nationalism coupled with attributes representative of early to mid-twentieth century logocentrism.

Further, related more specifically to consumption, reactionary modernism integrates distinct conditions related to the overarching consumption system, specifically incorporating the relatively new phenomena of crowdsourcing (or production by the masses for the masses) as well as the increasingly worldwide embrace of materialism (Podoshen, Li & Zhang 2010), hyper-consumption, (Kilbourne, McDonagh & Prothero 1997) and over-consumption (Kjellberg 2008) practices as consumers living in many western capitalist societies are directed to consume in order to “stimulate” the economy and maintain the social order. Further, reactionary modernism occurs in a condition and global environment ripe with growing nationalism and fundamentalist tendencies.

Summary and Findings

Presented below are the key attributes of Reactionary Modernism and a brief description of each.

Philosophical System. One of the key differences between modernism and postmodernism is related to knowledge and the overarching philosophical system. As modernism leans towards an adherence to essentialism, whereby attributes of an entity are essential to identity and function (Cartwright 1968), products for consumer use are limited to the rational and functional. The reactionary modernist notion of knowledge shuns multivocality and moves towards univocality. While the lack of genre mixing (associated with multivocality) points somewhat towards the modern condition, the reason behind this lack of it is where the key difference lies between modernism and reactionary modernism, whereby the latter is influenced by the spread of universal values and its oft-resulting nationalism related not necessarily to function, but to social order.

Consumption System. With large real estate trusts, multinational corporations and private equity firms (precisely focused on risk-minimization and revenue maximization) controlling much of the retail space, there appears to be only room for large, powerful and/or established brands in the sought-after retail landscape. Shopping malls and plazas in today’s global environment resemble cookie-cutter consumerspaces that result from intense central planning. Non-established, innovative retailing tends to occur in locales where rents are low and appetite for risk is high. Over recent decades there has been a crowding out of independent or
“mom and pop” stores (that are often tailored to unique local interests) in corporate owned strip and shopping malls and they have been replaced with a set of nearly uniform retailers and focused brands that have more recently been marketed to citizens across the globe. Thus, consumerspaces in the realm of reactionary modernism are centered on the powerful, well-funded brand found in retail centers owned by risk-minimizing firms operating in an oligopoly.

**Signification System.** Reactionary modernism brings us back to the modern and its objectification, but with an additional dose of constructed myth and propaganda. Producers in the reactionary modern realm do not just seek consumers to consume for mere conspicuous purposes but rather to fully embrace the object and all that augments it as a “lifestyle.” Products are more than just tangible products with core benefits, and they’re even more than markers for social stratification. In this realm, marketers envelope consumers into 360 degree, all-encompassing brand experiences. Going shopping is more than an opportunity to purchase goods, it is an experience to “live the brand.” The results are deep affinities for “mythic” brands that act as the focal point in our lives.

**Key Contributions**

Firat, Dholakia and Venkatesh (1995) called for a major revolution in terms of how marketing was theorized, researched and evaluated, stating that marketing and related consumption study could no longer be perceived merely as an instrumental discipline (studied as something that is linear and/or causal) – rather it had to become reflexive, integrated and studied as a sociocultural process. In postmodern society, this certainly held true. Consumer Culture Theory (CCT), as a tradition, clearly embraced the fundamental postmodern condition. Today, however, in the reactionary modern time of transition, scholars and researchers have to understand that the there is another turn taking place in the global environment, and for some, this is indeed an environment where consumers act in linear fashion; a place where conformity is king and multivocality is discouraged. For many consumers, there are no “different myths” or “different realities” – there is one acceptable myth, one acceptable reality, one acceptable narrative.

Presented here is the very brief outline of thoughts on a new age. For many, the postmodern age is one that will be missed as it ushered in a new interest and understanding related to consumption phenomena. The nature of marketing and consumption in the post-postmodern era is one that is still being distinguished, and as such, what has been written here should not be taken as a the new consumption dogma, but rather as a starting point to a much larger conversation.

*References are available upon request.*
Narrative Transparency

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ABSTRACT
In this paper we focus on the rhetorical tactics of narrative transparency as a technique to communicate transparency in a climate of generalized risk and scepticism. We contrast the traditional numeric approach to transparency, which involves auditing and third-party certifications; with an alternative approach we call narrative transparency. Central to narrative transparency is an emphasis on stakeholder dialogue and an invitation to stakeholders to play the role of auditor. Community supported agriculture programs from across the US are the context for this study. Findings enrich discussions about best practices for transparency communications.

Keywords: accountability, audit society, community supported agriculture, marketing communications, narrative, rhetoric, transparency

“The audit can become a blunt and divisive ideological weapon in the hands of the unwary or ill-prepared.”
—Brownlie (1996)

Organizations face pressures to increase transparency and many have responded with expanded reporting and third party auditing. These developments have been dramatized by Wiki Leaks revelations, investment bank scandals, and repeated media accounts of corporate malfeasance (e.g. Asian factory tragedies/scandals) (Lamin and Zaheer 2012). Thus, companies have increased the number and types of audits and third-party certifications to include environmental and social criteria (Deumes et al. 2010). They generally rely on corporate strategies enshrined in the now contested, but still dominant techno-economic paradigm (Kilboune 2004), and an atomistic, retrospective, monologic communications format (McDonagh 1998) exemplified by financial audits, to assert and communicate organizational transparency and accountability. Expanded auditing perpetuates a “sciencey” regime of truth claiming, but expansion of numeric transparency does little to address the intensified general skepticism in a prevailing climate of institutional risk that challenges communication (Power, et al. 2009). In this paper we examine transparency communication tactics outside of audited assurances. Community Supported Agriculture programs (CSAs) from across the US provide the context for this study. Findings enrich discussions about best practices for transparency communications.

Theoretical Perspectives

Numeric Transparency. The dominant form of transparency communication is constructed within the paradigm of financial audits, and leverages “the widespread availability of relevant, reliable information about the period performance, financial position, investment opportunity, governance, value, and risk” (Bushman and Smith 2003, p.3). This model relies on auditing (Power 1999) to provide accountability, or assurances about organizational activities and claims. We refer to this accounting-based model of transparency communication as numeric transparency.

We highlight three flaws in numeric transparency that additional auditing cannot address. First, skepticism and mistrust of corporate capitalism, a long-standing trope in American culture (de Toqueville 1945; Iyer and Muncy 2009; Olson 1999), and increasingly evident worldwide (Choi 2011; DIY Week 2011); trust in key institutions, particularly business, is declining (Edelman Insight 2012). The culture of skepticism questions the validity of information obtained through numeric transparency. Second, information provided in corporate reports, including the language, charts, graphs and statistics may be too sophisticated for the average stake-
Narrative Transparency. Narrative transparency can be seen as a response to increased public demands for intimate knowledge about organizations. Focusing on how “accounts,” that is, “a story, a representation, a visualization” are used as tactics for transparency communication (Roslender and Wilson 2008, 872), narrative transparency illustrates the blurring of strict line between marketing and accounting (Roslender and Wilson 2008) as giving accounts is transformed into marketing communication.

While narrative transparency is a novel construct in marketing communications, narrative is used strategically in a variety of business settings. Organizational storytelling uses persuasive stories to induce commitment (Shaw, Brown and Bomily 1998), promote legitimacy (King and Whetten 2008; Etzion and Ferraro 2010; Suddaby and Greenwood 2005), and increase organizational reputation (Boyce 1996; Dowling 2006; Vendela 1998, 129). The rhetorical devices discussed below show how narrative can be used strategically to illustrate rather than report organizational transparency (Olson 1999).

Narrative transparency uses “textual apparatus that [allow] audiences to project indigenous values, beliefs, rites and rituals into imported media” (Olson 1999, 5) and refers to “the capability of texts to seem familiar regardless of their origin, to seem part of one’s own culture, even though they have been crafted elsewhere” (1999, 18). That is, in narrative transparency archetypal myths, personae and themes are used to build familiarity, and facilitate the ability to identify with communicative content. Myth and allegory are used to highlight the marketplace drama (Giesler 2008), setting up the CSA as the protagonist in the story and building a common emotional frame of reference (Suddaby and Greenwood 2005; Dowling 2006, 88; Mills 1940; Etzion and Ferraro 2010; Weber, Heinze and DeSoucey 2008). Several rhetorical techniques invite feelings of involvement, including offering invitations for emotional and physical participation, encouraging active engagement in a dialogue that reinforce the CSAs’ market position and role as the protagonist in the story, and employing an interactive accountability that reminds consumers of desire for enlightenment and position of authority to judge quality.

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market offerings, a role ascribed to them since the 1930s (de Toqueville 1945; Schwarzkopf 2011). This myth asserts that consumers hold integral roles in the marketplace and in contributing to the general wellbeing (Cohen 2004). The activism of the sovereign consumer has in fact been linked to grassroots social change (Cohen 2004, 239). We address how consumer sovereignty is used to build interactive accountability.

Engaging in Dialogue. Sustainable communication scholars recognize that “meaningfulness is actively and continually negotiated” rather than developed by companies (McDonagh 1998, 609). Dialogue gives organizations an opportunity to help stakeholders make informed decisions, provides a point of stakeholder influence for the organization (Stirton and Lodge 2001), and creates organizational value through the development of stakeholder relationships (Waddock 2008, 106).

The Context
Community Supported Agriculture (CSA) websites provide the context for data collection. CSA comprise a population of 12,500 independent operations in a decentralized, share-based marketing system through which participating stakeholders obtain shares of farm-grown produce; for history, see Thompson and Coskuner-Balli (2007; USDA 2007). CSA has been referred to as a solution to consumer anxiety over risks associated with food and the food system (Beck 1992; Rampton and Stauber 2001; Thompson 2005) because the model is built on trust in local, personal and knowable sources of food and food related information (Rampton and Stauber 2001). CSAs position themselves in opposition to mainstream agriculture, using narrative to highlight problematic issues associated with “big ag.”

Method
We collected data for this study from CSA websites. Our justification is two-fold. First, in today’s Web 2.0 environment, researchers argue that “the way a company behaves on-line and is perceived by its wider audience is far more important than overt philanthropy, donations to charities, flashy web- sites or even annual CSR reports printed on recycled paper” (Jones, Temperley & Lima 2009, 928). As small operations, apart from face-to-face contact and newsletters, websites are the primary formal channel through which CSAs communicate with their stakeholders. Thus websites are even more central to CSA communication than perhaps they are to larger market actors. Moreover, websites exist for CSAs in all 50 states of the USA, although this was not true when our research began. These websites were found on a national database for CSAs (Wilson College, n.d.). This database allowed us to sample systematically CSAs across the considerable regional cultural diversity represented in the United States (Elazar 1984). Second, assessment of corporate communications through websites is well established in research examining corporate initiatives that respond to public demands for greater corporate citizenship, transparency, and responsibility (Capriotti & Moreno 2007; Gomez & Chalmers 2011). Like other researchers our approach has been to examine the structure and content of these websites. As our aim was not to undertake an analysis of online community, use of netnographic methods (Hamilton & Hewer 2010; Kozinets 2002) was deemed inappropriate.

A database was created that included 50 CSA websites. The national database has a search feature that allows the viewer to search for CSAs by state. A search for CSAs in each state was conducted in alphabetical order (i.e. starting with Alabama and ending with Wyoming). For each state, the list of CSAs was retrieved, and one website was randomly chosen for analysis. Where only one CSA existed in a state, it was sampled. In the case of multiple CSAs, in the first instance the first CSA encountered was sampled. The next time multiple CSAs were listed for a state, the second CSA was chosen. Subsequently, the third CSA was chosen, then the fourth, and back to the first, second, and so on.

Principle analysis of CSA websites was conducted between June 2006 and May 2009, and thus, reflects the strategic orientation of CSAs at this time. The data were assessed using thematic analysis (Boyatzis, 1998; Taylor & Bogdan, 1984). This means that the texts drawn from the websites were first subjected to an emic level of thematic analysis followed by more systematic clustering and data reduction to develop mid-level etic categories (Spiggle 1994). We employed two forms of triangulation in order to improve the trustworthiness of interpretations. First, we triangulated across research sites rather than employing a case study approach to ensure the results were not parochial. Second, two researchers were involved, one with prior interest and experience with the research context and the second who had theoretical expertise but no empirical expertise. Triangulation across researchers helps to re-establish distance between researchers and contexts and provides a cross-check of interpretations (Lofland & Lofland, 1984; Wallendorf & Belk 1989).

Findings
Our findings show how CSAs use narrative communication tactics to build trust, offer disclosure, provide access to information, and create a platform for dialogue, elements of sustainable marketing (McDonagh 1998), and issues that are not addressed through numeric transparency.

Trust and disclosure are built through the rhetorical tactics of appeals to enlightenment, and evocations of consumer sovereignty. That is, these tactics build trust and credibility by
reporting specific activities (e.g., weeding by hand; composting; watching the crops) and how they engender the CSA’s stated values. CSAs demonstrate accountability by inviting the consumer to “see for [them]selves” and act as judge and auditor (enlightenment and consumer sovereignty). In addition, CSAs build legitimacy for their business model as they align with natural systems and differentiate from industrial agricultural practices.

Access and dialogue are generated through the rhetorical tactics of persona, allegory, and naturalizing analogy. These tactics invite consumers to feel like participants in the CSA, encouraging them to feel concern about the land, the soil, weather, water, crops and community, to participate directly and vicariously (Hartmann, Wiertz and Arnould 2013) in the CSA through website news and reports, work days, newsletters, and consuming the food from the CSA. Archetypal themes (e.g. good vs. evil) and characters (e.g. yeoman farmer; protector of nature) build pathways to meaningful dialogue by communicating issues in familiar language, encompass shared values, and appear as natural points of discussion. The shared narratives invite consumers to reflect on their level of comfort with getting food from farmers (known source) vs. from the industrial system. Finally, idyllic discourse about the beauty of the farm and magic of nature evoke nostalgia for a shared idealized and romanticized agrarian heritage.

The following quotation illustrates the mingling of these tactics to communicate details of actions, rather than facts and figures:

This past week gave us two frosts. The first frost was patchy and light. We lost a little basil, a third of our tomato plants, and most of the leaf canopy of the winter squash. This last bit of frost damage was the most serious, since there was another heavier frost following right away. The winter squash are protected by their canopy, which acts like a big quilt. Without this quilt we were either going to have to harvest all of the squash and get it into the hoop house or just lose a portion of our harvest. We decided to harvest all 3 quarter acre plots in one day. We were racing against the sun starting just before 7 am. A few members showed up throughout the day to help us get done in one day what is usually a 3 day project. When the second frost came on Friday night we were very happy to have all the squash in. We lost the rest of the basil, all of the tomatoes, all of the peppers, the cucumbers, the summer squash, the melons, and even the green beans that were under row cover. So we won’t have any more hot peppers for those of you who still have green bean preserving shares. We will be contacting you with some options as to how to handle this (August Earth CSA, MN).

The CSA takes an archetypal myth (e.g. Noah’s ark) of what could be considered a major disaster for a business and uses it as an opportunity to share their humanistic struggles as farmers in an unpredictable environment. This example of narrative transparency shows the sad results of the familiar dramatic tension here is between man, i.e., the CSA farmers, “a few members,” and the disappointed member cooks whose plans for hot sauce and preserved green beans will be dashed, and wild nature, here represented by a precocious, but not entirely unexpected early Minnesota frost. In American popular culture, struggles in and with wild nature are represented as fortifying and restoring the soul even as such encounters teach the value of humility, as expressed here in the flat fatalistic recounting of what was lost (basil, tomatoes, squash and so on; Fehn 2005; Glover 1990; Nash 1967; Schullery 1978). In addition, this story builds trust by offering details of the early frost. The report about lost tomatoes, basil and peppers is brief and the focus is on the squash. The quotation explains in plain language how squash are “protected by their canopy” and what happens when it is destroyed. It also presents the choices the farmers had (harvest or lose the squash) and their decision (harvest), and it shows how they were able to complete the three-day task in one day, with the help of CSA members. Finally, this report does not include numeric accounts (how many tomato and basil plants died; how many members came to help; what is the economic loss), rather the focus is a story of community engagement and support. This report demonstrates the use of consumer sovereignty as CSA members act as auditors, that is, the customer was invited, and some came, to see the frost damage, participate in helping avert a larger disaster, and join a dialogue about the farm, weather, and harvest. In this way the CSA demonstrates the truth of their claims both about the frost damage and the actions they took to save the squash. CSA members participate in the outcomes of the farm harvest, both directly (those who helped harvest) and vicariously for those who read about the incident online (Hartmann et al. 2013).

Another extended excerpt helps show CSAs build credibility through narrative transparency:

We strive to be good stewards of the land by maintaining and enhancing soil, water and air quality through sustainable farming practices. We encourage and support a small farm ecosystem of diverse plants, birds and pollinators. Our crops are grown without synthetic fertilizers, pesticides, herbicides or genetically modified organisms. We use compost, cover crops, mulching and crop rotation to encourage healthy soil and plants and to build long-term fertility. We believe a healthy body is inseparable from a
healthy soil. In order to be a healthy economically viable farm, it is important to have both a diversity of crops, and a diversity of markets. Our goal is to always provide the highest quality product to all our customers. Through the CSA experience we hope to encourage a sense of place by reconnecting people with the land that sustains them. We also strive to provide opportunities for farm members to connect with other members of our community through monthly potlucks, a children’s garden, work opportunities, and a fall farm festival. (Blooming Glen Farm, Perkasie, PA)

The authors make several statements about their values and beliefs (e.g., “good stewards of the land;” “a healthy body is inseparable from healthy soil”), which help place the CSA as the allegorical protagonist in a pastoral marketplace drama (Giesler 2008; Press and Arnould 2011a) that has a clear if unnamed antagonist (industrial agriculture). Persona (e.g., “We strive…”) is used simultaneously to invoke the aura of the American farm family and to educate readers about what it means to be good stewards of the land, referencing American ideals of taming wild nature and working with (rather than against) nature (Press and Arnould 2011a), with the mother earth archetype hovering behind the text. In addition, they detail the farm practices they engage in that demonstrate how they behave according to their values and beliefs (e.g., “we encourage and support a[n]…ecosystem;” “we use compost…to build long-term fertility”). The CSA also uses consumer sovereignty (Schwarzkopf 2011), inviting consumers to judge the quality of the product, and to inspect the veracity of the CSA’s claims as they connect with the farm (“the land that sustains them”) and with other members. At the same time, the CSA evokes a feeling of nostalgia for a connection with land, “sense of place” and “reconnecting” with people. By highlighting shared values (community, health, no synthetic fertilizers, no GMOs), customers are invited to feel more comfortable and natural getting their food from the CSA than from unknowable sources.

The use of multiple rhetorical tactics for conveying transparency is similar across CSAs:

The longer I farm, the more I realize that farming is a magical experience. It requires a great deal of faith in the soil, in the seasons, in the seeds, and in ourselves. We plant and transplant, weed and water, and hope for the best. We are not so much producers as caretakers. The weather does what it wants, the plants respond accordingly, the equipment either agrees with us or it doesn’t, and we do what we can to make everything go smoothly. It is an awesome and humbling experience. ...Our produce arrives at market very fresh and in season, which maximizes flavor and nutritional quality. We also enjoy a direct connection with our customers, allowing us an ongoing dialogue about our produce and our farm... (Boistfort Valley Farm, WA)

In this quotation, the CSA highlights specific values and the practices that demonstrate those values (“faith in soil;” “we are...caretakers;” “humbling experience;” “enjoy a...dialogue”). Transparency is communicated through familiar themes (caretakers; weather does what it wants; maximum[un] flavor) and behaviors (connect with customers; ongoing dialogue), rather than through scientific jargon (e.g. about soil chemistry) or numbers (e.g. how many pounds of seeds; weed with what implement) associated with the techtopian model of industrial agriculture (Kozinets 2008) and audit (Power 1999), key to numeric transparency. Dialogue is encouraged here both directly and indirectly through the use of archetypal themes. In addition, the reader is invited to join a dialogue with these producers, where they can learn more about the freshness of the produce and how exactly the farmers perform their caretaker duties. Advertising this ongoing dialogue and inviting stakeholder participation are indications of assurances.

Discussion

We indicate how CSAs use narrative transparency to redress the main challenges to the legitimacy of the numeric transparency model: doubtful veracity; use of business jargon, legal but ethically questionable behaviors, and unwillingness or inability to dialogue with stakeholders. CSA websites use archetypal persona, myth, and allegory, evoke an on-going quest for knowledge, invite stakeholders to enlighten themselves, take on the role of auditor and investigate CSA claims for themselves. CSAs’ persistent differentiation from supermarkets and the industrial agricultural system in general, and alignment with pastoralist and wilderness mythologies challenge norms embedded at the most general level in the DSP, in the specific context of industrial agriculture, and in the numeric audit. These narrative transparency tactics are enlisted to build trust, credibility, accountability, participation and on-going dialogue. These outcomes of narrative transparency help legitimize this market form (McEachern and Warnaby 2005; Thompson and Coskuner-Balli 2007; Press and Arnould 2011a).

CSAs, in their narrative approach, state their values and then focus on their process, by reporting on the daily workings of the farm, with produce growing, the changing weather, and personal reflection. These narrative indicators provide real time illustrations of how CSAs pay attention to the process that goes into sustainable agriculture. In addition, it shows that they are paying attention to their stated values, and constantly differentiates them from the obscure processes of industrial agricultural production, transformation and marketing. Finally, this kind of reporting is neither retrospective...
neurial businesses (Deephouse and Suchman 2008; Higgins researchers find builds normative legitimacy for entrepre-
the kinds of moral commitments and engagements previous

to familiar and widespread cultural values and demonstrate
gested that through rhetorical tactics, CSA websites connect
macy for the whole category (Rao 1994, 29). We have sug-
organizational institutionalism. Greenwood, R., Oliver,


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Keywords: emotional style, emotional consumer practice, romantic love, market systems, emerging markets

EXTENDED ABSTRACT

Research Question
Prior work on emotions in marketing has created useful and visionary insights into a range of research areas, including emotional branding (e.g., Giesler 2012; Thompson, Rindfleisch, and Arsel 2006), human-object relations (e.g., Batra, Ahuvia, and Bagozzi 2012; Fournier 1998), and the influence and measurement of emotions in consumer behavior (e.g., MacInnis and de Mello 2005; Mogilner, Aaker, and Kamvar 2012; Richins 2013). However, this work has largely refrained from analyzing emotions as evolving phenomena and instead understood emotions as relatively stable and enduring characteristics of the consumer, thereby assuming that consumption ultimately reinforces prevailing emotional styles. Aiming to provide a theoretical corrective to this dominant perspective, this study addresses the issue of emotional change and the role the market therein and asks how new forms of emotionality are established. Data was collected in Yogyakarta, Java, from 2006–2013 and comprises a total of 3,439 pages of text, including 100 questionnaires and 51 interviews (2,928 pages), observational data (232 pages), and archival materials (279 pages), and also more than 1,000 photos and several popular cultural books, films, and music albums connected to love. 35 in-depth interviews (Thompson, Locander, and Pollio 1989) were conducted with a younger population (aged 17–36, \(M = 24\), 14 male and 16 female) and 16 interviews were conducted with middle-aged informants (aged 39–70, \(M = 51\), 50% female) to elicit detailed stories about close relations, romance, and related consumption behavior. I analyzed the interviews using the established hermeneutic analysis method (Thompson 1997). In the final iteration between the conceptualization of emotional styles and practices and the patterns revealed through the data, a theoretical account was formulated on emotional style creation through the cumulative effect of consumers’ emotional practices, new market offerings, and discursive changes.

Summary of Findings
The findings demonstrate that in our context, a new style of romantic love is being established, a system of patterned relationships among a discourse of romantic love, romantically charged market offerings and related objects, and a new set of emotional practices. This emotional style organizes the experience, display, and fostering of romantic love in Indonesian society. I show how young consumers, in spite of the objections from proponents of traditional and religious models of love, catalyze the establishment of the new emotional style by cumulatively engaging in and converging upon a new set of four emotional practices. In the new nam-

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ing practice of emotion confessions, they employ a variety of
couple merchandise to openly express their emotions, a rare
occurrence among previous generations. In regard to com-
municating emotions, gift giving is a novel emotional con-
sumer practice that includes market offerings such as roses,
couple accessories, and chocolate. With regard to regulating
emotions, young consumers elevate romantic happiness
through consumption moments and promote their individual
emotions as acceptable criteria for their mate selections. In
the new practice of dating in romantic servicescapes, com-
mercial environments targeting young couples in search for
togetherness, they mobilize romantic emotions in the public
sphere of consumption.

Key Contributions
Several theoretical and managerial contributions are made.
First, by developing an alternative socio-historical approach
to consumer emotionality, I offer a critique and extension of
the psychologically oriented theorizations of emotions in
marketing. Second, by exploring the ways in which new con-
sumption activities revolving around emotionally charged
market offerings and atmospheres foster the establishment of
a new emotional style, I shed novel theoretical light on the
role of consumption in the constitution of emotional life.
Third, I highlight the important role of emotional styles and
emotional consumer practices in the establishment of market
and consumption systems. The contribution of this work for
marketing managers is (1) to demonstrate that different emo-
tional styles enable different ways of incorporating marketplace
offerings within relationships between the self and oth-
ers and (2) to show that emotional styles can be influenced by
marketing efforts addressing discursive patterns on emotion
and the four types of emotional practices. Parallel to recom-
mendations of scholarship on market creation (e.g., Giesler
2012; Humphreys 2010), the study suggests that managers
can build on this knowledge to better detect tensions in a
society’s emotional repertoire and enhance the emotional fit
of market offerings with particular emotional styles.

References are available upon request.

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Keywords: identity, consumption, contexts, masculinity, bodywork

EXTENDED ABSTRACT

Broadly this study explores the individual’s constructions of identity as situated within historically and locally particular cultural practices. Following this approach provides marketers with valuable insights that better equip them to engage with their customers. The subject matter is the male consumer engaging in bodywork practices to construct a desired body type. The subjects are situated within two discursive regimes: practices of self-presentation and national sport. Moreover, looking across these contexts reveals situational differences that contribute further to managerial decision-making, helping build stronger customer relationships.

Research Question

There is a consensus in recent literature conceptualising the male body as an object ‘to be manipulated, disciplined, and transformed into a culturally meaningful form by the active subject’ (Norman, 2011). Indeed within the two discursive groups explored in this paper evidence of young men transforming their bodies in accordance with available cultural resources supports this premise. Descriptive texts in a variety of formats including lifestyle magazines, blogs and websites were drawn upon as these men sought to act upon themselves to be a certain type of subject. As these men subscribe to these descriptive texts, it becomes a duty-like endeavour to discipline and normalise their bodies (Thompson and Hirschman, 1995). However, within different discourses exist different possibilities for individuals to act in a particular context (Denegri-Knott, Zwick, and Schroeder, 2006). And so it is more revealing to look across the discursive regimes to consider young men’s engagement with their body projects. Cultural tensions unravel across these social contexts that consequently inform marketers how best to build strong, enduring relationships with, in this case, the male (fashion) consumer.

Method and Data

Foucauldian theory is employed to conceptualise men as intertwined within their social environs, the recipients of socio-cultural inscription. Data was collected through the process of qualitative interviews and a narrative analysis approach was adopted to analyse the data. The data source chosen was young Irish men between the ages of 20 and 30 years. Suitable candidates were sourced through interviewer’s own social networks. Two discursive practices were identified: the discourse of national sport (labelled as The GAA\(^1\) Fellas) and the discourse of self-presentation practices (labelled as The Consumptionistos\(^2\)). The rationale was to organise interviewees into a specific, identifiable group with a common bond between each of the community group members. For the purpose of interviewing, it provided a topical conversation that the interviewer knew each interviewee could speak comfortably and at length about. Furthermore, each of the identified discursive regimes serves as a particular ‘case’ for narrative analysis with the intention to assemble ‘a “fuller” picture of the individual or group’ (Riessman, 2008: 11). And so each interview text is read with the awareness that the interview is operating within a certain discourse, or ‘a certain network of practices of power and constraining institutions’ (Foucault, 1988).

\(^1\)GAA is an acronym for the Gaelic Athletic Association in Ireland.
\(^2\)Consumptionistos are men who identify with practices of self-presentation (Duffy, 2012).

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Summary of Findings
Across both discursive regimes young men engaging in prescribed bodywork practices is evident. However the experience of this bodywork varies significantly. The identity project of a Consumptionisto is habitually subject to modification due to the fluctuating nature of fashionable self-presentation techniques. The narrative clearly revealed anxiety among these men to achieve an ideal male body type, yet paradoxically a determination to persist with engaging in these techniques of the self. A failure to achieve a fashionable presentation of the self represents incompetence on the young man’s part in constructing a fashion-forward, styled and groomed look befitting a Consumptionisto. And so his position within his discursive regime depends on this ongoing bodywork. In contrast, within the sporting community of The GAA Fellas exists a structured, hierarchal body performance continuum that enables young men to construct their identity project within this discursive domain without risking social exclusion for not achieving bodily perfection. All willing young men are afforded some position wherein they can legitimately participate within this social group. Here we can see the positive power of Foucault’s technologies of domination in operation. The communitarian model of a highly structured organisation, in this case a sport organisation, provides a more solid foundation wherein men can build their identity projects while affirming and optimising their life and bodily capacities.

Key Contributions
I identify a communitarian model as an imperative and positive socialising agent for young men in their construction of purposeful identity projects. It is proposed that corporate organizations need to reconsider their business model and aim to incorporate a social purpose into their business practices. There is a need to create a community in which a young male consumer can find a sense of heritage, belonging and meaning without risking condemnation or alienation from his peers. There has been much research advocating the benefits to marketers of building brand communities (Muñiz and O’Guinn, 2001); (Muñiz and Schau, 2005) and incorporating social networking practices to further sustain brand communities (Schau, Muniz, and Arnould, 2009). However, reinforcing the ‘linking value’ perspective proposed by (Cova, 1997) and (Shankar, Whittaker, and Fitchett, 2006), the findings of this paper highlight an opportunity for corporations to create a meaningful community wherein male consumers can participate in meaningful dialogue with brands and thus engage in ‘meaningful consumption practices’. Applying a communitarian model to self-presentation products and brands oriented towards (in this case) the male consumer, will facilitate a more inclusive approach wherein young men will be able to forge a deeper sense of belonging within their influential community.

References are available upon request.
Mainstreaming, Counter-co-optation, and Depoliticization by a Counterculture: An Investigation of the Free/Open Source Software Culture

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EXTENDED ABSTRACT

The relationship between countercultures and the mainstream culture has intrigued consumer culture researchers for decades (Marcuse 1964; Frank 1993; Holt 2002). In the literature on this relationship there are three different theories. The classic co-optation theory (Ewen 1988) conceptualizes this relationship as a confrontational one and assumes a doomed fate of countercultures. In contrast, the hip consumer variation of co-optation theory (Heath and Potter 2004) conceptualizes this relationship as a symbiotic one. But the re-politicizing co-optation theory (Thompson and Coskuner-Balli 2007) argues that by creating countervailing markets, a counterculture can re-politicize its cultural meanings co-opted by those corporations who stand for the mainstream culture. Despite their differences, these three theories implicitly assume that countercultures avoid becoming mainstream, that only corporations depoliticize countercultures’ subversive ideologies and practices, and that the focal relationship is either confrontational or collaborative.

The social constructionist theory of social movement (Benford and Snow 2000; Swidler 1986) suggests that a countercultural movement is a political-cultural process in which individual consumers create and negotiate various ideological frames by tapping the concurrent mainstream culture for legitimacy to construct the social order of their own version. According to this theory, it is possible that a counterculture may aim to mainstream its ideologies and practices in a certain domain of the marketplace, that a counterculture or a sect of it may co-opt tools of the mainstream culture for its own goals, and that a counterculture or a sect of it may strategically depoliticize its ideologies and practices and thereby both confronts and collaborates with the mainstream culture. Drawing on this theory as my theoretical lens, I aim to contribute to the literature on the relationship between countercultures and the mainstream culture by empirically examining this theoretical possibility in the context of the free/open source software (FOSS) culture.

I seek to contextualize the focal relationship by considering a counterculture that originates from a countercultural movement that aims to change the social order and engages in internal frame wars and frame wars against the corporations that stand for the mainstream culture. In doing so, I consider two research questions: How does a counterculture interact with the mainstream culture and frame its own ideologies and practices? What are the political and cultural implications of the interaction and frame wars for the individual consumers involved?

Because the examined interaction, framing wars, and related political and cultural implications are sensitive to situational contexts, I used a netnography methodology (Kozinets 2002) in this paper. In particular, I sought a culture site where a counterculture originated from a social movement that aimed to change the social order in a certain domain of the marketplace and engaged in ongoing internal frame wars and frame wars against the mainstream culture and some dominant corporations that stand for the mainstream culture. To this end, the FOSS culture was selected. The FOSS culture consists of the free software (FS) sect and the Open Source Software (OSS) sect. In their daily creative consumption activities, FOSS programmers (who are both producers and users of FOSS) generate rich ideological discourses against proprietary software firms (i.e., the dominant corporations that stand for the mainstream culture in the global software market), which I examined through a netnographic method.

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Data were collected from online archives of consumer discourses of websites of Emacs, Debian, Apache, Gentoo, and OpenOffice projects (five FOSS projects), interviews, and blogs, online articles, and books of FOSS programmers. I conducted e-mail interviews (from six to 12 rounds) with seven FOSS programmers, phone interviews (from 50 to 120 minutes) with another five FOSS programmers, and both e-mail interviews (both were 2 rounds) and phone interviews (from 80 to 90 minutes) with two additional FOSS programmers. The phone interviews followed the existential-phenomenological format (Thompson, Locander, and Pollio 1989). The e-mail interviews followed an unstructured format. The 14 interviewed programmers came from China, Germany, Netherland, the U.K., and the U.S. I followed a data-driven procedure to collect data that were ideology-ridden and rich in political and cultural implications. My data analysis and interpretation followed a constant comparative method to seek patterns of meanings and themes (Spiggle 1994).

Three themes emerge from the data. The first theme is “Fighting for Freedoms for All Inhabitants of Cyberspace.” Different from a consumer culture that seeks social distinctiveness (Schouten and McAlexander 1995), the FS sect aims to break down the hierarchy between proprietary software firms and all software users and to convert all consumers who use non-free software to FS users. That is, FS programmers want to promote their own ideologies and practices as new dominant ones in the global software market. The second theme is “Counter-Co-optation for Preempting Corporate Co-optation.” Taping the mainstream culture as a tool kit, the FS sect counter-co-opts the copyright law to safeguard its own freedom-oriented ideology of community ownership and practices by emploting the ideology of private ownership underlying the copyright law, a key governance tool of the mainstream culture, and thereby preempting the opportunity of corporate co-optation. The third theme is “Strategic Depoliticization for Mainstreaming.” To avoid the marginal and adversarial position and to co-opt the market, the OSS sect strategically reframes or depoliticizes its ideology and practices and allows corporate co-optation. Consequently, although proprietary software firms co-opt the creative product of the OSS sect by developing proprietary software based on OSS and selling proprietary software which is combined with OSS, the OSS sect and its practices are becoming mainstream but still challenge proprietary software firms in terms of market share. Paradoxically, the OSS sect both confronts and collaborates with proprietary software firms.

This paper contributes to the literature by developing a contextualized, social constructionist view of the relationship between countercultures and the mainstream culture. This view implicates that when a counterculture aims to change the social order of a certain domain of the marketplace, countercultural consumers could actively mainstream their subversive ideologies and practices, selectively counter-co-opt certain tools of the mainstream culture, creatively preempt corporate co-optation, strategically depoliticize its ideologies and practices, and paradoxically confront and collaborate with the mainstream culture. Future research could explore other strategies that countercultural consumers use to deal with the mainstream culture and strategies that firms could use to co-create with a counterculture as authentic supporters or members of the counterculture (Vargo and Lush 2004; Zwick, Bonsu, and Darmody 2008). Future research could also examine some other subversive consumer groups that originated from certain social movements to see whether the above theoretical implications are applicable in different contexts.

References are available upon request.

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Keywords: resistance structures, gaucho culture, market practices, ethnography

EXTENDED ABSTRACT

Research Question
South America gaucho tradition emerged in the 20th century among the inhabitants of the Brazilian State of Rio Grande do Sul with the creation of the Gaucho Traditionalism Movement (GTM). It consists in a formal structure with the expressed purpose to re-create and preserve local traditions associated with a rural lifestyle. In its activities, GTM reinforce marketing and consumption activities that explicitly valorize traditional customs and ways of thinking associated with a rural way of life by urban and cosmopolitan people situated well within the global economy. In situating the study of resistance at the market level and in a post-colonial context of contemporary Brazil, we analyze how market structures and practices are used by agents affiliated with the Gaucho Traditionalist Movement. Our focal point of analysis centered on the discourses and practices of market agents (consumers, marketers and organizers) who participate in the GTM events and activities. Our focus is the market practices and structures forming an institutional framework centered in the local culture and designed to confront and alter the conditions of cultural globalization in Latin America.

Method and Data
An ethnographic research was conducted in the gaucho culture – Rio Grande do Sul, Brazil – with focus in the Gaucho Traditionalist Movement, over a three-year period. Formal interviews were conducted with 37 participants, in three distinct groups: (a) organizers – involving people who has an administrative position in GTM; (b) marketers/ producers – involving people that explore the gaucho culture as a business; and (c) consumers – who participate in GTM or marketers activities. Participant observation entailed accompanying traditionalists in the field. The data set consists of 114 pages of notes, 275 pages of transcribed interviews, approximately 1,000 photographs, and 300 short videos. In addition, artifacts consisting of 110 different printed materials were examined, such as local newspapers, brochures, gaucho traditionalist newspapers and books, folders and advertisements. These data were analyzed and interpreted in a series of iterations that first describe the GTM structure and distinguished types of agents and activities and then later derived more substantive and thematic codes. We developed four themes: 1) history, tradition and memory cultivation; 2) connectedness to the land; 3) local singularity and patriotic loyalty, and 4) marketization of a commodified imaginary, which together sustain the gaucho sociocultural nucleus.

Summary of Findings
Findings detected that GTM externalize local tradition forms in ways that attract marketers and consumers. Structural components involve agents (organizer, marketers and consumers) and practices of exchange that recreate and preserve values associated with gaucho culture. Participation in events and products acquisition enact the traditions and beliefs, making them tangible and invigorating the sense of history and collective imagination as real basis for consumption in a material form provided by marketers and GTM organizers that manifests their imagined sense of the culture. Agents find in the gaucho sociocultural nucleus the cultural principles and values that serves as reference for the materialization of the Gaucho culture and reproduction in market practices. Gaucho culture preservation is the main GTM
resistance action. It involves agents coproducing themes that support the commodification imaginary and in turn sustain the Gaucho Traditional sociocultural nucleus. Conflicts around the market resistance reinforce the gaucho resistance as a reactionary action towards the maintenance of local hegemonic forces. Undoubtedly it involves people practices, but according to the market resistance concept, involves also a resistance structure supporting and stimulating people practices in the market.

**Key Contributions**

In this study we try to contribute especially in the theorization about the market as an articulation place for local agents (producers, consumers and organizers) in resistance practices.

Noticing the market as a place where resistance occurs may provide support for cultural resistance practices that are involved in cotidian practices. Trough market practices consumers find a way to be in touch with cultural elements recognized as theirs, even in a marketplace each time more influenced by global elements. About marketing literature contribution, we reinforce the crucial role marketing plays in social and cultural legitimation. In the same way as market is used to disseminate global hegemonic forces in post-colonial contexts, it can be used as a form to preserve local hegemonic forces, serving as both site and tool in sustaining a traditional culture even that reinvented through market institutionalization.

*References are available upon request.*
Engaging with Subaltern Consumers: Migration, Identity and Consumer Acculturation

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Keywords: migration, acculturation, identity, subaltern

EXTENDED ABSTRACT

Research Question
Extant literature on consumer acculturation is dominated by the study of consumers who migrate with the intention of making permanent lives in their new locations. There is little research on consumer acculturation occurring among temporary migrants, who migrate on work permits, and return to their home cultures after accumulating financial resources. There have been some studies on the ways in which consumer culture in the home countries gets affected by return migrants. But these studies have not specifically examined the issue of consumer acculturation. Moreover, extant research has looked at the consumer acculturation of migrants who move to North American or European cultures. There has been insufficient examination of consumer acculturation issues arising out of inter-cultural contact occurring in non-Western cultures. Through an interpretive inquiry, we look into the ways in which migrants, while being physically located in the dominant culture, continue the consumption practices of the home culture, in effect, “living” in the home culture. We also examine the performances of consumption carried out by migrants in the host and home cultures. We then analyze the processes underlying the opening up of this consumption space when the migrant moves back to the home culture.

Method and Data
We conducted an interpretive enquiry among subaltern migrants in Kerala in India, and Dubai. These consumers migrate from Kerala to the countries of the Middle East (the “Gulf” countries) on temporary work permits. Our participants were engaged in semi-skilled and unskilled jobs. We studied migrants and return migrants in three villages adjourning the town of Cherukara (pseudonym) in Kerala, as well as in the suburban areas of the city of Dubai. We conducted fieldwork over a period of one year. We did unstructured interviews and observations with these migrants and return migrants. We conducted interviews in Malayalam, the major language of Kerala, and translated these into English. We also observed events such as temple festivals, weddings and political gatherings. The key questions asked concerned the migrant’s experiences in living in an alien culture, her opinions about the dominant culture in the Gulf, consumption behavior in the Gulf, and the ways in which the migrant was getting re-adjusted to life in Kerala. Our data collection yielded 1384 typed pages of interview transcripts and fieldnotes, 96 photographs, and artifacts such as newspaper clippings and shopping lists. We analyzed the data using the constant comparative method.

Summary of Findings
Our participants, while being physically located in the Gulf, largely continue the consumption habits and practices followed in Kerala. The market enables the migrant to consume in this manner by widespread availability of products and services for Malayali consumers. Migrants are also supported by dense and widespread networks of friendship and kinship ties with other Malayali migrants. With the help of these support systems, subaltern migrants continue to “live at home” while being abroad. Contrary to extant understanding, subaltern migrants view the local culture and consumption practices with a mild disdain. Spatial segregation, along with acute constraints on time and space limit the performative space for consumption available to migrant consumers. While migrants are physically located in the Gulf, their consumption worlds are situated in the home culture in Kerala.

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Migrant consumers do not look to the dominant culture for markers of identity; rather, they accumulate resources in the Gulf and occupy separated identity positions so that they can actively engage in identity-construction using consumption in the home culture. In the home culture, the “opening up” of the migrant’s performative space results in conspicuous consumption, aimed partly at refashioning identity.

**Key Contributions**

Our findings help us further understand the movement of people across borders, an important phenomenon underlying global consumer culture. We highlight the role of space in acculturation, and performance of consumption, by arguing that physical restrictions on space, along with resource constraints restrict the performative space for consumption in the Gulf. Movement of the migrant from the Gulf to Kerala results in an opening up of this performative space, and use of consumption for identity construction. Our participants’ strong adherence to consumption norms and practices of the home culture imply that global cultural flows are more likely to result in some form of creolization. We show that deterritorialized migrant consumers need not construct identities that conflict or attempt to assimilate with the dominant culture. Deterritorialization in this context does not lead to an incursion of the dominant economic power into the consumption worlds of less privileged consumers. Our findings show that subaltern migrants offer resistance to the dominant host culture through discourses of denigration of the local. Our study adds to extant understanding of consumers inhabiting the base of the pyramid in a dominant culture.

*References are available upon request.*
Preserving the Past, Present, and Future: Consumer Involvement in Community Heritage Marketing

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EXTENDED ABSTRACT

Research Question
Our study is guided by the following research question: How can consumers contribute to place marketing strategies that promote the heritage of their local areas? We highlight the various ways that consumer involvement can support and enhance the marketing of local heritage. To do so, we use the context of “Adopt a Station” a community engagement scheme offered by First ScotRail who hold the rail franchise in Scotland, communities take part by adopting their local station. Adoptions are varied and include: bookshops, model railway clubs, community meeting rooms, art galleries, charity shops, toy libraries, small businesses and, most commonly, gardening activity.

Method and Data
We used ethnographic techniques to enable a thorough appreciation of the uniqueness of the context. We conducted in depth research at a total of 19 stations across Scotland and recorded data through extensive field notes, photographic evidence, video capture of station visits and interviews with 100 participants. To support our understanding of the context, data gathering was enhanced by large-scale collection of archival material including books, press articles and newsletters. We followed a hermeneutic approach to interpretation. Data relating to each station was interpreted initially to gain a comprehensive overview, these were then compared and common patterns identified.

Summary of Findings
We focus on three themes: heritage and authenticity, consumer involvement and, individual and collective identity.

Firstly, our findings reveal how heritage and authenticity are socially constructed by the local residents who play an active role in defining and informing heritage activities through their knowledge and interpretation of the past. The adoption projects are not simply about looking back but also creating future resources, fitting with Balmer’s (2011) tripartite temporal approach to heritage.

Secondly, Adopt a Station allows residents to contribute to a tourism agenda. Through the scheme, the railway station becomes a stage where important moments in the town’s history can be represented and heritage is brought outside the museum context to community places which residents pass through on a daily basis.

Thirdly, participation in Adopt a Station supports the construction of individual and collective identity. On a personal level findings reveal a range of emotional and affective bonds that connect adopters to stations. At a collective level some of the towns and villages where station adoption is prominent have become vulnerable because of the decline of traditional industries. What Adopt a Station offers is a way to restore life to these communities and bring back a sense of pride in the local area.

Key Contributions
Many place marketing strategies focus on consumption; by prioritizing heritage we offer a contrast to this dominant perspective and highlight how it can be used to retain a sense of uniqueness. Place marketing’s purpose of facilitating place identification for residents has often been overlooked with emphasis placed more on economic development. We also highlight how the link between heritage and local identity can contribute to a rediscovered sense of community. This brings attention back to the importance of geographic communities complimenting the more recent focus on brand and online communities (e.g. Kozinets, 1999; Muniz and O’Guinn, 2001).

References are available upon request.

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Part E
Digital Marketing and Social Media

Track Chairs
Vineet Kumar, Harvard University
Andrew Stephen, University of Pittsburgh

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Electronic Word of Mouth and Media Richness: Investigating the Effects of Electronic Word of Mouth on Customer Patronage Behavior
Charlene Dadzie
Does Paying for Online Product Reviews Pay Off? The Effects of Monetary Incentives on Content Creators and Consumers

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Keywords: online reviews, consumer-generated content, word of mouth, metacognition, doubt

EXTENDED ABSTRACT

Research Question
In order to facilitate the posting of favorable reviews many firms are adopting a proactive approach by offering consumers monetary incentives in exchange for reviews. This paper shows that when consumers are told that a review was incentivized, doubt in the review’s trustworthiness results, which in turn adversely impacts product evaluations. Across five studies it is found that the doubt-mediated effect of disclosure occurs when consumers are motivated to attend to a review and the doubt arising from disclosing that an incentive was provided cannot be resolved in consumers’ minds. Interestingly, when consumers can access plausible reasons for the incentive payment that render doubt non-diagnostic of product quality, incentive disclosure does not hurt product evaluations.

Overview of Experiments and Findings
In Study 1 we show that when content consumers are motivated to attend to a review, because the review is helpful, disclosing incentive provision induces doubt which lowers product evaluations. Sixty-nine participants were randomly assigned to one of four conditions in a 2 (helpfulness: high vs. low) x 2 (disclosure: not paid vs. paid) between-subject design. In the high helpfulness conditions, participants were told that “3,890 out of 4,631 people found the following review helpful.” In the low helpfulness conditions, participants were told that “741 out of 4,631 people found the following review helpful.” In the not-paid disclosure conditions participants were told: “The person who wrote this review was not paid.” In the paid disclosure conditions participants were told: “The person who wrote this review was paid.” A two-way ANOVA showed that product evaluations were lower when incentive payment was disclosed (M_paid = 3.38) versus when it was not (M_not_paid = 3.95; F(1, 65) = 10.95, p < .01). However, incentive disclosure did not affect evaluations when helpfulness was low (F(1, 65) < 1, p = .54). The results suggest that when the review is worth attending to (is perceived as helpful), consumers lower their product evaluations in response to incentive disclosure.

In Study 2 we show that when personal experience (product trial) comes before a review, disclosure-triggered doubt does not influence product evaluations since content consumers are not motivated to attend to the review. However, when experience comes after a review, incentive disclosure lowers product evaluations because personal experience does not help to resolve the doubt. One hundred and seventy-five participants were randomly assigned to one of six conditions in a 3 (disclosure: paid $0 vs. paid $0.75 vs. paid $1.25) x 2 (order: review first vs. experience first) between-subjects design. The disclosure manipulation was administered when participants read the review. We measured product evaluation on a five-point “star” rating scale twice: once after reading the review and once after experiencing the game. Our prediction was that incentive disclosure would reduce product evaluations only when the review came first.

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The results confirmed this. The indirect effect of disclosure (pooling the $0.75 and $1.25 conditions, which were not different for either evaluation variable) on the second/final product evaluation was significant and negative when the review came first (95% C.I. = [-.20, -.04]), but not significant when the experience came first (95% C.I. = [-.12, .09]).

Study 3 shows that incentive disclosure generates doubt in the review, which in turn affects product evaluations when content consumers are unable to resolve their doubt. However, when content consumers are able to resolve their doubt, by dissociating the source of their doubt from the product, incentive disclosure no longer has a negative impact on product evaluations. We operationalize the ability to resolve doubt by manipulating the: 1) source of the incentive payment and 2) time taken to reflect on the review. It was predicted that, whether or not an incentive payer has a vested interest in receiving positive reviews could affect a content consumer’s ability to resolve doubt in a review’s trustworthiness. Furthermore, allowing participants more time to reflect on positive reviews was expected to enhance the negative effect of disclosure on product evaluations when the source stands to benefit from the review since content consumers are unable to resolve their doubt.

One thousand one hundred and seventy three participants were randomly assigned to one of 24 conditions in a 2 (valence: positive review, negative review) × 4 (disclosure: silent, NPO, online retailer, software developer) × 3 (reflection: control, low, high) between-subject design.

It was predicted that no doubt-mediated effect of incentive disclosure on product evaluation would be observed when the 1) review is negative and 2) source of the incentive does not stand to benefit financially from a positive review. In these situations doubt can be resolved when it is thought through. This effect was expected when the source of the incentive was a nonprofit third party that solicits reviews to assist consumers in making informed decisions. Conversely, when the review is positive and the source stands to benefit financially from a positive review (e.g. when the source is a retailer or the game creator) thinking through the doubt would increase the negative effect of doubt on product evaluations because doubt cannot be disassociated from the product.

It was also predicted that the amount of reflection time allowed will moderate the doubt-to-evaluation path such that the negative effect of doubt on product evaluations will become more pronounced as reflection time increases. To manipulate reflection, we followed time pressure measure used in Gilbert and Gill (2000). In the low reflection condition participants were told to spend no more than 5 seconds thinking about the review. In the high reflection condition, participants were told to spend at least 30 seconds thinking about the review. In the control condition participants simply rated the game without being instructed to spend a pre-specified amount of time thinking about the review.

For convenience in the data analysis we collapsed the four-level disclosure factor into two levels representing vested interest (game maker, game seller; pooled disclosure = 1) and no vested interest (silent, nonprofit; pooled disclosure = -1). Our first model tested whether the effect of disclosure on product evaluations, through doubt, was moderated by valence. We found a significant negative indirect effect of pooled disclosure on normalized product evaluation through doubt when valence was positive (95% C.I. = [-.08, -.04]) but not when valence was negative (95% C.I. = [-.02, .00]). When the review was positive, disclosing incentive payment by a payer who had a vested interest increased doubt that in turn negatively affected product evaluations.

Next we tested our prediction that doubt will only carry over to negatively affect product evaluations when the disclosure is such that the induced doubt cannot be resolved (i.e., when the payer has a vested interest) and the doubt is thought through (i.e., when reflection time is higher). We found a significant negative indirect effect of pooled disclosure on product evaluation through doubt at all three levels of reflection (p < .01). As predicted, the negative indirect effect of disclosure on product evaluation became stronger as the time taken to think about the review increased (βlow = -.05, z = -2.98, p = .003; βcontrol = -.06, z = -5.09, p < .001; βhigh = -.08, z = -4.85, p < .001).

Additional process evidence is reported in Study 4 for a different product category (personal computer) and with a different operationalization of ability to resolve doubt. In this case we manipulated whether the content creator was either a consumer and paid, consumer and not paid, or a professional reviewer. Our expectation was that when the content creator was a professional reviewer participants would have an opportunity to resolve doubt in the review because a professional is less likely than a paid consumer to be biased or to have an ulterior motive when writing a positive review.

Ninety-three participants were randomly assigned to one of three conditions in a 3(disclosure: consumer not paid, consumer paid, professional) between-subjects design. Participants were shown a positive review of a Samsung laptop and were exposed to the disclosure manipulation. In the consumer not paid condition, we added the sentence “Review by Alex Nichols, website user” above the review on the screen and added “Disclosure: the reviewer was not paid to write this review” below the review. The manipulation was the same in the consumer paid condition except that the disclo-
sure text said that the reviewer was paid by Samsung to write the review. In the professional condition we stated “Review by Alex Nichols, technology columnist and reviewer for the USA Today newspaper.” After reading the review, participants evaluated the product on a five-point (1-5) “star” rating scale, and then we measured the doubt mediator.

It was found that, when content consumers find it more difficult to resolve their doubt, incentive disclosure had a significant negative indirect effect on product evaluations. When the content creator was a paid consumer incentive disclosure had a significant indirect negative impact on product evaluations when evaluation time was 1SD above the mean (95% C.I. = [-.88, -.25]), but not when evaluation time was 1SD below the mean (95% C.I. = [-.32, .06]). However, when content consumers could resolve their doubt (i.e., the content creator was a professional) then the doubt-mediating effect no longer held and a positive indirect effect of disclosing on product evaluations was observed when evaluation time was higher and no significant effect was observed when evaluation time was lower (+1 SD: 95% C.I. = [.05, .65]; vs. -1 SD: 95% C.I. = [-.02, .23]).

Study 5 tests another possible way through which doubt can be resolved by manipulating market norms. In this study we varied whether participants believe it is common or uncommon for online product reviews to be paid for by companies. We predict that, when participants believe that paying for reviews is uncommon, doubt will be more difficult to resolve, which should lead to more neutral product evaluations. When the norm is that paying for reviews is common we expect to find the opposite.

One hundred and four participants were randomly assigned to one of four cells in a 2 (disclosure: not paid vs. paid) × 2 (norm: payment-common vs. payment-uncommon) between-subjects design. To manipulate the incentive payment norm we reported “results” from a fictitious study that was purportedly conducted by the Pew Research Center (which often produces reports about Internet consumption and user behavior). In the payment-uncommon condition the “results” were that 78% of companies said in a survey that they “do not attempt to solicit online reviews...by offering people incentives or payment of some kind” and that 12% of consumers said in a survey that they think companies “on a regular basis pay or incentivize people to post product reviews on websites.” In the payment-common condition identical wording was used except that we stated that 78% of companies “do attempt to solicit online reviews” and that 88% of consumers believe that companies pay for reviews.

In the payment-uncommon condition (i.e., paying incentives is believed to be an uncommon practice), we found a significant negative indirect effect of incentive disclosure on product evaluation through doubt when evaluation time was higher (+1 SD; 95% C.I. = [-.55, -.05]). This was also the case when evaluation time was lower (-1 SD; 95% C.I. = [-.39, -.01]). In this situation the incentive payment was inconsistent with the norm, which made it difficult to resolve doubt regardless of the amount of time content consumers spent thinking through their doubt.

In the payment-common condition (i.e., paying incentives is believed to be a common practice), there was a significant negative indirect effect of disclosure on product evaluation through doubt when evaluation time was lower (-1 SD; 95% C.I. = [-.54, -.12]) but not when evaluation time was higher (+1 SD; 95% C.I. = [-.36, .19]). Since disclosed incentive payment is consistent with the norm, content consumers had a plausible reason for the payment that makes it less relevant to the product itself, which therefore helped them resolve the doubt. As a result, doubt induced by incentive disclosure did not carry over to negatively impact product evaluation when evaluation time was higher.

**Key Contributions**

This research contributes to the literature by showing how and when doubt in the trustworthiness of a consumer-generated review carries over to impact product evaluations. We show that the doubt-mediated effect of incentive disclosure on product evaluations depends on two factors. First, consumers need to be motivated to process the information presented in the review (studies 1 and 2) and secondly content consumers need to think through their doubt and the doubt must be unresolvable in the sense that consumers cannot come up with plausible reasons for incentive payment (studies 3 to 5). When these conditions are present the doubt-mediated effect of disclosure on evaluation is found. Our findings suggest that firms should provide consumers with additional information that help consumers resolve doubt.

*References are available upon request.*
Is Neutral Really Neutral? The Effects of Neutral User-Generated Content (UGC) on Product Sales

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Keywords: user-generated content, neutral UGC, indifferent neutral, mixed neutral

EXTENDED ABSTRACT

Research Questions
Despite the emerging research on user-generated content (UGC), an important gap remains with regard to UGC: Prior studies have not examined the effects of neutral UGC systematically but instead express an implicit assumption that it has no effect on product sales. The limited empirical evidence describing neutral UGC is also inconsistent. For example, Godes and Mayzlin (2004) find that neutral UGC has no effect on television ratings, whereas Sonnier, McAlister, and Rutz (2011) indicate a positive relationship between neutral UGC and sales. Mudambi and Schuff (2010) instead consider that neutral UGC is less helpful, especially for experience products. Accordingly, we seek to clarify the relationship between neutral UGC and product sales in this research, which has managerial importance, because a substantial portion of UGC is neutral. For example, 92% of online user comments about British Airways (Chowney 2010), 49% of YouTube content (Smith, Fischer and Chen 2012), 79% of online chats about technological products (McAlister, Sonnier, and Shively 2012), and 50% conversations about television shows (Godes and Mayzlin 2004) are considered neutral.

The objective of this research is threefold. First, we study whether neutral UGC affect product sales as it may not look like so. Second, we examine how the existence of neutral UGC influences consumers to interpret and perceive positive and negative UGC. Third, we want to understand what are the intermediate underlying cognitive mechanisms that neutral UGC directly and indirectly change consumers’ attitudes and as a result on their purchase behaviors. To understand its effects, we conceptually differentiate between two types: mixed and indifferent forms of neutral UGC, because we posit that they reflect different mechanisms for neutral UGC to occur, and consumers likely perceive them differently. Neither mixed nor indifferent UGC offers an inclination toward either positive or negative evaluations. However, when the UGC contains both positive and negative claims about an evaluated product, the overall assessment is mixed neutral. When the UGC contains neither positive nor negative claims, we refer to it as indifferent neutral.

Method and Data
Empirically, we test the distinct effects of indifferent and mixed neutral UGC in three complementary studies, featuring multi-measure (text and numerical UGC), multi-context (automobile and movie), and multi-method (empirical and behavioral experiment). With text UGC in the automobile industry collected from Facebook and YouTube in Study 1 and numerical movie ratings collected from Yahoo!Movie in Study 2, we examine the performance implications of mixed and indifferent UGC on product sales through their direct and indirect effects on positive and negative UGC. In Study 3, using a behavioral experiment, we determine how consumers interpret and perceive indifferent versus mixed neutral UGC, and therefore uncover the underlying mechanisms associated with such direct and indirect effects.

Summary of Findings
Building upon the opportunity-motivation-ability (OMA) (Grewal, Comer, and Mehta 2001), the three consistent studies indicate that mixed neutral UGC enhances consumers’

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motivation and ability to process positive and negative UGC, such that it amplifies the positive effect of positive UGC, as well as the negative effect of negative UGC; we call such effects *premium effects*. In contrast with these premium effects, the outcome of indifferent neutral UGC is a reduced motivation to process positive and negative UGC, such that the positive effect of positive UGC becomes less so and negative effect of negative UGC also is attenuated; we call such effects *discount effects*. The further empirical evidence also indicates that failing to consider mixed neutral UGC leads to a significant underestimation of the positive (negative) effects of positive (negative) UGC, by approximately 10–30%; the effects are substantially overestimated by 100–120% when studies ignore indifferent neutral UGC.

**Key Contributions**

These findings offer both theoretical and methodological contributions. We differentiate between mixed and indifferent neutral UGC and found that mixed neutral UGC may increase product sales while indifferent ones may decrease product sales. More importantly, to our best knowledge, it enables us among the first to provide a systematic examination of how neutral UGC may affect consumers’ perceptions of positive and negative UGC. We provide unequivocal evidence that focusing on only positive and negative content, while ignoring neutral UGC, produces a biased picture of the UGC-performance relationship. The effects of positive and negative UGC are significantly underestimated without considering mixed neutral UGC, while such effects are substantially overestimated without considering indifferent neutral UGC.

Methodologically, we extend prior studies that use either text or numerical rating UGC or in the context of either search product or experience product, in that we use both text posts for search products (i.e., automobile) in study 1 and numeric ratings of UGC for experience products (i.e., movie) in Study 2. We also conduct an experiment to rule out alternative explanations of the findings and test the underlying mechanisms by which consumers interpret and perceive indifferent and mixed neutral UGC in Study 3. Our multi-measure, multi-context, and multi-method research design enhances the validity and generalization of our findings.

*References are available upon request.*
Consumer Emotional Responses to Interactive Native Advertising and Their Effect on Attitude and Consumption Duration

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Keywords: interactivity, two-way communication, arousal, dominance, optimum stimulation level

EXTENDED ABSTRACT

Research Question
Native advertising integrates content that adopts the same look as the website or blog it is placed in, and can provide marketers an opportunity to entertain and inform in a less commercial and cluttered environment. However, while the effects of interactivity in more traditional online advertising formats, such as banner ads and popups, have been studied, the effect of interactivity in longer-form journalistic content more characteristic of native advertising, such as magazine articles and book excerpts, is less clear. On one hand, research has documented the positive effect of perceived interactivity in web sites on consumer attitude. On the other hand, an interactive environment is also more complex, increasing the cognitive load on consumers, and anecdotal evidence suggests that some people prefer to read without the burden of interactivity. This study addresses these conflicting findings by examining the effect of perceived two-way communication in native advertising content on consumers’ emotional responses and resulting attitude and consumption duration. While the effect of pleasure is hypothesized to be positive, arousal is expected to have an inverted U-shaped effect on consumer response and the role of dominance is proposed to be mixed. Optimum stimulation level (OSL) is expected to strengthen the effect of perceived two-way communication on emotional response.

Method and Data
The study is a single factor, two-level (interactivity: low vs. high) between-subjects design for which 522 participants were solicited from a commercial online market research panel. To minimize potential confounding and demand effects, the panel included only native English speakers with some amount of college education but no more than a bachelor’s degree who had never visited Australia. Based on pretested magazine excerpts and following procedures described in prior research (Liu & Shrum, 2009; van Noort, Voorveld, & van Reijmersdahl, 2012), two versions (low and high interactivity) of the same native advertising content were created.

In a self-administered online field survey, participants answered questions concerning their optimum stimulation level and perceived usefulness of print books and were randomly assigned to one of the two versions of the native advertising content (framed as a digital book to represent longer-form journalistic content). Participants were presented with task-oriented instructions adapted from Kaltcheva and Weitz (2006) to read the digital content. Subsequent measures of the theoretical constructs and a functional interactivity manipulation check were taken from the literature, while consumption duration was measured by the survey software.

Summary of Findings
Results of confirmatory factor analysis in AMOS suggest acceptable measurement model fit, offering evidence of convergent and discriminant validity. The arousal quadratic and interaction terms were computed following instructions pro-
vided by Ping (1995, 2003, 2007) and fit for the revised measurement model is acceptable ($\chi^2(371) = 866.73; CFI = .96; RMSEA = .05; NFI = .93$). The functional interactivity manipulation was successful ($p < .001$) and fit for the full structural model is acceptable ($\chi^2(466) = 1251.50; CFI = .930; RMSEA = .056; NFI = .893$). With the exception of arousal on consumption duration and the interaction of OSL and perceived two-way communication on pleasure, all hypotheses are supported. Functional interactivity positively impacts perceived two-way communication ($p < .001$); perceived two-way communication positively affects pleasure, arousal and dominance ($p's < .001$); pleasure positively affects attitude ($p < .001$) and consumption duration ($p < .05$); arousal has an inverted U-shaped effect on attitude ($p < .05$); and dominance positively affects attitude ($p < .01$) but negatively affects consumption duration ($p < .05$). Chi-square difference tests suggest full mediation, and the effect of perceived two-way communication on arousal and dominance are strengthened in the presence of high OSL ($p's < .05$ and .01, respectively).

**Key Contributions**

The first contribution of this study is to demonstrate that despite the positive effects of perceived two-way communication generally observed in the literature (Song & Zinkhan, 2008), in the longer-form journalistic content more typical of native advertising, the effect of interactivity can be mixed. While the effects of pleasure and dominance from perceived two-way communication on attitude are positive, the effect of arousal on attitude is curvilinear inverted U-shaped. Some stimulation from interactivity has a positive effect on attitude, while too much will become overwhelming, eliciting avoidance responses.

Further, contributing to the sparse literature on consumption duration, (Holbrook & Gardner, 1993, 1998), results of this study suggest that consumption duration of journalistic native advertising content is affected primarily by the emotional responses of pleasure and dominance rather than by arousal. The surprising negative effect of dominance on consumption duration suggests that consumers will spend more time with native advertising content when they feel more guided by the advertiser than when they perceive full control themselves. Finally, consumers with higher optimum stimulation levels are more likely to seek out stimulation in their environment, and our findings suggest that they will experience stronger and more positive emotional responses to perceived two-way communication in native advertising content.

References are available upon request.
The Sales Effects of Mobile Targeting

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EXTENDED ABSTRACT

Using a large-scale randomized experiment of short message service (SMS) sent to 12,265 mobiles users, we find that employing temporal and geographical targeting simultaneously is complicated. When targeting proximal users, we find a negative sales-lead time relationship; sending same-day promotions increases the odds of purchases by 76% compared to sending them two-day prior. However, when targeting non-proximal users, there is an inverted-U, curvilinear relationship. Sending one-day prior SMSs increases the odds of purchases by 9.5 times compared to same-day SMSs, and increases the odds of purchases by 71% compared to two-day prior SMSs. Follow-up surveys reveal the underlying psychological mechanisms.

References are available upon request.

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Using Social Media Monitoring Data to Forecast Online Word of Mouth Valence: A Network-Based Perspective

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Keywords: social media, social media monitoring, forecasting, word of mouth, marketing research, market research

EXTENDED ABSTRACT

Firms are increasingly turning to social media monitoring services as marketing research tools for tracking consumer sentiment toward brands over time using observational data from social media sites (e.g., social networking sites, blogs, discussion forums). While volume (number of mentions) and valence (positivity or negativity of mentions) are important metrics in these efforts, brands are particularly interested in using social media monitoring data to forecast the valence of online WOM, since being able to anticipate changes in the positivity or negativity of consumers’ brand attitudes can be helpful.

Although social media monitoring data comes from a variety of vendors (e.g., Nielsen, Radian6, Symphony, Crimson Hexagon, Conversion), the metrics being tracked are relatively homogeneous, with the typical data for a single brand being time series data that documents, by source, the number of positive and negative mentions of that brand per time period. The most common use of these data is for managers to plot WOM valence over time for their brands. This is often a backward-looking analysis; i.e., managers examine WOM valence over recent time periods and compare to benchmarks, norms, and prior levels.

In this paper we consider a forward-looking use of social media monitoring data that measures online WOM valence. Specifically, we propose and test a method for using social media monitoring data to predict future valence. The method uses standard, commercially available monitoring data for a set of related brands to calibrate a valence-forecasting model.

The main contribution lies in using data from other, related brands to reduce forecast error for a focal brand. Network analysis methods are used to identify, based on being mentioned in the same sources (e.g., websites, forums) at the same time, brands that are related to each other. I find that forecast error can be reduced (and thus WOM valence predictions improved) for a given brand when information about related brands is taken into account. This suggests that by taking into account the fact that brands likely do not exist in a vacuum and consumers’ attitudes toward brands are relative we can improve our ability to forecast the valence of consumers’ attitudes towards brands using social media monitoring data.

This method is tested using standard commercially available social media monitoring data from Nielsen for a set of consumer electronics brands that were monitored for 18 months. Network analysis methods are used to construct time-varying networks of brands based on being mentioned in the same sources in the same period and to represent each brand’s network centrality in each period. Additionally, these networks provide a pictured of how clustered the brand’s ego network is, as well as the degree centrality and the clustering of the brands to which it is connected. This information, along with several brand characteristics, is used in an econometric model for predicting future positive and future negative valence. The results indicate that the proposed method that uses information about how “connected” brands leads to better model fit and forecast accuracy.

References are available upon request.

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Listening in on Social Media: A Joint Model of Sentiment and Venue Format Choice

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EXTENDED ABSTRACT

In this research, we jointly model the sentiment expressed in social media posts and the venue format to which it was posted as two inter-related processes in an effort to provide a measure of underlying brand sentiment. We allow for the content of the post and the underlying sentiment toward the brand to affect both processes. From a methodological perspective, our goal is to extract the underlying brand sentiment from other factors that can affect the sentiment expressed in a social media comment (and subsequently skew our social media metrics). In addition to accounting for the focal product and attribute of the message, our analysis also accounts for the venue format to which a comment is contributed.

Our results show how the inferences we obtain from monitoring social media are dependent on where we “listen” and that common approaches that either focus on a single social media venue or ignore differences across venues in aggregated data can lead to misleading brand sentiment metrics. We validate our approach by comparing our inferred measure of brand sentiment to performance measures obtained from external datasets (the stock price and an offline brand tracking study). We find that our measure of sentiment serves as a leading indicator of the changes observed in these external data sources and outperforms other social media metrics currently used. We perform a similar analysis using social media comments for a firm in a different industry and find that shifts in our model-based brand sentiment metric are a leading indicator of movements in the firm’s stock price.

The analysis has implications for the growing industry of social media listening. While our results suggest that there is information in social media comments that is predictive of both offline brand tracking surveys and financial performance, we also show that conclusions drawn from simpler metrics may be misleading. We encourage additional exploration of social media monitoring as a method of supplementing other customer insight tools but note the importance of drawing on social media comments collected from a wide array of venues.

References are available upon request.
Research Questions
Given the tremendous growth of people who use social media nowadays, companies are scrambling to try to figure how to utilize social media to reach those consumers. Thus, it is imperative for businesses to understand what people talk about and what makes them share brand content with others via social media.

In this regard, this study focuses on the type of brand belief included in social media discussions (specifically in tweets), and how these beliefs vary by product type (hedonic versus utilitarian). Research in marketing has made a distinction among three basic categories of beliefs according to the underlying motivation to which they relate: functional, experiential and symbolic beliefs (Keller 1993; Park, Jaworski, and MacInnis 1986). Functional beliefs are the most intrinsic beliefs about product consumption and usually correspond to product attributes (e.g., Old Spice deodorant has a pleasant smell). Experiential beliefs are related to what it feels like to use the product (e.g., feeling clean throughout the day when using Old Spice). Finally, symbolic beliefs are the most extrinsic advantages of product consumption and relate to underlying needs for social approval, personal expression, or self-esteem (e.g., “smell like a millionaire jet fighter pilot” when wearing Old Spice).

These beliefs should be considered in the context of product type (hedonic versus utilitarian), as research shows that the importance of different brand beliefs in product evaluations may vary by product type. For hedonic products (those that fulfill experiential needs and whose consumption produces enjoyment and pleasure), experiential beliefs facilitates imagination (see Dewi and Ang 2001), which in turn results in more positive product evaluations (see Micu and Coulter 2012). For utilitarian products (that fulfill utilitarian needs; Babin, Darden, and Griffin 1994), the utilitarian value is decided objectively and should outweigh the experiential value of the product.

Furthermore, research in social media indicates that brand personality, which serve a symbolic or self-expression function (Keller 1993) and is built using symbolic beliefs, is a very important factor in a brand’s success in social media (www.millwardbrown.com/blog, 2011). This leads to our expectations that, for both utilitarian and hedonic products, symbolic beliefs should dominate discussions on social media.

In conclusion, we expect that, for hedonic products, symbolic beliefs will be discussed more than experiential beliefs, which in turn will be discussed more than functional beliefs. For utilitarian products, symbolic beliefs will be discussed more than utilitarian beliefs, which in turn will be discussed more than experiential beliefs.

Method and Data
Two product categories (i.e., beer and deodorant) were chosen based on a pretest meant to identify various product categories that are either utilitarian or hedonic. One brand in
each product category was chosen for the study: Dos Equis in the beer category, which was rated as being more hedonic, and Old Spice in the deodorant category, which was rated as being more utilitarian. Using a social media monitoring tool, thousands of postings (tweets) were randomly selected from Twitter using the keywords “Old Spice,” respectively “Dos Equis.” All records were produced in 2012.

We used a content analysis to examine the content of communications (Kolbe and Burnett 1991). To capture a reasonably representative set of discussions, we “manually” coded five hundred brand beliefs mentions (Hopkins and King 2010) selected randomly from the dataset. It was necessary to read a significantly higher number of tweets to find five hundred “usable” mentions (that included functional, experiential, or symbolic beliefs). The tweets were coded for type of belief, as well as re-tweeting status (‘0’ if the posting has not been re-tweeted, and ‘1’ if it has). Following coding, category frequencies were tabulated and statistical differences were assessed using Chi-square tests.

**Summary of Findings**

Analysis of data reveals some interesting differences between the utilitarian and the hedonic brand with regard to type of brand belief [Chi-square (2) = 67.78, p < .001]. Contrary to our expectations, for the utilitarian brand, Old Spice, the discussions reflect significantly more functional beliefs (48.0%; e.g., “Old Spice is the world greatest deodorant”) than symbolic beliefs (30.4%, p < .01; e.g., “Buying and wearing old spice deodorant was THE best idea. I smell like the sexiest of men. Gonna get alllll the ladies”), which in turn are discussed more than experiential beliefs (21.6%, p < .01; e.g., “I smell so good.” “I used [Old Spice] today...and my armpits are on fire!! Say Hello to pit cancer!!!”).

For the hedonic brand, Dos Equis, the results show that the discussions are equally dominated by symbolic beliefs (38.2%; e.g., “I’m gone drink some dos equis over the weekend so I can do incredible things lol”) and experiential beliefs (38.0%; e.g., “That dos equis gave me a nice Lil buzz before work”), with significantly less discussions about functional beliefs (23.8%, p < .01; e.g., “Dos equis is the best beer!!!”). Thus, H2 is only partially supported.

With regard to the odds of being re-tweeted, a similar pattern is observed for the utilitarian brand, with functional beliefs being re-tweeted the most (46.1%), followed by symbolic beliefs (29.4%) and experiential beliefs (24.5%). For the hedonic brand, the symbolic beliefs are being re-tweeted the most (55.4%), followed by functional beliefs (28.6%) and finally by experiential beliefs (16.1%).

**Key Contributions**

This research is crossing between the popular and academic literature and advances our knowledge about social media by focusing on what people “tweet” about with regard to brands that are more hedonic versus more utilitarian.

The study provides practical insights to marketers responsible with managing a brand’s social media. Specifically, marketers promoting utilitarian brands could use symbolic beliefs to build brand personalities, but use functional beliefs to engage consumers in discussions. For instance, functional beliefs could provide supporting arguments (i.e., the “reason why”) for the brand image and personality, such as that Old Spice can make one feel more manly (a symbolic belief) because of the deodorant’s special fragrance (a functional belief). For hedonic products, companies could engage consumers in discussions by mentioning symbolic beliefs. According to our findings, such messages deliver the most impact, driving re-tweetability and exploiting Twitter as a social network medium to the fullest extent.

*References are available upon request.*
Using Opinion Leaders for Effective Online Word of Mouth Campaigns—An Empirical Investigation of the Top Amazon Opinion Leaders

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Keywords: opinion leader, electronic word of mouth, online user reviews

EXTENDED ABSTRACT

Research Question
Recent studies have revealed that firms receiving favorable electronic (or online) word of mouth (eWOM) have a better chance of increasing sales (Chevalier and Mayzlin 2006, Duan et al. 2008, Amblee and Bui 2011, Chung 2011). eWOM has been recognized as an important source of information in a consumer’s buying decisions (Guernsey 2000). Consumers tend to place more trust in eWOM than in advertisements as they regard their peers as more reliable than firms that sell products (Piller 1999). Although eWOM is implemented by consumers, it can be initiated by firms as a campaign for marketing communications (Godes and Mayzlin 2009). Marketers in various industries have tried to recruit opinion leaders to increase product sales by the use of viral marketing campaigns (Cavoli 2013, Salzman et al. 2003). However, what types of opinion leaders should a firm employ in its eWOM communications and how such eWOM could benefit product sales have not been adequately examined.

Method and Data
We identify opinion leaders via Amazon user reviews and then examine the impact of eWOM of such opinion leaders on sales in order to understand how a firm could implement a seeding strategy for disseminating eWOM effectively. To classify key eWOM opinion leaders, we consider three attributes of Amazon website reviewers: the number of reviews a reviewer has written, the amount of buzz a reviewer has generated, and the trustworthiness of a reviewer. The Amazon dataset contains a sample of 350,122 book, music, video and DVD titles which, as experience goods, have qualities difficult to ascertain before consumption, and therefore user reviews are helpful for consumers (Nelson 1970, Park and Lee 2009). For each title, we collect three statistics of star rating, i.e., average rating, number of reviews, and variance of all star ratings for the title. On average, a title receives 13.98 reviews with an average rating of 4.33 and variance of 0.68. We identify 1,479,053 unique consumers in the dataset. On average, a unique consumer writes 4.37 reviews. The most prolific consumer writes 8659 reviews. Amazon gives consumers a chance to vote whether a user review is helpful or not. On average, a consumer receives 26.43 votes, and 12.83 helpful votes.

Summary of Findings
First, we identify communicative, buzz-generating, and trustworthy opinion leaders and demonstrate that their eWOM increases sales. While prior studies have raised doubts about the influences of opinion leaders (Watts and Dodds 2007), we find eWOM of opinion leaders affects product sales. Second, three product experience effects of opinion leaders’ eWOM (i.e., product awareness/popularity, customer satisfaction, and horizontal product differentiation) simultaneously increase sales. Third, prior research characterizes opinion leadership as a combination of knowledge and influence (Feick and Price 1987), but the breadth of product knowledge can vary significantly (King and Summer 1970). Our findings suggest that firms should recruit...
opinion leaders who have broad but similar product category knowledge. Fourth, early arrival of first opinion leader’s eWOM positively increases sales, but on average, eWOM should arrive at a later stage of the product diffusion process. Fifth, parallel to the case in general eWOM, we find that sales have positive effects on volume of opinion leader’s eWOM. Sixth, valence and variance have positive effects on volume of opinion leader’s eWOM. And seventh, early arrival of first opinion leader’s eWOM, large average arrival time of opinion leader’s eWOM, and intensity of arrival time have positive effects on volume of opinion leader’s eWOM.

**Key Contributions**

First, our findings suggest that as opposed to regular consumers, opinion leaders have a much larger customer lifetime value (CLV) because of their ability to increase sales by means of eWOM. Second, we identify opinion leadership by using objective measures of consumer behavior. This new approach yields more accurate measurement of opinion leadership than survey method; and is more cost effective than network structure method. Third, we offer insights to firms on how to influence opinion leader’s eWOM by improving their positive product experience in terms of customer satisfaction, awareness/popularity, and horizontal differentiation. Fourth, we show that firms need to strike a balance between breadth and focus of opinion leaders’ knowledge background. Fifth, we show that timing of opinion leader’s eWOM has implications on sales. Firms should receive as early as possible the first opinion leader’s eWOM while spreading out all opinion leader’s eWOM to later stage of product diffusion process. Early arrival of first opinion leader’s eWOM followed by a sustained momentum of opinion leader’s eWOM increases product awareness and in turn impacts on sales.

*References are available upon request.*
Customer-to-Customer Relationship Management (CCRM): CCRM Strategies and Customer Responses

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Keywords: social media, customer-to-customer relationship management (CCRM), brand community, product category community

EXTENDED ABSTRACT

Research Question
With the rise of social media, marketers’ roles are being transformed. Consumers are increasingly interacting in brand consumer collective environments, including brand and product enthusiast communities. Finding themselves on the outside of these interactions looking in, marketers are struggling with the question of how, when, and whether they should attempt to interact in brand consumer collectives. This study examines the customer-to-customer relationship management (CCRM) strategies marketers employ in these environments and the outcomes produced.

Method and Data
Data was gathered from 43 consumer communities containing a total of 245,487 consumers spanning a time period from 2003 to 2012. A total of 67 company representatives were identified. Their interactions with members were examined from initial participation to last interaction, and consumer responses to each interaction were analyzed.

Summary of Findings
The findings reveal that marketers assume a variety of roles when engaging in CCRM including socialization, technical support, sales support, and product co-development. The role the marketer assumes, in turn, alters customer members’ responses to the marketer. In particular, assuming a socializing role leads to a more positive response to marketer communications than other roles. Furthermore, assuming a socializing role enhances customer responses to other roles such as technical support, especially in service failure situations.

Key Contributions
This research is the first, to our knowledge, to examine the full range of CCRM strategies employed by marketers, and the consequences of these strategies. This paper examines the range of CCRM strategies marketers are currently employing in brand consumer contexts, including brand communities and product enthusiast communities. We classify the roles the firm’s representatives take as well as the nature of the interactions they engage in. We then explore the relationship between these roles and types of interactions and the outcomes marketers experience when implementing CCRM participation strategies. The results provide new insights into the range of CCRM strategies being used in practice and the outcomes marketers are able to achieve.

References are available upon request.

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Group Buying Websites as a Communication Tool: The Case of Latvian Small and Medium Businesses

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ABSTRACT
This paper deals with a booming online phenomenon: group buying websites (GBWs). While their long-term sustainability along with the motivations for consumers to use them for acquiring products have been explored, the present research tries to unfold the interest for small and medium businesses (SMBs) to rely upon it, as a marketing tool. Taking the case of a developing country, Latvia, we show that GBWs are perceived as an efficient marketing communication channel, to be fully integrated in an IMC campaign. How SMBs react to them and plan to capitalize on them are key addressed issues in this paper, which ends with practical managerial recommendations and future research directions.

Keywords: group buying websites, small and medium businesses (SMBs), case study, IMC, emerging economies

Introduction
Group buying websites are a new consumption trend of mature markets. The most well-known is Groupon, a US-based deal-of-the-day website featuring discounted gift certificates usable at local or national companies. Launched in Chicago in 2008, it is nowadays making billions of dollars each year, has over 50 million subscribers in 300 different markets, and hundreds of copycat rivals all around the globe. It is said to be worth as much as $25 billion (Salmon 2005).

The popularity of these daily-deals websites (also known as group or collective buying websites, hereafter labelled GBW) has skyrocketed: only from 2009 to 2011, the searches on Google for daily-deals have increased by 448% (Neil 2011). But, while consumers’ interest in such websites is clearly understandable, as part of their daily run for bargains and hot deals, the reasons why businesses, especially small ones, may be willing to get involved are not that clear. Interestingly, no other marketing channel has received as much attention in recent months as GBWs: prior academic studies have observed consumers’ experiences with daily deal promotions and their perceptions (Dholakia 2011; Dholakia and Kimes 2011; Dholakia and Tsabar 2011). However, very little research has been conducted on small local businesses, with the exception of Dholakia (2011). There is thus lack of evidence regarding how small merchants go about cooperating with group buying websites, what they are struggling for and how effective at the end this marketing channel is for them. More interrogaions are then raised when exporting the Groupon business model from the United States to a small-economy country, such as Latvia: would the needs and expectations of Latvian merchants be in line with their American counterparts? The group buying industry in Latvia is still relatively new and somewhat unexplored, paving the way for numerous research questions and issues.

The present case aims at filling this gap in both academic and managerial literatures. Its double-objective is to grasp Latvian small and medium businesses’ motivations for using/re-using GBWs, as well as to understand their expectations from doing it. It has a rather discovery perspective and is thus exploratory by nature, given the scarce literature on the topic, while paving the way for future more confirmatory research.

Consequently, this case study intends to interpret the evolution of GBWs in Latvia, and in particular to explore how small and medium local businesses (SMBs) in the country perceive them as marketing tools. The definition of what a SMB is varies from country to country. The present research uses the European Commission’s definition of 2011, which states that medium
size enterprises employ around 50 to 249 employees and generate the annual turnover of less than or equal to 50 million, while small businesses, employ up to 10 to 49 employees, with the annual revenue not exceeding 10 million. Furthermore, micro businesses employ only 1 to 9 employees and generate the turnover of less than 2 million per year.

To achieve its objective, the study follows a three-step process: after an introduction exposing the basic principles of the group-buying business model and its ecosystem, a review of the group-buying industry in Latvia will be offered. Then, results from on-site observations, interviews and questionnaires with Latvian businesses using group-buying websites will be presented. The case study ends with the analysis of the impacts of such websites on SMB’s communication strategies.

**Group-Buying Business Model and Ecosystem**

Online group-buying auctions were introduced during mid-1990s to the end of 1990s (Kauffman and Wang 2001). They were primarily originated and concentrated in the United States: Mobshop.com and Mercata.com, two early adopters, were considered as successful leaders at that time, even if they failed to attract the average US consumer. The concept was born, and the recurrence of the idea of collective buying was scheduled to boom in the late 2008s. This is the time when Groupon was launched, with future exponential growth: from 2009 to 2011, the site has grown to cover more than 300 markets in 35 countries (Neil 2011). Today, the website employs more than 4,000 people, uses a database of more than 50 million global subscribers who are e-mailed with its offers on a daily basis. Network effects are highly important for GBW: the more subscribers sign up, the more targeted the group’s deals can be (Salmon 2005).

Figure 1 explains the basic functioning principles of GBWs, involving three types of actors: GBWs themselves, SMBs (Small and Medium Businesses) and consumers. The process starts with consumers and SMBs signing up with a GBW. Consumers’ motivation is to find a cheap product or service on the daily-deal website (Dholakia and Kimes 2011). SMBs’ goal is to advertise its products or services, to increase awareness and entice more customers to try out them. How-ever, in order to display their offer on the website, GBWs impose a heavy discount (50-90%) on the product or service. By requesting a significant price reduction, GBWs ensure a large share of pageviews of their audience. In addition to price reduction, daily-deals websites also “charge” SMBs with a commission fee, increasing the discount rate, up to 30% of the product value (Dholakia and Tsabar 2011). This is for the service of processing and displaying the deal on their websites. SMBs do not make any upfront payments to GBWs. Instead, the necessary reductions are made from the advertised product value. In other words, SMBs are entitled to receive only around 25% to 40% of the actual value of the product being displayed. When the terms and conditions between the GBW and SMBs are agreed, the deal is featured on the daily-deals website, reaching a significant Internet users base. Consumers are offered with coupons they can later exchange for the advertised product or service, by showing up in the premises of the product or service provider. Ideally, the promotion has a display time limit (for example, Groupon offers one deal per day) and is valid only if a certain minimum number of consumers purchase the coupon. When acquisition of the coupon is made, the GBW collects the money from consumers and if the minimum threshold of coupons has been reached, it pays out the share of money to SMBs. Consumers are later entitled to redeem the purchased coupons with the SMBs within a preset time period.

Although SMBs do not make a lot of profit via GBWs, they still get some benefit: guarantee of a certain revenue and large audience exposure (Neil 2011), possibility to drop excess of stock due to lower spending in economic recession times (Reibstein 2011), and potential effectiveness of GBWs’ vouchers as advertising tools (Edelman et al. 2011): by featuring the deal on collective buying websites, local businesses hope that it would improve their brand awareness among competitors and customers. Besides, they do not pay for distributing the coupons (traditional couponing model), but get back some money while being able to advertise (Salmon 2005).

Although setting up a GBW might not require significant resources (such businesses are pure-players), it does request some talent to be able to scale the business in various cities or countries (Moran 2011a; Moran 2011b). Figure 2 displays what it might cost to go outside of the original location. Basically, it implies that increased deal volumes require more ad personalization. This increase in revenue would allow targeting more cities. However, to be able to scale out-
Figure 2. Cycle of Daily Deals

Source: (Moran 2011a)

side of one’s own city of origin, more sales staff and subscribers are needed.

Limits and Critics to the Model
Offering coupons is not profitable for all types of businesses, with daily deals being more profitable for SMBs launching a new product or service, still relatively unknown. Service providers would be the best-suited businesses for this industry (Dholakia 2010), with for example 53% of beauty and healthcare providers earning profit, vs. only 43% of bars and restaurants.

The sustainability and fairness of the GBWs model are questioned by a number of experts:

- Salmon (2005) believes that the group buying industry discourages long-term profitability and is to a certain degree unfair, since respectable American businesses suffer from misallocation of national resources that go to “mediocre venues” which collaborate with daily deals.

- Dholakia (2011) found that daily deals are seen as disturbing and expensive for many small- and medium-sized businesses. When discounts offered to consumers and commission fees are taken into account, the supplier is usually left with insufficient resources to cover the costs.

- Reibstein (2011) states that the GBWs model performs and is better applied in recession economies, which is in line with the birth of the group-buying idea back in 2008, and with the wave of the financial crisis (Moore 2011).

- Moran (2011) believes that the profitability of the GBW model has reached its terminating point. He claims that, for instance, in mature markets, group buying giants are making less cash per subscriber, as well as less per supplier compared to what they used to earn before.

However, the literature is too scarce to tell us if these assumptions made are right or wrong. They might hold in the case of Latvia, as presented later on.

Another limit to the model, as far as SMBs are concerned, is related to their lack of understanding about how to take advantage of social media marketing tools and how to communicate effectively to a broad audience. This is part of the most typical problems that such businesses face, in sales and marketing areas (Gilmore 1971). Quite often, due to limited cash flows and resources to allocate to marketing activities, most of them do not hold a real marketing plan and would think twice before spending in advertising, as this does not bring immediate ROI. SMBs usually rely upon informal marketing strategies, reactive to market needs and based on personal contacts (networking) and on the owner’s vision.

A Glance at Consumers
Reibstein (2011) conducted a series of surveys with GBWs’ consumers. He found that they tend to be young, well-educated and in most cases white-collar workers. Those most interested in GBWs are ‘deal-prone consumers’, usually price-sensitive and barely ever loyal. Another motivation for using GBWs which has been identified is the opportunity to try-out new products and services (Dholakia and Kimes 2011). However, such consumption would not be the most representative of the market, be it in terms of revenues or volumes. Converting ‘deal-prone’ consumers into repeat ones is very difficult for SMBs, which also have to cope with unusual workload at a given moment (influx of consumers).

Having in mind all these facts and data, the objective of the present research is to investigate whether GBWs are perceived the same way by SMBs in Latvia, an emergent economy. Particular attention will be paid at the issues faced by
such businesses in terms of marketing strategies and at how and why GBWs might play a role to face such issues, if relevant.

**Methodology**

The case study methodology was selected to conduct this exploratory research. It should help uncover hard facts and unexpressed features via a combination of data collection methods, for triangulation purposes. Instead of trying to confirm hypotheses, the current research is exploratory by nature, hence the use of a mix of qualitative and quantitative methods.

In the first phase of the research, information was gathered on GBWs and SMBs in Latvia, thanks to secondary sources. Data was collected reading academic papers, professional publications such as magazines or reports, official publications and on various websites. Data was collected in French, Latvian and English. Both authors were familiar with English and each of them either with French or Latvian. A scan of the data collected, along with a check of its relevance and credibility, was conducted in order to identify potential candidates for observatory work. Out of the five selected SMBs, two agreed to participate, the other ones feeling uncomfortable to share information. The companies had been selected based on their representativeness (size of the business, usage of GBWs, localization etc.). One of the authors spent 6 months as an external observer, in Latvia. Casual talks and more structured interviews were conducted on a regular basis, in Latvian. The observer held a diary to be filled-in on a daily basis. Content analysis was used to analyse data, which was coded on a daily basis, in order to refocus the next days’ observations (evolving observation grid). Simultaneously, a questionnaire (in Latvian) was dispatched to 400 SMBs which had already used GBWs in the past. Some of them still used it while others had done it only on an ad hoc basis. 93 answers were received, all in a complete and manageable format. The results would be analysed in terms of basic statistics.

More details are given on sampling procedures and companies’ profiles later on.

**Results**

This section is organised in three parts: first of all the most important findings from secondary research will be exposed, in order to better grasp the business picture in Latvia, and its specificities. Then, main findings from the on-site observations will be presented, in a narrative style. Lastly, statistics resulting from the survey analysis will be exposed.

**Analysis of the Latvian Situation**

The Latvian economy experienced a significant GDP growth resulting from the survey analysis will be exposed.

In 2010 the economy was still experiencing the symptoms of recession with a GDP decrease of 0.3%. Nevertheless, the European Commission Economic Forecast (2011) showed a sustainable pace of recovery and confirms a favorable growth trend in 2011 and 2012 for Latvia.

**The GBWs Business in Latvia.** GBWs in Latvia are fairly new but already very popular. An average online store can generate around 100 purchases maximum per day (Source: 7Guru, 2011), while group buying portals manage to significantly exceed this number. For example, more than 5,399 coupons were sold for the exhibition ‘Bodies Revealed’ within two days on the Cherry daily-deals website. Thus this is a flourishing business with great development opportunities.

The first daily-deals website, Oppaa, was created in 2010 (Source: MrDeal.lv) but is no more operating today. It was immediately followed by other players, such as KopāLētāk, Bigo or PērkamKopā. In 2011, 23 websites out of the 39 which have tried to start up their operations in Latvia were active (Koroņevskis, 2011). This is a quite significant ratio of GBWs to the country’s population (2,207,708 in 2011), compared to the 322 US websites for a population of 313,232,044 people in the same year. This has important implications for relative market shares, as discussed later on.

Three main players hold the market: CityLife (33% of total market shares in 2011), Cherry (19%), and Pērkam Kopā (18%). The remaining 30% market shares are more or less equally distributed among the 20 other players. However, the business evolution is really dynamic and thus changes may occur on a short-time basis: small players may be able to grasp more market shares in the coming years (Vilpponen 2011). Appendix provides the reader with detailed information on Latvian GBWs.

Based on the available literature on the GBWs industry (Neil 2011; Reibstein 2011), the value proposition for SMBs of Latvian websites mainly lies in the guarantee of a certain size of audience. For example, the reach of Cherry is around 250 thousand of potential customers. In addition, Latvian GBWs try to persuade SMBs by stressing out the fact that only one new deal gets displayed online every day on the main page. PērkamKopā website’s director, Laura Millere Pikšena, states that businesses should see the group buying portals as a marketing tool, rather than a way to earn extra money (Rutule, 2011). The promotion offer is only a small step towards customer relationship, while small businesses are supposed to
track the inflow of their customers, and treat the “coupon consumers” in the same fashion as more regular ones.

The average commission fee which is charged to local businesses for displaying their offers with the daily-deals website is around 26%. GBWs’ representatives claim that due to fierce competition and market economy, their websites have become more flexible with the percentage of the commission fee, thus ranging around 20-28%, while the smallest group buying counterparts set the fees around 15% of the product/service value. This commission fee should be confronted with the average coupon price, which varies significantly among GBWs. It depends on the nature of the deals offered to consumers on the website, with an average value of 8.6 Euros. With an average number of coupons sold per deal in line with the general tendencies of the market, the successful GBWs (in terms of revenue & market share) are able to sell more coupons per offered product/service than their smaller counterparts. For example, in 2011 CityLife has been on average selling around 521 vouchers per deal, followed by Cherry and PērkamKopā with 264 and 191 coupons respectively.

When it comes to the types of deals which get some popularity from Latvian daily-deals hunters, the most sold-out deals include cinema-exhibition-theater tickets or leisure & sport activities (Source: MrDeal.lv). The absolute record was for a bottle of French red wine sold by CityLife in 2011, for which 8,064 coupons were acquired.

**Overview of SMBs in Latvia.** Since 2000, less and less businesses get created in Latvia, with an exclusion rate overplaying the registration one. Thus, even though there are currently more than 70,000 companies operating in Latvia, the low registration trend could put under questioning the long-term plans of finding new business partners for GBWs. SMBs represent 99.9% of the overall business industry in Latvia (Source: Eurostat, 2011) and very few information is available on them. No academic research or consulting work had ever been written at the time the present research was conducted, especially regarding their marketing strategies, the role of marketing in their daily activities, and their usage of advertising channels. This confirmed our choice of exploratory research.

**Advertising Trends in Latvia.** As the present study is interested in the communication potential of GBWs for SMBs, data was also collected on the state of the communication business in Latvia.

Taking the pre-stated economic indicators of Latvia into consideration, one could expect a significant drop of spending in all advertising channels across the country: between 2009 and 2010, advertising volumes dropped by 13% (Source: Latvian Advertising Association, 2011), with the most significant decline observed for print advertising (magazines: -30%; newspapers: -32%) as well as for outdoor advertising (-22%). However, the financial crisis has not severely affected e-advertising with a drop in volumes of only 2%. Broadcast remains the most used media, representing 46% of overall spending (vs. 13% for e-advertising).

Experts expect a subsequent increase in e-advertising spending in the coming years (Source: Starcom MediaVest Group, 2011), reaching 15% of total ad spending in 2013. The increase in social media advertising is supposed to exceed 58.3% and should concern GBWs as well. The sectors of activity which advertised most in Latvia during the first 6 months of 2011 were mobile communication, retail, pharmaceuticals, financial services and telecommunications. The last three ones are on an increasing budget trend, while the two first ones are on a stable one.

All this secondary data helped us better understand the bases of the GBWs business in Latvia, along with the specificities of both SMBs and advertising trends. Case studies were then to be conducted from two carefully selected stakeholders (theoretical sampling).

**Results from Case Studies**

Two companies, carefully selected for past usage of GBWs and for the business profiles (see figures 3), were studied during 6 months. Non-participant observation was conducted, along with casual interviews and more structured ones. Caution was paid to unwrap the experience shared by these two SMBs with GBWs, as well as to assess how much effort it takes for a small company to advertise its name and to attract consumers. The observer let participants talk about the challenges they face in the SMBs environment in Latvia, especially with regard to advertising, and how GBWs come along into this whole picture. The first representative is the photography interior decoration studio Sapņu Studija (www.sapnustudija.lv), and the second is the brain-training center Riga Brain (www.rigabrain.com).

By the end of 2011, Sapņu Studija employed only 2 people, while RigaBrain had 4 employees. Additionally, according to the data submitted to the State Revenue Service of Republic of Latvia for the fiscal year of 2011 and published on a Lursoft information technology website, the annual turnover of Sapņu Studija accounted for 3.9 thousand €, while the one of RigaBrain hit the mark of nearly 27 thousand €. Nevertheless, both companies suffered from the net loss of 5.5 thousand € and 24 thousand € respectively. It indicates that every 1 € sale turned into 1.43 € loss for Sapņų Fabrika, and 0.90 € loss for RigaBrain. It could partially be related to the increasing selling costs as well as distributing the products and services at below break-even prices with GBWs. A
negative Return on Assets (ROA) points at the inability of both companies to effectively use their assets to generate profits. (See table 1 for financial detailed information)

The Case of Sapņu Studija. Sapņu Studija is a little studio based in the capital of Latvia, Riga, offering interior decoration and photography services. It was created 2002. However, since its early days, the main focus has shifted from pure interior decoration services to photography. The financial crisis that hit the world in 2008 severely influenced small market players, including Sapņu Studija. Since the nature of interior design operations made the company heavily depend on the construction industry, which in its turn went down, the company faced a life and death issue. The company employs three employees, and is thus a micro-business. Photography stands for around 70% of total sales, while 30% come from interior design service offering. Barbara Freiberga, the photographer in this studio, admits that it has become very difficult to attract new customers and to advertise the company’s name. She claims that previously word of mouth was enough but it’s no more the case owing to fierce competition. She believes that a company should differentiate its services to show its added value to customers and how it stands out from the crowd of competitors.

Barbara admits that the role of marketing for SMBs is crucial. However, the studio does not have a pre-established and thoroughly thought-out marketing strategy, since it heavily

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depends on operational results and customers’ desires and interests. Before the photographer considered trying out GBWs, she claimed she had too few customers and a necessity to re-brand the studio’s name because of the frequent confusion with Sapņu Fabrika that had nothing to do with photography or design services. She tried her best to find a marketing solution that would target a large audience, as well as would not request significant monetary resources.

As a result, Barbara came up with the decision of having barter deals with radio stations and magazines. It implied that in exchange for a reduced price (in the case of radio or print advertising) for advertising services, Barbara and her colleagues would provide the photography services on demand with marketing media. She acknowledged that those deals were working pretty well for her studio, on a short time basis.

Some time later she noticed the increasing popularity of group buying websites and decided to try them out as well. Overall, she has displayed five deals across three GBWs: two with KopāLētāk, two with PērkamKopāWhen and one with Superakcijas. She claims that although the conditions usually seem to be more or less the same across GBWs, responsiveness and openness are not the same, while they play a crucial role in decision making. This is an argument supporting the previous assumption regarding the importance of communication with daily-deals websites.

Barbara reveals that the deals with PērkamKopā were of 53% and 60% discount to customers, and were acquired by 12 and 215 people respectively. The deal on KopāLētāk offered a 72% discount and managed to be sold to 33 people. Finally, 13 people selected the offer on Superakcijas with a 60% discount. Overall, Sapņu Studija offered more than 273 coupons. It is worth mentioning that one of the business requirements was to limit the number of vouchers being possibly sold to one person to two.

The photographer shares that her studio faced quite a significant flow of customers. She had to seriously plan through the schedule to make sure she could handle the customer requests on timely manner. Three daily-deals vouchers also actually turned into bigger clients and further cooperation. She also admits that mostly everyone comes to redeem the voucher and the experience overall is positive. However, in the nearest future she does not plan to invest any resources into advertising or display any additional offers online due to limited resources available.

The analysis of the Sapņu Studija case leads to the following findings: GBWs do not manage client-relation in the same way, in Latvia; being able to communicate with GBWs is decisive when selecting a business partner; GBWs enable to get access to a large audience; setting-up a deal on a GBW requires resources (operational, time, etc…); and customer retention is possible after using GBWs daily deals.

The Case of RigaBrain. RigaBrain is not the typical client of a GBW. It is a training center offering sound- and signal-based brain exercises. Pēteris Urtāns, the owner of the company, admits that the training center did not appear as the result of a thoroughly written business plan. It was rather a response to customers’ needs. It started in 2008, more as a hobby. Now from a one-employee type of start-up, it has turned into a 4-employees, partnering with 3 outsourced specialized companies. Pēteris claims that one of the most important parts of his company is customer service, which constantly needs to achieve a so-called “wow-effect”. “Wow-effect” is often referred to a very powerful event, or in this case customer service that strikes the mind and exceeds customers’ expectations. As in the case of Sapņu Studija, the training center appreciates the significance of word of the mouth when talking about one of the most effective advertising technics. Pēteris admitted that since human brain by nature is mysterious and its processes are very personal to every individual, the services around brain training are not highly commercialized. It means that one can expect a certain degree of mistrust being exposed to the businesses like RigaBrain. A thought-out approach should thus be established in order to design a marketing strategy of brain training services correctly. He also explained that there is no stable demand in this service niche. Therefore, the company’s marketing activities highly depend on its audience’s interests, motivations and expectations.

As in the case of Sapņu Studija, the brain-training center also tried barter deals with magazines as a way of advertising. Pēteris admitted they started display promotion deals on GBWs because they wanted to attract new customers from new channels. They have offered sound therapy five times and brain exercises sessions around three times. For example, on Deal24 the offer was offered at a 50% discount and no limit on the amount of coupons per person was set. Nine people acquired the service voucher. Next, the deal with Superakcijas proved to be the most efficient in terms of number of attracted people– 84 coupons were sold at 60% discounted price. Finally the recent deal on PērkamKopā had set a limit of maximum four coupons possible to be bought by one person. Nevertheless, the deal did not go live, because of lack of demand.

As the result of the successful deal on PērkamKopā, the training center also faced a significant inflow of customers. Pēteris told, that in order to cope with the growing interest at that time they actually had to hire an extra employee. The owner also revealed that around 40% of voucher holders
actually have heard of the center before, while also 30% of them still continue the brain training session, which can be referred to a successful customer retention strategy.

Apart from GBWs, RigaBrain has advertised in magazines, on TV and on radio, as well as online (Google AdWords). LNT and TV3 television stations had got in touch with Pēteris, because they had heard good feedback and some buzz around the company and were interested to make few videos about its success stories.

Pēteris claimed that for the moment they are not planning to advertise with GBWs anymore. They definitely serve as one of the easiest ways to promote a brand name and increase awareness. However, they better fit as a one-time solution and perhaps do not guarantee that much ROI, financially speaking.

The analysis of the RigaBrain case leads to the following findings: GBWs are used to attract new consumers and increase brand awareness; resources are needed to cope with the aftermaths of a deal (organizational, sales force, etc.); deals can initiate customer retention; and buzz effects (in communication) may follow the display of a deal.

General Findings from the Two Cases. When confronting the two cases, some conclusions can be reached. They will be further checked with a survey (see next part): GBWs do not bring additional revenues due to hidden unpredicted costs; GBWs are primarily used to get access to a new audience; deals may be followed by communication buzz and consumer retention effects; there is no long-time partnering between SMBs and GBWs in Latvia; and the client-GBW relationship is key to set-up a deal.

These findings, combined with the previously exposed secondary data, enabled the elaboration of a questionnaire, which was sent to 400 SMBs, with a response rate of 93%. The following part presents the methodology of and main results from the survey.

Results from the Survey

The survey included 21 questions related to respondents’ past experiences using GBWs. Some questions were closed, with either multiple-choice answers or yes/no answers, while other questions were left with open answering possibilities, in order to let the respondents elaborate their point. Demographic questions were included at the end, in order to be able to get a picture of the sample characteristics. Data was collected on the type of industry the companies operate in, their size (number of employees), their average annual turnover and the country in which they operate. Figure 4 displays these features. Unfortunately, the majority of respondents did not feel comfortable sharing their information revenue: around 43% of them left the question unanswered; while another 10% answered they were uncertain about it.

The survey was conducted online, and dispatched to businesses that had completed a daily deal at least once on one of the following sites: CityLife, Zizu, PērkamKopā, KopāLētāk, Superakcijas, Cherry. The authors had taken contact e-mails directly from the GBWs on which they had their promotions displayed. 400 personalized e-mails were sent to business representatives with an invitation to participate, and a reminder e-mail ten days later-on. The response rate was of 23%. Given the pretty recent history of GBWs in Latvia, the sample size was considered as satisfactory, at least for a preliminary explorative study.

The questions were related to three main topics: how much the respondents had used GBWs and how loyal to them they were; the reasons why they decided to collaborate with them; and the outcomes of such collaboration.

SMBs’ Usage Habits of GBWs in Latvia. Among the polled companies, 27% had used the opportunity to display a discount deal only once, while 20% and 21% of respondents had them displayed two or three times respectively. This means an average of 3.8 times usage of GBWs, while 30 times was the maximum acknowledged usage made of
them. These figures need to be confronted with the number of daily-deals websites the respondents had been working with. Data shows that it is most common to cooperate for SMBs with only one or two GBWs, with 35% and 33% of respondents marking these answers respectively. Hence, the market is quite concentrated, with SMBs quite loyal to the GBWs they have worked with. However, there is still room for improvement in terms of deal-offered frequency increase. Such loyalty might come from the trust that a business representative has with a particular website, as explained in the open comments left by the interviewees. No clear distinction is made between the websites (lack of clear positioning), so if the partnership goes well once (or if the representative has had some previous experience with it, even as a customer), there is no reason for switching of business partner. The commission fee split conditions do not help in differentiating the various GBWs, with a required discount usually of at least 50% and an average commission fee ranging between 20% and 28%. Since the target audience was selected from the general pool of expired and new deals, there was possibility that some of the companies would not be cooperating with GBWs since then. Thus, a question asked SMBs whether they were still displaying their deals on the GBWs, which was actually done by 81% of the sample.

Reasons Why SMBs Use GBWs or Stop Using Them. The objective was to investigate whether SMBs would have the same reasons (and thus expectations) when using the websites for the first time, or when re-engaging a deal campaign with the same business partner. Results show that the most crucial reason for Latvian SMBs to decide cooperating with a GBW is to draw-in additional customers to their business (true for 82% of respondents), while the next significant reason is to promote the name of the company (78%). Only few respondents are focused on earning additional revenues or getting-rid of extra stock (19% and 13% respectively), thus contradicting assumptions made by researchers in the literature, but consistent with findings from the two cases. Building brand awareness and knowledge are the main objectives for SMBs in Latvia for using GBWs. In a word, they use such a medium to build part of their Brand Equity.

Some multiple-choice questions were offered to let the respondents explain why they kept using GBWs or why not. The reasons for still using GBWs were: for 43% of the respondents their confidence in being able to recruit additional customers (43%) - few of the respondents met an inflow of new clients after they featured the deal previously and thus, having a positive experience, decided to continue with the group buying websites; and for 33% fast and effective advertising, with the ability to create the sense of urgency and to influence hesitating consumers.

The fact that promotion deals let them attract new customers in the “off-peak” season.

For a few respondents, the fact that GBWs are one of the very few optimal marketing tools available that could satisfy the needs of a small business in Latvia, because quite often they cannot afford investing significant financial resources into other advertising channels.

For the same percentages of respondents (9%), their willingness to generate extra cash and get access to large visitors’ audience of group buying websites. Taking this into account, an average SMB expects to increase its visibility not only across the daily-deals websites, but also in other social media mediums. GBWs are thus perceived as one piece of on IMC strategy to strengthen their brand equity. The companies which did not choose to keep using GBWs gave as the most common reason the “one time” need of advertising (29% of respondents). “One time” need in this case implies seasonal promotions or showcase of a completely new product or service. It is interesting to observe that these companies that no longer display offers on group buying websites, on average tried using the service of a GBW at least twice. Furthermore, the other important cause for disrupting the promotion activities is the fact that the company realize that daily-deals are not suitable for the industry within which it operates (24% of respondents). The main representatives of this particular pool of respondents are manufacturers, who complain about the necessity of selling their products below the break-even point. They consider the audience of group buying websites as not compliant with their business needs. Finally, 18% and 12% of respondents respectively claimed to be unable to generate any profits or felt frustrated with daily-deals. Most of this frustration comes from realizing that customers might only search for a better price rather than be genuinely be interested in the product or service provided.

The Outcomes of Using GBWs for Latvian SMBs. Financial results, snowball effects (additional advertising spending), brand awareness increase, and CRM consequences were identified as the most important potential outcomes (from the two cases and the literature). For 54% of the respondents daily-deals turned into profit. Respondents were split into two major categories: product or service oriented, in order to verify whether the general tendency in United States stating that daily-deals are mainly profitable for service providers (Dholakia 2010; Dholakia and Tsabar 2011) could be applied to the Latvian case. After the preliminary split, the pool of respondents included 74% service-providers and 26% product-providers. As far as the profitability is concerned, the daily deal was not profitable for 58% of product sellers versus 42% of service providers. Thus it means that
general tendency holds also in this case. This is consistent then with 88% of product-sellers continuing to display discount deals on group buying websites, versus 78% of service-providers. The present study does not intend to provide additional reasoning for this behavior, but this fact might be researched in future research.

Then a split by sectors of activity was done. It turned out that daily-deals were claimed to be financially profitable for leisure/entertainment and retail related promotions with 79% and 73% respectively, the least profitable for beauty salons (37%) and manufacturers (46%).

In order to compare the differences between service providers and product providers concerning profitability and continuity in using GBWs, we used chi-square test (as the date is qualitative). We run the same test when comparing 4 sectors (leisure/entertainment, retail related promotions, beauty salons and manufacturers) concerning profitability and continuity in using GBWs. Our results show that there is a significant difference between service providers and product providers concerning profitability and continuity (Table 2) as well as for the 4 different sectors compared here (khi2 test, pvalue>0.05 in all cases). More than one in two companies considers (54%) that daily-deals turned into profit, nevertheless a large majority (between 71% and 90% according to the sector) continue to display discount deals mainly because even if the profitability is limited they can take the opportunity of a large audience in terms of advertising and hope they will be able to retain new customers.

Although from previous questions it could be assumed that SMBs would consider GBWs only as a tool in an IMC strategy, the majority of the respondents had not used any other marketing tools to promote their products or deals (75%). Yet, 33% admitted they planed to do so in the nearest future. Future investigation could be made to identify which communication channel they would point to. Building brand awareness was one admitted objective for using GBWs. 73% of respondents admitted they managed to do so, while almost a quarter of them was hesitating to answer.

This issue could also serve as a question for future study. At the moment it is only possible to assume that 24% of respondents were not able to fully analyze/understand the outcome of the promotion offer in terms of their own brand awareness (and how to measure it).

Lastly, a couple of questions were designed to understand SMBs’ perceptions of their ability to attract and retain new customers that are coming from GBWs. The majority of respondents (42%) claimed that they were able to engage a significant number of new customers with their business after they featured their deals online, while 23% of them were not able to tell.

Next, 56% of respondents claimed not to have any CRM system employed in the company. Actually, 76% of respondents who were not sure whether they managed to attract significant number of new customers do not use any CRM policy and system. Even though tracking daily-deals consumers should be relatively easy by the coupons they bring in exchange for product or service, some of the group buying portals allow the same consumer to acquire numerous coupons. In most cases SMBs do not have a chance to keep the consumers’ e-mails and any other contact information. Thus, the tracking of the results might get slightly overwhelming. Being able to have at least a self-customized in-house CRM system, especially for medium sized businesses, might improve sales and marketing related decision making processes as well as help develop a customer retention strategy. Finally, the majority of respondents (66%) agreed that the loyalty of deal prone customers is very low.

Conclusion: Advantages and Drawbacks for Latvian SMBs in Using GBWs. Among the respondents, 23% consider the market as oversaturated with daily-deals websites. It confuses both potential collaborators from the SMBs side, and consumers. In addition, 13% of the surveyed companies believe that the deals displayed across different GBWs are quite monotonous, and sometimes even odd. These respondents think that more sense of uniqueness is required, because otherwise it makes it even harder to distinguish

| Table 2. Comparison in Profitability and Continuity in Using GBWs |
|------------------------|-----------------|------------------|
|                        | Positive profitability | Continuity in using GBWs |
| Service providers      | 58%              | 78%              |
| Product providers      | 42%              | 88%              |
| Leisure/entertainment | 79%              | 71.42%           |
| Retail related promotions | 73%          | 90.90%           |
| Beauty salons         | 37%              | 84.21%           |
| Manufacturers         | 46%              | 84.61%           |

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from competitors and attract new customers. Another negative aspect includes the miscommunication with GBWs and sometimes the inability for smaller companies to break through the biggest daily-deals websites. In addition, respondents mention the huge commission fee to be allocated to GBWs for the service provided and a weak odds of being able to predict and control the outcome of the promotion deal. Few respondents actually faced this situation when they had to temporary hire additional staff or invest additional resources in order to be able to provide full service in exchange to the coupon received.

Nevertheless, when looking at the positive thoughts of SMBs about group buying websites, a more unique approach can be observed. 34% of respondents admitted that one of the main strengths of daily-deals websites is their large audience, and thus the visibility they provide to their business partners. A great part of them is aware of the growing importance of online advertising also locally. In addition, around 24% of SMBs mention that they perceive group buying websites not only as a fast, but also as a “costless” marketing tool. It is true that no upfront payments need to be made to group buying website in order to display one’s own offer online. However, it is important not to forget that the cost of this advertising is the discounted revenues that get generated, as well as the degree of distortion in customers’ perception of the product or the service’s value. Based on the data displayed in the previous section dedicated to group buying websites in Latvia, the reader could observe that the average price per coupon across the websites is around €8.6, and the average number of coupons sold per deal is 122. For example, let’s assume that the commission fee is 26%. It means that on average the indirect advertising cost per coupon is €8.6 *(100%-26%)=€12.7, and thus €12.7*122=€1 553. There is no guarantee that a small business would be able to attract 122 new customers from one-time display of an ad in the newspaper or magazine. However, it should make businesses more aware of what they could have potentially done differently or how should they go about planning their advertising activities. Finally, another positive aspect about group buying websites is the opportunity for businesses to present a brand new product or service to a broad audience, especially out of seasonal peaks; and trumpet about themselves. It also performs well in cases when the company is not well known by the general public.

Summary of Findings
The three data collection methods and results gain from their analyses enabled to reach the following conclusions:

Finding 1: The GBW industry in Latvia lacks dynamism, leading to a rather low frequency usage. GBWs lack differentiation. However, it is a business full of potential developments, its main advantage being in the visibility opportunities it brings to SMBs.

Finding 2: Latvian SMBs use GBWs to build brand awareness and brand knowledge among the Latvian population. If this is a one-time advertising need, they stop using them. Otherwise, they pursue the collaboration in order to strengthen their brand equity.

Finding 3: SMBs consider GBWs as only one medium to be integrated in a more complete IMC strategy. Getting there is usually the first step toward opening to advertising in general.

Finding 4: The customer-retention rate is very low, mainly because SMBs do not hold any CRM tool or spirit.

Conclusion
The results of the survey and analysis of the overall situation around the group buying industry in Latvia have revealed that first of all, 82%-polled businesses agree that the main goal of using GBWs is to attract additional customers, while 75% of them also perceive the websites as an advertising tool. Often small businesses in Latvia do not have a separate and well-thought marketing strategy. Therefore, as in the case of Sappu Studija and RigaBrain, they are searching for the cheapest and most affordable solutions. Following this idea, 75% of survey respondents have not advertised they product or service elsewhere or only plan to do so. GBWs are one of the possible affordable solutions for such businesses, taking into account that almost no other advertising channel would ensure such a huge visitors audience. For example, according to Gemius data, only in August 2011 CityLife portal managed to generate more than a million of pageviews (Source: Gemius, 2011). Nevertheless, it does not restrain businesses from assuming that daily-deals come without a cost. The opportunity of doing something differently always stays at stake.

There is a group of businesses (almost the quarter of respondents) that still hope to get extra revenues from displaying the deals. Promotion offers turned out to be profitable for only 42% of producers and 58% of service providers, while companies in retail and entertainment could brag about more successful results, and health and beauty salons being the most dissatisfied. To worry about profits is not necessarily a bad approach, however, this is one of the factors that make Latvian SMBs get frustrated about cooperation with group buying websites, along with the fact that consumers are no more than just “price tourists”. As soon as the offer is over, it is up to a merchant to have a strategy of treating the “coupon customer” as a
normal customer and think of ways to retain them. Among the inquired merchants, 62% fell into the category of a micro company; Therefore, no high expectations can be set around suppliers using CRM tools. Only 44% of respondents had a customer relationship management tool in place. However, simple alternatives can be set up to be able to improve customer tracking and relationships.

Finally, interestingly enough, even with a certain degree of frustration, around 81% of small businesses continue to display their offers online.

Lastly, the group buying industry in Latvia is growing on the expense of businesses still suffering from the echo of economic recession. At the moment the market is oversaturated with daily-deals websites, making it harder for any one site to stand out from the crowd. Every second attempt to create a group buying website fails. Nevertheless, this is a fairly new tool and it would take some time for SMBs and consumers to get fully aware of it and accept it.

In addition, an important observation to be taken into account is that around 15% of survey respondents as well as experts’ indications suggest that those daily deals are lacking some uniqueness. There are plenty of similar offers to choose from and while the trend is still new it is going to get attention, but what about afterwards? Even if 99% of Latvian business are classified as small and medium sized, and they are best suitable for group buying experiences, over the nearest future, it is likely that daily deal sites would have to be flexible and settle for lower shares of revenues from businesses, and it will be harder and more expensive for them to keep finding viable candidates to fill their “stock” of daily deals.

Appendix. Latvian GBWs

<table>
<thead>
<tr>
<th>GBW</th>
<th>Daily unique page views per user</th>
<th>Estimated daily time on site (min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CityLife</td>
<td>3.06</td>
<td>3.98</td>
</tr>
<tr>
<td>Cherry</td>
<td>3.1</td>
<td>2.79</td>
</tr>
<tr>
<td>Pērkam Kopā</td>
<td>1.97</td>
<td>2</td>
</tr>
<tr>
<td>Zizu</td>
<td>3.27</td>
<td>5</td>
</tr>
<tr>
<td>Kopā Lētāķ</td>
<td>2.1</td>
<td>1.3</td>
</tr>
<tr>
<td>SuperAkcijas</td>
<td>2.26</td>
<td>2.2</td>
</tr>
<tr>
<td>Akcijas24</td>
<td>2.7</td>
<td>2.33</td>
</tr>
<tr>
<td>Bigo</td>
<td>1.9</td>
<td>1.99</td>
</tr>
<tr>
<td>CitySale</td>
<td>1.6</td>
<td>1.81</td>
</tr>
<tr>
<td>Lētāķ24</td>
<td>2.2</td>
<td>2.36</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GBW</th>
<th>Audience (age)</th>
<th>Audience (sex)</th>
<th>Audience (browsing location)</th>
<th>Audience (kids)</th>
<th>Audience (education)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CityLife</td>
<td>18-34</td>
<td>F</td>
<td>Work</td>
<td>No</td>
<td>No college</td>
</tr>
<tr>
<td>Cherry</td>
<td>18-34</td>
<td>F</td>
<td>Work</td>
<td>No</td>
<td>Graduate</td>
</tr>
<tr>
<td>Pērkam Kopā</td>
<td>18-24</td>
<td>F</td>
<td>Work</td>
<td>No</td>
<td>College</td>
</tr>
<tr>
<td>Zizu</td>
<td>18-24</td>
<td>F</td>
<td>Home</td>
<td>No</td>
<td>No college</td>
</tr>
<tr>
<td>Kopā Lētāķ</td>
<td>18-34</td>
<td>F</td>
<td>Work</td>
<td>No</td>
<td>Graduate</td>
</tr>
<tr>
<td>SuperAkcijas</td>
<td>25-34</td>
<td>F</td>
<td>Work</td>
<td>Yes</td>
<td>Graduate</td>
</tr>
<tr>
<td>Akcijas24</td>
<td>18-24</td>
<td>F</td>
<td>Work</td>
<td>No</td>
<td>No college</td>
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<tr>
<td>Bigo</td>
<td>18-34</td>
<td>F</td>
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<td>No</td>
<td>College</td>
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<td>CitySale</td>
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<td>Lētāķ24</td>
<td>25-34</td>
<td>F</td>
<td>Home</td>
<td>No</td>
<td>Graduate</td>
</tr>
</tbody>
</table>

Source: Alexa.com, Web Information Company, November, 2011
References
Toward a Scale to Measure Consumers’ Understanding of Privacy Policies on Social Networking Sites

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Keywords: privacy, scale, social media, consumer knowledge

EXTENDED ABSTRACT

Research Question
The Internet offers consumers access to a vast quantity of information at minimal effort and cost to enable better, more efficient decision-making (Alba et al. 1997). Yet, many consumers are uncertain about and have little control over how information is collected and shared beyond the original purpose for information collection (Milne and Culnan 2004). Consumers are only able to control their privacy if they possess the information necessary to make relevant choices (Nairn and Monkgol 2007). However, privacy policies on social networking sites tend to be written so the companies that create them will be covered in case of a legal dispute; they are not developed for consumers to understand them.

Although some research has studied concern for privacy in the general context of the Internet, little research has examined consumers’ understanding of privacy policies on social networking sites. It is imperative that researchers can measure consumers’ understanding of privacy policies so that they can better understand how consumers make decisions regarding their privacy and ultimately, help consumers make the best choices possible to safeguard their personal information. Therefore, the purpose of this study is to develop a measure of consumers’ understanding of privacy policies on social networking sites (UPPSNS).

Method and Data
Following MacKenzie, Podsakoff, and Podsakoff’s (2011) suggested scale development procedure, the authors develop a conceptual definition of UPPSNS: a user’s knowledge about a social networking site’s privacy. More specifically, UPPSNS refers to both a cognition and a perception of what is known about privacy policies on social networking sites; therefore, it is suggested that UPPSNS is comprised of both Objective and Subjective Knowledge dimensions. In the item generation phase, the authors conducted a content analysis of the privacy policies of popular social networking sites. Then, 16 graduate students were asked to rate the extent to which each item captures each dimension of the construct. A one-way repeated measures ANOVA was used to assess mean differences between the Objective and Subjective Knowledge dimensions and to eliminate conceptually ambiguous items.

Business undergraduate students were recruited to take an online survey in exchange for extra credit. The majority of social media users are 19-29 years of age (Pew Research Center 2013), so the use of a student sample was appropriate. A total of 154 usable surveys were completed, and the authors eliminated items based on results of an EFA. The survey was revised based on EFA findings, and 171 different students participated in a second study.

Summary of Findings
A CFA was applied to the two-factor model with MPlus version 6.12 (Muthén and Muthén 2011) using full-information maximum likelihood estimation. Fit statistics indicated a poor fit ($\chi^2_{132} = 942.94$ $p = 0.00$, CFI = .74; RMSEA = .19; Hu and Bentler 1999). Based on commonly accepted scale development procedures, the scale was refined to ten items, with five items loading on each factor. Fit improved to an acceptable level ($\chi^2_{31} = 53.40$ $p = 0.00$; CFI = .98; RMSEA = .065). All items were significant and above .70, which shows that the items are good indicators of their underlying...
constructs. Subjective Knowledge and Objective Knowledge were negatively correlated ($r = -.18$).

Study results suggest that both Subjective and Objective Knowledge may be important constructs to examine when studying understanding; however, their negative correlation indicates that users may overestimate their understanding of privacy. Perhaps young adults represent a vulnerable population when it comes to protecting their privacy on social networking sites. Future research will need to examine older consumers to test for differences across populations. Policy-makers should reexamine the language used to communicate privacy policies. Scholars and practitioners should also test various privacy formats to identify differences in consumers’ understanding.

**Key Contributions**

The development of a measure of consumers’ understanding of privacy policies on social networking sites is important for scholars and marketers who are studying consumer behavior on social networking sites. If consumers cannot understand social networking sites’ privacy policies, they may lose trust in the sites and subsequently, the companies that take advantage of the opportunities for brand presence on social networking sites. Thus, developing a measure of consumers’ UPPSNS could have important implications for the marketing literature on brand trust and image.

Additionally, much of the consumer privacy literature tends to examine privacy concern, little fails to consider consumers’ understanding of privacy policies. Indeed, the nature of a cognitive construct should be distinguished from that of an affective construct in academic literature. Examining consumers’ knowledge of privacy policies will provide a more robust examination of the consumer privacy literature. As social networking sites continue to gain popularity in the lives of consumers, scholars and practitioners must ensure that consumers are aware of and able to understand what is happening to the personal information they share on social networking sites, so they can protect their identities and ensure they can make the best choices possible to safeguard their personal information.

*References are available upon request.*
How Do Men and Women Assess Branded Mobile Apps? A Comparison Between Hedonic and Utilitarian Apps

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ABSTRACT
Despite the increased relevance of branded mobile apps, research on drivers of men’s and women’s app content preferences remains missing. This study reveals gender-specific tendencies in the evaluation of utilitarian and hedonic oriented branded apps, highlighting that utilitarian content orientation is favored when intending to reuse or recommend branded apps.

Keywords: mobile marketing, branded mobile apps, gender, experiment

Introduction
With the ongoing diffusion of powerful handheld devices (i.e., smartphones), mobile apps have become increasingly important as they provide more advanced experiences to users than basic interfaces for telephony and messaging (MMA, 2009). Moreover, enhanced user interfaces (e.g., touchscreens) facilitate the way in which consumers interact with a wide range of distinct content (Kim, Lin, and Sung 2013). Apps contribute, for instance, to solving daily problems or simply entertaining (Sullivan 2010). Hence, they mainly derive either hedonic or utilitarian values (Davies et al. 2011). Since both smartphones and apps have been found to be used with high levels of engagement, marketers tend to promote their brands via this channel and create a novel tool of brand communication (Hutton and Rodnick 2009). Branded mobile apps primarily represent a complimentary service that combines the potential of mobile technology with branding. As branded apps represent pull-based services, they differ essentially from other mobile advertising units because well-established patterns such as SMS and MMS are push-based services in nature (MMA 2011). For example, Bellman et al. (2011) measured branded app effectiveness by examining brand attitude and purchase intention. Other contributions are dedicated to grouping the content of branded apps by clarifying the extent to which they engage users (Kim, Lin, and Sung 2013). Related research fields (e.g., mobile advertising; Internet advertising) are of interest for our purpose (e.g., Sundar and Kim 2005). To enrich the recent body of knowledge and to optimize branded app potentials, our main purpose of this research is to identify whether branded apps that derive utilitarian value differ from apps that provide hedonic value in terms of effectiveness. In doing so, we intend to deepen the findings of Bellman et al. (2011) that indicate informational apps to be more effective at shifting purchase intention than experiential branded apps. On the one hand, these results are not in harmony with the fact that to date the majority of branded apps are designed to be experiential rather than informational (Kim, Lin, and Sung 2013). On the other hand, Bellman and colleagues miss to integrate immediate responses to branded apps such as reuse intention to explain individuals’ brand purchase intention which can be considered as more profound. Furthermore, with reference to the Uses-and-Gratification Approach, we suppose that the effectiveness of specific branded app content depends on individuals’ requirements and needs. To this extent, knowledge about gender-specific preferences is crucial for marketers in order to produce effective outcomes (Darley and Smith 1995) because gender is one of the most important patterns of individuals’ self-concept through which many experiences, impressions, and evaluations are filtered (Spence 1985). To sum up, our research sheds light on the question: How do men and women assess hedonic- and utilitarian-oriented branded apps?

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Conceptual Framework and Hypotheses Development

Individuals decide independently when and with which branded app to interact (Yang, Kim, and Yoo 2013). Hence, marketers have already bridged the step of capturing their interest once the app is opened. The question of how smartphone users feel about using these apps is still unanswered. Thus and in contrast to prior research (Bellman et al. 2011) our approach focuses on attitudes towards branded apps, reuse intention and WOM intention as kind of immediate responses. With reference to the Attitude-Towards-the-Ad Model (MacKenzie, Lutz, and Belch 1986), attitudes represent evaluative judgments regarding objects. In the context of branded mobile apps, reuse intention seems to be important to predict behavioral outcomes (i.e., purchase) assuming that frequent use strengthens the brand relationship by enhancing brand attitudes (Berger and Mitchell 1989). Generally, reuse intention refers to the intention to maintain regular contact with the same branded app (e.g., Cronin, Brady, and Hult 2000). WOM seems to be crucial in the branded app context, since recommendations of experienced users are essential in order to ignite interest and achieve high download rates (Davies et al. 2011). Both intentions are supposed to be measurable after a short period of experiencing the branded app. According to behavior-related theories (Ajzen 1991), attitudes are stable predictors of behavior and behavioral intentions. Thus, we postulate:

H1: Individuals’ attitudes towards the branded app are positively related to reuse and WOM intention.

Among other creative criteria, branded mobile apps differ in terms of content. Besides the fact that content varies as a function of the promoted brand, branded apps provide different levels of hedonic and utilitarian value (Davies et al. 2011) in order to fulfill specific user needs during media consumption. According to the Uses-and-Gratification Approach (McQuail 1983), each media type offers a standard gratification that is exploited in harmony with individuals’ context-specific requirements which are widely categorized as hedonic or utilitarian values (Mathwick et al. 2001). While hedonic values refer to entertainment, pleasure, and enjoyment, utilitarian values are related to functionality, goal-orientation, and information (Crowley, Spangenberg, and Hughes 1992). Following Kim, Lin, and Sung (2013), utilitarian value is derived from informational branded app content, whereas hedonic value results from experiential-based branded app content. The findings of Li, Dong, and Chen (2012) in a mobile marketing context suggest that both utilitarian and hedonic values contribute to the consumer adoption or usage intention of mobile services. However, Lacey (1967) suggest that different creative execution styles, namely experiential and informational, cause distinct mental processing among individuals. As such, hedonic apps are related to an external focus of attention because users are forced to deal with all sensory cues of a game, for example. Hence, individuals’ attention is focused on the mobile technologies. Utilitarian apps, by contrast, aim at solving users problems.

Differences between men and women are socially and culturally driven. Biological sex refers to apparently distinct attitudinal and behavioral patterns between men and women (Coates 1993). While women prefer and use more emotional attached patterns, men favor task-accomplishing services (Mante and Piris 2002). Selective Exposure Theory assumes that individuals prefer information that is appropriate to their prior views and beliefs (Frey 1986). Hence, men are thought to use mobile services that derive utilitarian value because of their goal-oriented identity, whereas women seek hedonic values because of their traits of sensitivity (Christie 1997). Yang and Lee (2010) found support that men compared to women hold less favorable attitudes towards mobile services that derive hedonic value and prefer mobile services with utilitarian value dominance. Thus, we propose:

H2: Men (women) prefer branded apps that derive utilitarian (hedonic-) value to apps that derive hedonic (utilitarian) value. Hence, they exhibit stronger reuse and WOM intention for utilitarian- (hedonic-) oriented branded apps.

Heider (1946) states that people attempt to sustain cognitive balance. As such, individuals are presumed to have a balanced view of all the components of a causal unit. For instance, advertisements of positively evaluated brands are perceived to be more favorable than those of negatively assessed brands (Chattopadhyay and Basu 1990). Since branded apps promote a specific brand, we expect with reference to Cacioppo and Petty (1979) that prior experiences with the brand affect object-related evaluations, which, in turn, result in the following hypothesis:

H3: The level of prior brand evaluations moderates individuals’ immediate response towards branded apps.

Methodology

To test the hypotheses, our study employed a survey-based field experimental design with branded app content orientation as the independent variable. To test individuals’ evaluations of either hedonic- or utilitarian-oriented apps, we chose two distinct apps, leading us to two treatment groups. As a manipulation check, we conducted a pre-study with 92 students from a German university. Product categories that were promoted by means of the branded app (i.e., beverages and pasta) were chosen consciously since they belong to the
category of non-durable and fast-moving-consumer goods of which one can reasonably assume that they do not evoke gender-specific preferences.

As a between-subject design, in the main study men (women) were randomly assigned to respond to only one of the two branded apps. After rating their brand attitude and app usage, subjects were asked to download and make themselves familiar with the app. Afterwards we approached them to assess the branded app via an online questionnaire. Our questionnaire was based on existing and tested measures (e.g., Sweeney and Soutar 2001). Data were collected from German Android or Apple smartphone users through an online-based survey in January 2013.

In the final sample, out of 215 completed questionnaires 84 usable questionnaires remained of which 50% were from men. Young consumers were purposely selected because they represent the key target group of mobile marketing (Choi, Hwang, and McMillan 2008). To strengthen validity, we examined the distribution of relevant aspects across treatment groups for each gender. The results showed no differences between those who evaluated hedonic and those who assessed utilitarian apps in terms of age, the smartphone type that participants possess, smartphone experience, income and time during which participants were interacting with the app.

By building upon the existing literature indicating which content is presumed to be utilitarian and hedonic (e.g., Hoffman and Novak 2009), we selected the branded apps “Barilla ipasta,” which provides the user with information on pasta and “Coca-Cola My Beat Maker,” which enables users to create their own music beats. Hence, we assume that the Barilla app derives utilitarian value, whereas the Coca-Cola app provides primarily hedonic value. To verify our manipulation, we used a reduced scale adapted from Voss, Spangenberg, and Grohmann’s (2003).

Attitude towards the branded app was measured by adapting the scales from Shimp and Kavas (2001) and Bellman et al.’s (2011). Reuse and WOM intention regarding branded apps were adapted from Cronin, Brady, and Hult (2000) and Pihlström and Brush (2008). As prior research indicated, we controlled for prior brand evaluation (Chattopadhyay and Basu 1990).

First, all multidimensional measures were checked in terms of reliability and validity using in SPSS 20. To test the quality of reflective measures, confirmatory factor analysis was conducted using IBM SPSS AMOS 20 (Kline 1998). Second, to test our hypotheses, Pearson correlation coefficients and two linear regressions were conducted (H1).

Third, to test H2a and H2b, we ran MANOVAS followed by one-way ANOVAs on the dependent variables. Regarding the aim of our paper separate calculations for each sex were performed. Finally, to test H3, two MANOVAS and ANCOVAs were computed.

Results And Discussion
The analysis of the measures showed that branded app content manipulation operated as intended. The mean scores of perceived utilitarian value were significantly higher for the Barilla app (M=5.58) than for the Coca-Cola app (M=1.95; t=-15.956, p<.001). By contrast, the Coca-Cola app (M=5.30) was perceived to be hedonic-oriented compared with the Barilla app (M=4.13; t=4.040, p<.001).

To assess the quality of the measures, we considered the whole sample (n=84), instead of checking the quality achievements of each treatment group. Indicators demonstrated that all dependent measures were deemed to be reliable. The model calculated based on the maximum likelihood method showed good fit criteria. The discriminant validity of the considered measures was also anticipated. With reference to the supplementary multidimensional variables considered during data analysis (e.g., covariates), we performed a second measurement assessment taking both dependent measures and covariate or moderating variables into consideration. Again, we observed satisfactory criteria in terms of reliability and validity. The extended model also showed a good fit.

In order to verify the link between attitude and behavioral intentions, the Pearson correlation suggested a significant negative correlation between attitude towards the branded app and a) reuse intention (r=-.705, p<.001) and b) WOM intention (r=-.494, p<.001). Further, to explore whether attitude can predict behavioral intentions, the results of two linear regressions showed that, attitude is a strong predictor of reuse intention (R²=.50, F(1,82)=81.161, p<.001) and WOM intention (R²=.24, F(1,82)=26.426, p<.001). Since attitude and behavioral intentions are not positively related, we reject H1. In accordance with the attitude–behavior discrepancy phenomenon (Ajzen and Fishbein 1977), participants might have a positive attitude towards the branded app, but largely do not intend to reuse it or spread positive information about it. Positive attitudes can suggest a desired behavior when taken in isolation, but the decision to behave in a certain way may incorporate supplementary factors or motivations.

With regard to H2, the MANOVA showed a significant multivariate main effect of branded app content among men (Pillai’s trace=.285; F(3,38)=5.058, p<.01). Among women, by contrast, no significant multivariate main effect
was observed (Pillai’s trace=.139; F(3,38)=2.045, p=.124). Further, the one-way ANOVAs showed that men have a more favorable attitude towards hedonic-oriented apps ($M=4.54$) compared with utilitarian-oriented apps ($M=3.63$; $F(1,40)=6.083, p<.05$), which is contradictory to our theory. According to Chen, Davies, and Elliott (2002), our results may refer to the fact that an online environment, and especially the personal mobile environment, provides greater freedom, which, in turn, might lead to unexpected outcomes and to an escape from culturally triggered expectations. In harmony with these interpretations, men rather intend to reuse utilitarian ($M=3.02$) than hedonic-related branded app content ($M=1.63$; $F(1,40)=13.913, p<.01$). When it comes to behavior-related patterns, men switch to their expected sex role. Moreover, men’s preference for hedonic value may stem from the fact that they process information more impulsively and engage in detailed processing less readily than women (Meyers-Levy 1989).

Among women, the same differences in behavioral intentions were noted ($M_{UT}=3.45$; $M_{HE}=1.63$; $F(1,40)=4.586, p<.05$). In harmony with their intentions, women expressed a slight, but insignificant preference for utilitarian apps ($M=4.00$, $F(1,40)=3.699, p=.062$). Both men and women were indifferent about recommending utilitarian-oriented apps rather than hedonic-oriented apps ($F_{M}(1,40)=1.432, p=.238$; $F_{W}(1,40)=.470, p=.497$). To sum up, $H_2$ is partially accepted.

The results of the multivariate tests highlighted the impact of individuals’ prior brand evaluations on the dependent variables supported by a significant main effect among men (Pillai’s trace=.226, $F(3,37)=3.593, p<.05$) and women (Pillai’s trace=.278, $F(3,37)=4.754, p<.01$). To this end, considering prior brand evaluation as a covariate led to a reduction in errors. After controlling for the covariate, the unexplained term was reduced regarding all dependent variables in both cases. The reduction was notably high in terms of attitude towards the branded app ($amount_T=12.337$, $amount_F=15.646$). Subsequently, $H_3$ was supported by our dataset.

**Implications**

In harmony with our results, we suggest marketers focus on encouraging people to reuse and recommend their branded apps to others. This may be achieved by incorporating the branded app as a kind of push-based service in a broader cross media campaign. Through a QR-Code positioned on a promotional poster, for example, recipients may reach the branded app without a lot of searching, thereby strengthening behavioral intentions. Further, the results show that especially men have a more favorable attitude towards hedonic-oriented branded apps but rather intend to reuse utilitarian branded app content. Against this background, marketers should provide hedonic content when they aim to create a positive attitude towards the app among men in the short run. This may be relevant for event-related apps, as in the case of “Coca-Cola My Beat Maker,” which was designed for the Olympic Games in 2012. To achieve long-term goals such as customer loyalty and to strengthen brand relationship, we rather suggest marketers develop utilitarian-oriented branded apps, particularly in view of the fact that the majority of existing branded apps are designed to be experiential (Kim, Lin, and Sung 2013). This might represent a challenge to marketers since the creation of apps that derive utilitarian value requires a deeper understanding of what each user needs (Bellman et al. 2011). Perhaps, it would be prudent to allow customization of the functionalities of utilitarian-oriented apps. Finally, our results indicate that individuals’ prior brand evaluations influence the response towards branded apps. Hence, marketers should aim to address those who evaluated their promoted brands positively, for example on a social media fan page.

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of Key Factors That Drive Mobile Messages Home to Consumers,” *Psychology & Marketing*, 25 (8), 756-68.


The Influence of Interactivity and Platform on Value in SNS

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Keywords: interactivity, platform, SNS

EXTENDED ABSTRACT

Recently, more advanced online technology has facilitated greater interactivity in media usage. As a result, information sharing and seeking among users has been increasing dramatically, as seen with social networking sites (SNSs), and their effect has been investigated. However, few research studies have examined the relationship between interactivity online and the perceived value of SNSs. The author shows the impact of interactivity on information and social value and its moderating effect on the relationship between interactivity and information and social value, and loyalty toward SNSs.

Research Question

Interactivity is a media characteristic that distinguishes online media from traditional media. Many research studies have focused on interactivity on the Web (Hoffman and Novak 1996; MacMillan and Hwang 2002; Song and Zankhan 2008). Some research examined the interactivity on company websites, measuring the relationship between interactivity and the website toward attitude. This research applies these relationships to SNSs. More than any other type of website, an SNS requires interactivity (two-way communication, responsiveness, and user control) in order to connect with other users.

Moreover, we examine the effects of interactivity on the value of SNSs. SNSs have greater information and social resources available to them than any other type of website, since users both create and consume the content. Depending on the interactivity, the value of the SNS might either be enhanced or diminished. Little research has investigated the links between interactivity and the resources available to SNSs.

Also, we look at SNS platforms. Unlike when SNSs first appeared, there are now many kinds of SNS sites, performing different types of interactivity. Focusing on Facebook (FB) and Twitter (TW), we examine how the links between interactivity and the outcomes of the SNSs vary between platforms.

Method and Data

To test our hypotheses, we collected data in Japan. An online questionnaire survey was conducted in March 2012. The sample size was 1224, comprising 612 FB users and 612 TW users. We adopted existing measures of interactivity: social and information value, and loyalty toward the SNS. As for these items, the translation/back translation process was used.

The author established the validity of the measurement model, using structural equation modeling to test the research hypotheses. This model fit the date well.

Summary of Findings

Two-way communication was positively and significantly related to information value for both platforms, but positively and significantly related to social value only for TW. User control was positively and significantly related to social value, whereas contrary to our hypothesis, user control was negatively and significantly related to information value for both platforms. Responsiveness was positively and significantly related to information and social value for both platforms. Furthermore, information value and social value were positively related to loyalty toward the SNS. In comparing the two platforms, the path from two-way communication to information value was larger for FB than TW. As well, the path from responsiveness to social value was larger in FB than TW. Finally, the path from information value to loyalty was larger for FB than for TW, whereas the path from social value to loyalty was larger for TW for FB.

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**Key Contributions**

This study contributes to more detailed understanding of the relationships between interactivity, value in SNS and loyalty, and platform. Understanding complex relationships clarifies the roles and uses of SNSs for marketing. This finding that responsiveness is more useful for social and information value than other aspects of interactivity implicates that synchronicity is necessary service in SNSs. Additionally, results from the superiorities of FB over TW in strength between responsiveness and information & social value, indicate that FB is appropriate for synchronicity media. Moreover two-way communication in FB leads to information value not social value. Hence, deeper communication in FB might develop interpersonal relationships, but not build a sense of community.

This study, however, does not focus on specific communities in each SNS but rather the SNS itself as a community on both platforms. To understand the detailed effects for advertising and branding, specific communities within an SNS should be explored.

*References are available upon request.*
How Social Media Works in B2B Environments: Social Media Effectiveness Using Web Analytics

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**Keywords:** social media, digital content marketing, web analytics, business to business

**EXTENDED ABSTRACT**

This study is intended to provide marketing practitioners with an overview of web analytics to explore the issue of how to define and measure the effectiveness of social media through analyzing the various activities of current/potential consumers as well as provide a comprehensive analysis of the effectiveness of digital content marketing using social media. These analytics answer broad questions about which types of social media metrics are best at referring traffic, about conversations at the organization’s website, and about comparing different social media channels, such as Facebook and Twitter in this study. These analytics employ time series analysis to specifically address activities in SNSs that effectively drive traffic to a website and accomplish business goals. This study is one of the first empirical investigations in the marketing communication field related to measuring social media’s effectiveness.

**Research Question**

The major goal of this study is to demonstrate the value of businesses’ efforts and to optimize their digital/social marketing strategy using web analytics. Based on this goal three research questions were identified: (1) can the model identify social media performance variables that are related to audience response which can be represented by website traffic?; (2) which social media sties are driving traffic to a firm’s website, specifically in B2B environment?; and (3) can the model provide insight into the importance of those variables?

**Method and Data**

Industrial secondary data collected from two companies, with a business-to-business focus, were used for testing the social media measurement model. Web analytics tools are used to track web traffic patterns for both firms, particularly where visitors are coming from, what web browsing technology they are using, and how visitors are interacting with a website. The predictor variable categories in social media are reach, frequency and engagement. In this study, reach is defined as the size of the community accessed through social media activities. Frequency is defined as the specific amount of outbound activity that was published to online users. Engagement is defined as the overall interactions that the companies experienced in social channels. To determine the effectiveness of social media on the companies’ website traffic variables over those time periods, a time series multiple regression analysis was conducted with 13 performance metrics in two social media vehicles (i.e. Facebook and Twitter) as independent variables along with web analytic metrics as dependent variables.

**Summary of Findings**

The results of the analysis are encouraging and suggest the model as specified was able to identify the social media variables that were significantly related to the companies’ website traffic. This finding implies that the traditional media variables of reach and frequency are still important in the social media space. As expected, the engagement variables are also a critical part of the social media experience. From a media strategy perspective, all three components – the number of messages and the size of the audience appear to work with active audience participation to produce effective communication in the social media environment.

**Key Contributions**

This study will present a social media effectiveness model adapted to handle specific characteristics of social media such

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as message frequency, audience reach, and audience engagement over a continuous duration in the context of B2B. By using company website page view statistics from Google Analytics that depict the marketing performance of social media by exposure frequency, this study will provide practical insights with regard to measuring the effectiveness of marketing efforts. Interpretation of the results provides implications to marketers with regards to how they should conduct marketing communication on social media in the context of B2B. This study is one of the first empirical investigations in the marketing communication field related to measuring social media’s effectiveness in B2B branding environments.

References are available upon request.
Intensity of LinkedIn Usage by Firms to Promote Business to Professional Interactions

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Keywords: LinkedIn, social media, social networking

EXTENDED ABSTRACT

LinkedIn is the largest business-oriented collaborative tool enabling Professional-to-Professional (P2P) and Business-to-Professional (B2P) connections. Regardless of organizational type, there are distinct advantages for firms to utilize LinkedIn. The intensity of LinkedIn usage is examined by business type: Fortune 200, INC 200, and Fortune 200 Non-profits. This paper sets forth and tests an eleven-factor intensity model and analyses the LinkedIn features available for public display on a LinkedIn corporate page. The study of approximately 600 organizations finds, contrary to expectations, that non-profits and small businesses utilize the B2P features of LinkedIn significantly less in intensity than large businesses. It appears that while small businesses are slightly more active on LinkedIn – in terms of having a LinkedIn page, having the LinkedIn logo on their website, and having the top officer with an associate page – large corporations are far more comprehensive and intense in their usage as measured by the model. And, despite the low-cost nature of LinkedIn and its potential benefit to nonprofits and small businesses, large corporations have much higher intensity usage scores than their non-profit and small business counterparts.

Research Question

Previous research demonstrated small businesses have a significantly higher LinkedIn adoption rates (Witzig, Spencer, and Glavin, 2012). Therefore, it seemed likely that SMBs also would have the highest intensity rates as demonstrated by the application of the model. But this paper sought to know if there is there a difference between the intensity of inbound LinkedIn firm usage rates between different kinds of firm types: Fortune 200, INC 200, and Fortune 200 Non-profits. Thus, the paper enables a better understanding of the intensity of active B2P social networking related to LinkedIn as a business tool.

Method and Data

This study applies an eleven factor model to the three types of organizations under consideration: large companies, SMBs, and non-profits. To understand inbound directional entity usage (B2P) of LinkedIn, lists of entities for each organizational type were assembled using the top 200 organizations from: the "Fortune 500" list published by Fortune magazine; "Inc. 200" compiled by Inc. magazine; and Forbes' "200 Largest U.S. Charities list. Usage of each variable was recorded for each of the 600 entities. Then each of the eleven variables/capabilities provided through LinkedIn was assigned a value / intensity weight. Data was collected on each of the eleven variables. The sum of each capability times its weighting provided a numerical measure of how much the entity values LinkedIn in terms of how much it utilized the eleven LinkedIn’s capabilities. Using SPSS, ANOVA comparisons were done to differentiate intensity of usage patterns amongst the three entity classifications. Fisher’s LDS was utilized to examine the hypotheses.

Summary of Findings

This work highlights that contrary to admonitions by LinkedIn that the business networking site should be used by small business and non-profits as a primary means of con-
necting with potential business partners and donors, that large businesses see the worth of LinkedIn more and are more intense about ensuring the company uses the tool for potential business benefit. Large businesses are more apt to see the benefits of B2P social media networks. They will more actively ensure that they are using all the features available on LinkedIn to their advantage. Large corporations are also more successful in attracting a larger following of both alumni and current employees, even when controlling for firm size. Large firms to a significant level use this B2P tool, more than the other types of firms, for talent acquisition, and product promotion. However, large corporations do not tend to be as intense about putting the LinkedIn logo on their home page.

Small business leaders are more likely to have an associated page than would a large firm executive. Small businesses tend to promote their products, on LinkedIn, more than other entities. Non-profits tended to utilize the recruitment features of LinkedIn more than other entities.

**Key Contributions**

This work is one of only a few academic studies on LinkedIn. It enables a deeper understanding of which type of entity uses LinkedIn, and how intensely entities use LinkedIn. This study projects corporate activity that businesses undertake to enable B2P social networking.

*References are available upon request.*
Brand Communities in Social Networking Services: Two Types of Interaction and Self-Construals

Kazuhiro Kishiya, Kansai University

ABSTRACT
The author examines the relationship of brand interaction and social interaction in attitudes toward online brand community sites, and self construals as the antecedent factor in two interactions in online brand communities.

Keywords: brand community, self construals, SNS

Introduction
SNS and Brand. Recent studies in brand community have focused on brand-related offline and online social interaction. Compared to offline interaction, online social interaction is expected to build and maintain a brand relationship among a larger number of users, since a virtual community allows people with the same interests to interact and share beyond geographical and social constraints (Kozinets 1999). Although a brand community strengthens the brand relationship with the customer, the site is not in itself sufficient to attract potential users. The enormous quantity, uncertain amount, and kind of information and content often prevent users from reaching a brand community site. However, SNS, which has a large number of users, complements the attraction effect of a brand community site. A brand community site fused with SNS is likely to be highly attractive to the social networking user. Hence, this research examines the influencing factors of brand community sites in SNS.

Theoretical Development and Hypotheses
Brand Community in SNS. Consumer studies have researched consumption communities in which product and brand represent a collective and cultural norm in subculture (McCracken 1986). Similar to a consumption community, a brand community is defined as a specialized and bound community based on a structured set of social relationships among users of a particular brand (Muniz and O’Guinn 2001).

Research on brand communities has indicated a co-creation process of brand meaning. Brand meaning is built and utilized as a representation of social ties, reference groups and subcultural groups. Moreover, brand meaning creates an affiliative identity to express common interests and tastes, and features a sense of community (Schau and Gilly 2003). In particular, brand communities tend to be more in harmony with online communities like SNS rather than offline communities. The reason is that online interaction in a virtual community is based upon specific consumption activity (Kozinets 1999).

Apart from building brand meaning as a brand community in SNS, social networking in SNS also attracts new users. In anonymous and uncertain SNS sites, user usage and comments along with the existence of a social relationship become a credible source for other users (Smith, Mennon, and Sivakumar 2005). Also, brand-related messages and advocacies from a number of social relationships are created and attract new users.

Brand Interaction (Brand-Customer) and Social Interaction (Customer-Customer). Brand community studies focus on the complex relationships among users of a brand within a community. Some research has found brand meaning to have been created and negotiated by active interpretation of community members (Muniz and O’Guinn 2001). Thus, brand community research has emphasized inter-customer relationships with brands as a repository of meaning (Muniz and O’Guinn 2001). However, the creation of brand meaning is not completed by customer-customer interaction (Marzocchini, Morandin, and Bergami 2013). It is also necessary to supply a source of meaning such as cultural capital and material supplied by marketing agents and institutions to community members (Holt 1998; McAlexander, Schouten, and Koenig 2002). Therefore, the process of customer interaction in brand community is clarified into two types of interaction: brand-customer and customer-customer interaction (McAlexander, Schouten, and...
Consumers can utilize online brand community sites as a way of seeking brand-customer interaction. Brand studies focus on brand-customer interaction for an understanding of brand relationships. When a brand relationship is strengthened, customers articulate their experience with the brand (Fournier 1998; Alegsheimer, Dholakia, and Herrman 2005). Furthermore, consumers construct a self-identity relevant to the brand (Belk 1988).

Depending on the brand-customer relationship, this effect extends to other interactions. Alegsheimer, Dholakia and Herrman (2005) suggest the brand relationship with the customer as a precedent factor of brand community identification. Existing attachment and identification with a brand facilitate interaction, and the sharing of enthusiasm with other users, followed by the building of a sense of community (Alegsheimer, Dholakia, and Herrman 2005).

Two Types of Interaction in SNS. Increasingly interactive characteristics of online communities facilitate the building of company-customer relationships (Hoffman and Novak 1996). On the brand community site, the marketer can build a self identity-brand association relevant to brand possession when customers are exposed to detailed information beyond traditional media particularly involving celebrities in brand advertising (Fournier 1998; Escalas and Bettman 2009), brand history including the origin of the brand (Muniz and O’Guinn 2001). Enhancing brand knowledge in interaction enhances attitudes toward brand community sites that offer a variety of brand information. Furthermore, the user has common, frequent and easy access to the brand only if registered. The user is likely to reduce other search efforts in order to stick to the brand community site (Yoon 2002). Thus, brand interaction by frequent contact results in a favorable attitude toward the brand community site.

H1: Brand interaction is positively associated with attitude toward brand community sites.

Following the assertion of Alegsheimer, Dholakia, and Herrman (2005), social interaction with a brand is determined by brand interaction. However, social interaction is not limited to sharing brand mentions and advocacies within the brand community (McAlexander, Schouten, and Koenig 2002). In particular, SNSs have a large number of connections including a number of communities. The boundary of brand community in SNS is blurred. Hence, users in other communities can interact with a particular brand community site easily. Thus, apart from the role of sharing enthusiasm with like-minded customers, social interaction plays the role of evoking interest and involvement in the brand, and building up the trustworthiness of the brand for other users, which results from accessing the brand community site. Additionally, social interaction sharing admiration and information on the brand also causes a sense of brand community (Alegshemer, Dholakia, and Herrman 2005). Therefore, social interaction leads to not only interaction with the brand but attachment to the brand community site. Thus:

H2: Social interaction is positively associated with brand interaction.

H3: Social interaction is positively associated with attitude toward the brand community site.

Self Construals. Individualism and Collectivism as cultural variables influence human communication and social interaction (Hofstede 1984; Han and Shavitt 1994). Recent studies have pointed out that both individualistic and collectivistic people coexist in every society (Markus and Kitayama 1991). In other words, not everyone in a particular society is equally individualist or collectivist. Moreover, both kinds of people selectively form their own personal characteristics, communication styles, and preferences from both individualistic and collectivistic cognitive structures under different situations (Triandis 1995). Many individuals have both individualistic and collectivistic tendencies, the relative strength of which varies among individuals (Singelis 1994; Escalas and Bettman 2009). There are two types of self-construal: independent and interdependent self. An independent self is determined by a person’s own interests and purpose such as self-determination and differentiation. In contrast, those with an interdependent self define themselves as part of an encompassing social relationship, and their behavior is determined by, and contingent on the thoughts, feelings and actions of others (Markus and Kitayama 1991).

Self construal is a predictive factor for advertising attitude (Choi and Miracle 2004) and a moderator between brand-self association and reference group as either an out-group or in-group (Escalas and Bettman 2005). Thus, since brand communities in SNS have characteristics of communication media like advertising and the building of brand meaning through two types of interaction, we assume self-construals as a determinant factor in interactions within the brand community.

Independent self-construal tends to seek information based on the individual’s needs. It is based on a desire for self-determination rather than harmony within a group (Triandis 1989). Self determination advances active usage, making the most of the interactivity brought about by brand interaction. Moreover, individualistic character assumes that even a company-customer relationship is a horizontal relationship, not vertical (Cho and Cheon 2005). This is done with brand-customer interaction without the influence of other users.
H1: Independent self is positively associated with brand interaction.

Offline, those with an interdependent self are likely to interact with others to achieve harmony with others. Likewise, the Internet accelerates social interaction relative to other media, with similarities to a collectivist society (Cho and Cheon 2005). Of all the other web genres, SNS in particular has a greater propensity to have this effect. A person with an interdependent self is likely to not only earnestly talk about and share a brand with other people, but also to have an interest in others’ opinions about the brand like a lurker.

H2: Interdependent self is positively associated with social interaction.

Scale Development and Data Collection. To test our hypotheses, we collected data in Japan. We asked which brand community site (Facebook page) in Facebook the respondents used the most frequently. Regarding the sites they selected, respondents were asked to give answers. To measure self construals, six items were adopted from Choi and Gordon (2004) and Singelis (1994). As for brand interaction and social interaction, six items were created through in-depth interviews with the brand community/Facebook users. These questions were assessed on a five-point rating scale. To measure attitude toward the brand community site, three items assessed by a seven-point semantic differential scale. As for items adopted from previous studies, a translation/back-translation process was used.

The online questionnaire survey was conducted in March 2012 of Facebook users. Out of 669 Facebook users, only 130 had the experience of contacting a brand community site in Facebook. The size of the sample was 130, comprising 62 males and 68 females.

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=135.272, d.f.=80, p<0.001, CFI=0.92, IFI=0.93, TLI=0.91, RMSEA=0.07). All loading items were found to be more than 0.58. We assessed convergent validity using composite scale reliabilities and the Average Variance Explained (AVE). Composite reliabilities for the items of each construct ranged from 0.76 to 0.84. We also reported the AVE. The AVE of each construct is required to be greater than 0.50. The AVE satisfies those criteria. To examine discriminant validity, we compared the square root of the AVE with the correlation between two latent constructs. The square root of the AVE should exceed this correlation (Fornell and Larcker 1981). Those criteria satisfied.

Hypotheses Testing

We used structural equation modeling to test our hypotheses (Anderson and Gerbing 1988). The results are summarized in Table 3. The fit statistics indicated that our model fit the data well (Chi-square=137.439, d.f.=84, p<0.001, CFI=0.92, IFI=0.93, TLI=0.91, RMSEA=0.07). With regard to our hypotheses, brand interaction was positively and significantly related to attitude toward the brand community site (β=0.44 p<0.001), whereas social interaction was positively and significantly related to brand interaction (β=0.38 p<0.001), and not significantly related to attitude toward the brand community site. Thus, H1, H2 is supported, and H3 is not supported. Independent self was positively and significantly related to brand interaction (β=0.28 p<0.01) and interdependent self was significantly related to social interaction (β=0.26 p<0.05). These results provide support for H4, H5.

Discussion

The findings extend the research area of web advertising and cultural factors in several ways. First, attitude toward brand community sites is influenced not by social interaction but brand interaction. Recent studies have emphasized the social networking effect in brand communities. However, this research has found that social interaction itself does not have an impact on attitudes toward brand community sites. Instead, social interaction regarding brands has a positive influence on brand interaction. This result implies that social networking in a brand community cannot create bonding with the brand community site, and simply elicits brand interaction among users.

Table 1. Correlation, Cronbach’s Alpha, Composite Reliabilities, the AVE, and √AVE

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S.D.</th>
<th>a</th>
<th>b</th>
<th>c</th>
<th>d</th>
<th>e</th>
<th>CR</th>
<th>AVE</th>
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<tbody>
<tr>
<td>independent self(a)</td>
<td>0.65</td>
<td>0.76</td>
<td>0.72</td>
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<td>interdependent self(b)</td>
<td>0.57</td>
<td>0.79</td>
<td>0.35**</td>
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<td>brand interaction(c)</td>
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<td>0.34**</td>
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</tr>
<tr>
<td>attitude toward Brand community site(e)</td>
<td>5.96</td>
<td>0.95</td>
<td>0.18</td>
<td>0.18</td>
<td>0.41**</td>
<td>0.10</td>
<td>0.99</td>
<td>0.83</td>
<td>0.94</td>
</tr>
</tbody>
</table>

**p<0.001  *p<0.01  ‘p<0.05 : Note number in bold on the diagonal denote the square root of AVE
Second, brand interaction and social interaction are mediated by self construal. Many studies point out the relationship of independent self and interdependent self to offline advertising. Little research has examined the impact of self construals on the characteristics of online interaction. This research shows that self construals are relevant to the online interaction effect as well. Social interaction, which is typical of SNS, goes with an interdependent self. In contrast, someone with an independent self tends to use brand interaction in order to engage in interactivity for their own needs and purpose.

Limitations and Direction of Future Research. We tested only attitude toward a brand community site as a dependent variable. Other variables should also be considered, such as brand attitude and purchase intention. Indeed, in general, attitude toward a brand community site is assumed to be followed by attitude and loyalty toward the brand (e.g., Marzocchi, Morandin, and Bergamin 2013). This model is inconsistent with the assertion of Alegheheimer, Dholakia, and Herman (2005), which placed brand relationship quality as the predictive factor for brand community identification. The relationship between the two types of interactions in this article, brand attitude and brand community attitude should be examined further.

Second, we should investigate brand interaction and social interaction more deeply. Some research has focused on social capital in SNS. Social capital accumulation might influence the relationships between brand and customer, and customer and customer. Moreover, certain types of social capital predict information and social resources which are relevant to brand interaction and social interaction. Taking the perspective of social capital, the interaction in a brand community might be more understandable.

Appendix

<table>
<thead>
<tr>
<th>Construct</th>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>independent self</td>
<td>My personal identity, independent of others, is very important to me</td>
</tr>
<tr>
<td></td>
<td>I act as a unique person, separate from others</td>
</tr>
<tr>
<td></td>
<td>I do not change my opinions in conformity with those of majority</td>
</tr>
<tr>
<td>interdependent self</td>
<td>When with my group, I watch my words so I won’t offend anyone</td>
</tr>
<tr>
<td></td>
<td>It is important to consult close friends and get their ideas before making decisions</td>
</tr>
<tr>
<td></td>
<td>I act as fellow group members prefer I act</td>
</tr>
<tr>
<td>Brand interaction</td>
<td>Check links on the community site of brand</td>
</tr>
<tr>
<td></td>
<td>Frequently check the community site of the brand</td>
</tr>
<tr>
<td></td>
<td>Pay attention to updated information on the community site of brand</td>
</tr>
<tr>
<td>Social interaction</td>
<td>Pay attention to users’ comments on the community site of brand</td>
</tr>
<tr>
<td></td>
<td>Feed information obtained through the community site brand to other users</td>
</tr>
<tr>
<td></td>
<td>Exchange information about the brand with other people on Facebook</td>
</tr>
<tr>
<td>Attitude toward brand community site</td>
<td>favorable-unfavorable, good-bad, positive-negative</td>
</tr>
</tbody>
</table>
References
“Like Us on Facebook”: Linkage Between Social Media Use, Community Identification, and Electronic Word-of-Mouth

Zongchao Li, University of Miami
Qinghua Yang, University of Miami

Keywords: social media, social media engagement, active use, passive use, e-WOM, community identification, social identity, uses and gratifications

EXTENDED ABSTRACT

Research Question
In corporate America, social media are emerging as popular platforms for organizations to connect and communicate with the online audience. The key concept brought to life by the prevalence of social media is engagement; however, a question yet to be answered is if you have over 15 million fans on Facebook, what managerial meanings does that number carry? From a theoretical perspective, the literature on the impact of social media is somewhat incomplete (Calder, Malthouse, & Schaedel, 2009), and the body of literature that examines the corporate social media engagement mostly treats it as a dependent variable (e.g., Men & Tsai, 2013; Pagani, Hofacker, & Goldsmith, 2011; Pagani & Mirabello, 2011). Therefore, another question brought up is if the public’s online engagement is a good indicator of performance, what will it ultimately lead to? Does “like us on Facebook” really mean anything? By reviewing the existent literatures, we used Facebook as an example and hypothesized that 1) participants’ active use of corporate Facebook sites predicts their e-WOM behaviors to a higher degree than passive use does, and 2) the relationships between participants’ active/passive use of corporate Facebook sites and their e-WOM behaviors are mediated by participants’ community identification.

Method and Data
To explore college students’ use of corporate Facebook pages and their electronic word-of-mouth (e-WOM) behavior, a survey was conducted with 383 respondents (gender: 72.6% female; age: $M = 20.66$, $SD = 2.83$). Questionnaires were administered to several communication classes at a medium-sized southeastern U.S. university in November 2012. College students are considered suitable for the study because they represent the key demographics of social media users (Liu, Jin, & Austin, 2013).

Measures for this study were derived from existing scales in the literature and adapted to fit in the context of the current study. Measurement of active ($\alpha = .88$) and passive media use ($\alpha = .82$) were adapted from scales developed by Pagani and Mirabello (2012). Community identification was measured with the scale developed by Zeng et al (2009) with three dimensions: evaluative ($\alpha = .92$), cognitive ($\alpha = .88$) and affective ($\alpha = .93$). E-WOW was examined by using the scales adapted from the work of Chu and Kim (2011) and Sun et al. (2006) with three dimensions: opinion seeking ($\alpha = .91$), opinion giving ($\alpha = .91$) and opinion passing ($\alpha = .90$).

Summary of Findings
To identify the best-fitting model and test for the mediation effects, a structural equation modeling with the two-step procedure (Anderson & Gerbing, 1988) was performed with the survey data. First, a confirmatory factor analysis (CFA) was conducted with maximum likelihood estimation to evaluate the full measurement model. Results showed that all indicators loaded significantly on the corresponding latent construct ($p < .001$). Because the scales were adapted from the literature, the observed variables were expected to load on only one factor and error terms were not allowed to covary. Overall, the measurement model fit was adequate across most goodness-of-fit indexes. Next, nested structural
equation model comparison was conducted between the baseline model and the mediated model. The goodness-of-fit indexes indicate significant mediation effects of community identification on e-WOM behavior in the hypothesized model. The results showed that engagement significantly predicted e-WOM behavior. It was also found that active use of corporate Facebook pages had a more significant impact on e-WOM behavior than passive use. In addition, community identification fully mediated the relationship between active use of corporate Facebook pages and e-WOM behavior.

**Key Contributions**

As the outcomes of consumer engagement are yet to be identified, the current study offers a tenable explanation for the observed associations among social media engagement, e-WOM, and community identification, by providing an initial effort to evaluate the influence of active and passive social media use in predicting e-WOM behaviors. Furthermore, with the impact and outcomes of engagement in the virtual environment left untested, this study bridged this research gap by identifying the connection between active and passive social media usage with e-WOM: active usage was found to be more influential predicting e-WOM than passive use. This result also provided support that higher level of consumer engagement on social media generates more desirable outcomes than low engagement.

In addition to the theoretical implications, the findings provide practical suggestions to public relations and marketing professionals. First, the findings lend support to the idea that consumers’ usage of social media can be used as an indicator leading to behavior outcomes such as e-WOM, which will further impact on the business bottom line. Moreover, companies should encourage active use of social media to enhance consumer engagement, and should enhance consumers’ sense of community identification on social media and the social networking sites.

*References are available upon request.*
Electronic Word of Mouth and Media Richness: Investigating the Effects of Electronic Word of Mouth on Customer Patronage Behavior

Charlene Dadzie, University of North Texas

Keywords: electronic word of mouth (eWOM), online retail, product involvement, media richness

EXTENDED ABSTRACT

Electronic word of mouth (eWOM) increasingly plays a substantial role in consumer information search decisions. However, the current literature overlooks how eWOM adds to the inherent media richness of a website, for high-involvement products (e.g., laptops, cameras etc.). We analyze the relative impact of electronic word of mouth’s media richness on consumer loyalty and revisit intentions for low and highly rated high involvement products using evaluations from consumers using Sears.com and Amazon.com. The results suggest that a retail website’s degree of media richness significantly impacts consumer revisit intentions for both highly and lowly rated products. The inclusion of eWOM strengthens this relationship.

Research Question

Extant literature suggests the presence of electronic word of mouth has considerable financial implications for retailers (e.g., Chen et al. 2007; Tirunillai and Tellis 2012) and research that explicates eWOM’s financial potential is still evolving. Likewise, much of the current research in this area focuses on electronic word of mouth in relation to the consumer decision-making process for products such as books, CDs etc. (i.e. only low involvement products). Literature discussing product involvement suggests that consumer’s use of word of mouth might differ during information search depending upon the level of product involvement i.e. high or low (Levy and Nebenzahl 2008). Similarly, the majority of the literature that considers website eWOM in relation to purchase behavior fails to consider consumer’s product involvement level as a key driver of eWOM’s impact on search and purchase behavior. To address this literature gap, the present research extends the literature by investigating the role of eWOM’s perceived media richness on website revisit intentions in the context of high involvement-products. Given the increasing ubiquity of electronic word of mouth, an interesting research question is estimating the relative impact of electronic word of mouth’s media richness on consumer retailer website patronage behavior.

Method and Data

One hundred thirty respondents visited one of two retail websites: Sears.com and Amazon.com. Sears.com contained no eWOM while Amazon.com contained eWOM. Each respondent completed an evaluation of both websites (Sears.com and Amazon.com) for one of two blood pressure monitor brands. As a result, respondents evaluated the websites and the degree to which the two websites differed in their media richness for each of the blood pressure monitors. They also indicated their website purchase intentions and revisit intentions.

Summary of Findings/Key Contributions

The results show strong support for the impact of eWOM’s media richness on website revisit intentions for Amazon.com. The findings support the thesis that eWOM has the potential to both help retailers develop websites that are more engaging and also utilize a more comprehensive understanding of varied effects of online, electronic word of mouth. The current study also suggests that eWOM has the potential to both help retailers develop websites that are more engaging and also utilize a more comprehensive understanding of varied effects of online, electronic word of mouth.

References are available upon request.

For further information contact: Charlene Dadzie, University of North Texas, College of Business Administration (e-mail: Charlene.Dadzie@unt.edu).
Part F
Global and Cross-Cultural Marketing

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Dominique Rouzies, HEC Paris

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Competing to Explain Cultural Differences: A Comparative Examination of the Role of Hofstede’s and Schwartz’s Cultural Value Frameworks

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Edward M.K. Shiu, Bangor University, UK

Keywords: cultural frameworks, theory of planned behavior, multi-level, smoking cessation, Europe

EXTENDED ABSTRACT

Research Question
The focus on the role of culture in international business research started with Hall’s (1960) call to attend to the ‘silent language’ in overseas business. One of the most notable contributions to the study of culture in business research is that of Geert Hofstede with his publication of Culture’s Consequences: International Differences in Work-Related Values (Hofstede 1980). However, for a framework that purports to explain country differences, there is a scarcity of research examining the moderating effects of the Hofstede dimensions at the country level. Beyond Hofstede, a major contribution in culture research arises from Schwartz’s (1994; 2006) human value based cultural framework. In international marketing research, authors (e.g., Ng, Lee, and Soutar 2007; Steenkamp 2001) have debated the relative superiority of the Hofstede’s and Schwartz’s cultural frameworks with some authors in favor of Schwartz’s framework as it has stronger theoretical foundations with items that capture broader cultural perspectives beyond Hofstede’s work-related measures. We respond to the call by Steenkamp (2001) in examining, through multilevel analysis, the possible synergies that can be realized by combining both cultural frameworks in international marketing research. Our level-1 conceptual model draws on the theory of planned behavior.

Method and Data
Visitors to a European Commission’s web site participated in the survey, a total of 3,133 usable responses from European Union (EU) smokers were gained. Responses from four countries (Bulgaria, Cyprus, Luxembourg and the Republic of Ireland) were excluded due to small sample size leaving a final total of 3,108 responses across the remaining 23 EU Member States for subsequent analyses. Participants were asked to respond to questions measuring: attitude toward smoking, descriptive norm, self-efficacy and intention to quit smoking. Schwartz’s country-level measures were obtained from the European Social Survey and Hofstede’s measures from his website. Multilevel analysis method via hierarchical linear modeling (HLM) was employed to assess our model. The influences of the two cultural frameworks were initially examined separately because of the degree of conceptual overlap and correlations between some of the cultural dimensions between the two frameworks (Smith, Peterson, and Schwartz 2002). Exploration of the combined effects of the two cultural frameworks was then undertaken.

Summary of Findings
The results showed that at the individual-level attitude, descriptive norm and self-efficacy each had a significant impact on intention. There was also evidence from the variance components that only the attitude – intention and self-efficacy – intention slopes differed significantly across the countries. As a result further analysis was undertaken to assess if any of Schwartz’s or Hofstede’s dimensions would explain the variance in the slope. Our results showed that autonomy/embeddedness moderated the relationship between attitude and intention. This dimension on its own was found to explain over 50% of the cross-cultural variance in the attitude – intention relationship. When the Hofstede framework was considered in isolation, our result is interest-
ing in that power distance, rather than individualism/collectivism, was found to be the only Hofstede dimension to moderate the attitude – intention relationship. Taking both cultural frameworks together, we note that power distance, uncertainty avoidance and Egalitarianism/hierarchy were found to moderate the self-efficacy – intention relationship. Overall the cultural frameworks combined is useful in explaining cross-country differences in smoking cessation with 61.8% of variance in the attitude – intention relationship and 70.7% of variance in the self-efficacy – intention relationship explained across the 23 EU country samples.

Key Contributions

Our study examines the moderating effects of each of the two cultural frameworks, separately and then combined, in a multi-level setting whereby within country consumer-level relationships are moderated by country-level cultural factors. In doing so, our study contributes to extant literature in the following two ways. First, we shift the focus from the reliance on a single cultural dimension, often individualism, which persists in cross-cultural business and consumer research (Shavitt, Lee, and Torelli 2009; Kirkman, Lowe, and Gibson 2006). Culture is a rich tapestry that is poorly captured with a single dimension such as individualism or indeed a single framework such as Hofstede’s. Our research broadens the limited scope thus far observed in cross-cultural research by addressing the question as to what cultural factors might singly and jointly explain cross-national differences in consumer research within smoking cessation. Second, by examining cultural influences across a larger set of 23 countries, we avoid the potential dangers of confounding effects arising from contextual factors. A larger set of countries offers a systematic examination of the moderating effects of multi-dimensional culture frameworks. Our findings offer researchers a useful lens to both interpret past research as well as extracting additional insights in future works.

References are available upon request.
Performance Consequences of Intentional Cannibalization and Radical Innovations in Chinese and Western Enterprises

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Maria Sääksjärvi, Delft University of Technology
Nukhet Harmacioglu, Koç University
Erik Jan Hultink, Delft University of Technology

Keywords: cannibalization; radical innovation, performance, cost leadership, differentiation

EXTENDED ABSTRACT

We investigate intentional cannibalization as a strategic choice and its performance outcome. The deliberate cannibalization of products in favor of new innovations is a subtle marketing practice that is common among firms that want to combat existing or potential competitive threat. Firms facing rapid technology shifts and, consequently, relatively short product life cycles, by necessity must make continuous innovation a key aspect of their strategies. This action forces more rapid product obsolescence than would otherwise be the case; however, it also helps the firm stay ahead of the competition.

By definition, willingness to cannibalize is a deep-rooted mindset that resides in the culture and shared values of an organization. Thus, it is reasonable to expect differences across different cultural settings. To date, research dealing with willingness to cannibalize has been predominantly conducted in Western contexts.

Research Question
Given the rise of China as a low cost global competitor in an increasing number of industries, along with the rapidly growing Chinese market, we examine the extent to which deliberate cannibalization is practiced among Chinese and Western firms operating in China. We hypothesize that willingness to cannibalize is related to radical innovation for Western firms, but not for Chinese firms. Further, for Western firms we propose that the link between willingness to cannibalize and radical innovation is strengthened when using a differentiation strategy. For Chinese firms, on the other hand, we expect this link is strengthened and becomes significant only in combination with a cost leadership strategy.

Method and Data
We used a list broker to obtain the sampling frame. Our list of pertinent firms consisted of organizations operating in a wide range of manufacturing and service industries whose employment figure was greater than 200. After screening for firm eligibility, a random sample of 450 was contacted for this study. We used a questionnaire as our data collection instrument. The research instrument was first developed in English, then translated into Chinese, and back-translated into English. We leveraged the literature in developing the questionnaire and all constructs included in the investigation are based on previous research.

Data collection was through interviews and a marketing research firm was used to secure the data. Professional interviewers contacted all firms that met our employment size criterion by phone to request their participation in the study and to identify eligible informants for each organization. Our response rate was 55%.

For further information contact: Saeed Samiee, Collins Professor of Marketing and International Business, The University of Tulsa (e-mail: samiee@utulsa.edu).
Summary of Findings

We estimated our structural model using AMOS which yielded excellent fit statistics. The first hypothesis of this study asserts that cannibalization has a greater effect on radical innovation in Western than in Chinese firms. Our results indicate a positive effect on radical innovation among Western firms. This, however, is not the case for Chinese firms. Thus, this hypothesis is supported.

Our next hypothesis proposed that the link between cannibalization and radical innovation was strengthened by differentiation for Western firms. We examined the interaction effect between cannibalization and differentiation in our sample of Western firms operating in China, which was positive and significant, thus supporting this hypothesis.

The next hypothesis posits that the link between cannibalization and radical innovation is strengthened by cost leadership for Chinese firms. To test this hypothesis, we examined the interaction between cannibalization and cost leadership in the Chinese sample and the results support this hypothesis. We also examined the interaction of cost leadership on the relationship between cannibalization and radical innovation for Western firms. As expected this relationship was not significant. We further tested the interaction of differentiation on the relationship between cannibalization and radical innovation for Chinese enterprises. This interaction effect is also non-significant.

Our final hypothesis posits that radical innovation had a positive effect on performance regardless of the origin of the firm. The path coefficients from radical innovation to performance were significant for both the Western and Chinese firms.

Key Contributions

Deliberate cannibalization is an important driver of innovation for firms. In effect, this type of cannibalization shows a capability within the firm to re-invent itself to stay ahead of its competitors. In contrast to previous studies which have mainly focused on Western firms operating in the West, this study examined the impact of cannibalization on radical innovation for Western and Chinese enterprises operating in China. Given the reported differences competitive strategies employed in the Chinese market, such a comparison fills an important void in the literature.

Our results point to a significant positive relationship between willingness to cannibalize and radical innovation in Western firms which is strengthened by a differentiation strategy. However, for Chinese firms, the results tell a different story: willingness to cannibalize is only related to radical innovation if the firm pursues a cost leadership strategy. In the critical area of firm performance, our results show that willingness to cannibalize is positively related to performance in both local and Western firms operating in China.

References are available upon request.
Global Branding Based on Brand Gender and Brand Equity

Theo Lieven, University of St. Gallen, Switzerland

Keywords: global branding, brand equity, brand personality, brand gender

EXTENDED ABSTRACT

A Brand-Gender-Based Method for a Global Branding Approach

Globalization has advanced in recent decades. Marketers now face the question of how to manage brands in different countries. If global culture is converging, then a homogeneous brand strategy would evidently save time and expense (De Mooij 2003; Levitt 1983). However, if cultures are and will continue to be distinct along various dimensions (Hofstede, Hofstede, and Minkov 2010), then a homogeneous strategy will be ineffective (Samiee and Roth 1992). Aaker and Joachimsthaler (1999) claimed that successful global branding requires a system that measures brand equity in terms of brand personality. If a universal measure of brand personality could be linked to a universal measure of brand equity, then a corporation could successfully benefit from a uniform global strategy.

This research presents a combined brand personality–equity model for global marketing by examining brand gender, which is component of brand personality (Grohmann 2009). The assumption that brand gender positively affects brand equity has been supported by the literature (Lieven et al. forthcoming). A comprehensive study assessed brand gender and equity scores for 20 internationally famous brands in 10 countries on four continents. From a managerial perspective, the model enhances existing global branding systems by providing a valid and efficient tool.

Method and Data Collection

The 12 items of Grohmann’s gender dimensions of brand personality (2009) and five brand equity items (Brady et al. 2008) were translated into seven further languages and thereafter assessed in 10 countries for 20 brands. The surveys were conducted in the Americas (Brazil and the United States), Asia (China, India, and Japan), Australia, and Europe (France, Germany, Russia, and Sweden). These countries account for more than half of the world’s population. The 20 brands—Ford, Mercedes, and Toyota (cars); Dove, Gillette, L’Oreal, Maybelline, Nivea, and Olay (cosmetics); Ferrero (sweets); Nike (apparel); Samsung and Sony (electronics); Coca-Cola and Heineken (beverages); Apple and Google (IT); and American Express, Disney, and Hilton (service organizations)—were available in all aforementioned countries. The worldwide revenue from these brands exceeds US$ 1 trillion, and their market capitalization amounts to nearly US$ 1.8 trillion (the figures for non-public brands/companies were estimated).

The participants were recruited through a world-leading provider of sampling, data collection, and data analytics for survey research with 26 offices worldwide. About 300 respondents per country were selected from each area. They represented the population’s average of age, gender, income, education, and profession.

Summary of Findings

The relative strength of the brands within and across countries was determined. As an example, Disney was strongest in Germany and Japan. In both countries, Disney also ranked first. Brand genders varied across countries. However, the sequence of genders within countries showed a high correlation (on average, \( r = .878, p < .001 \)). As a result, it could be concluded that the perception of brand gender was similar in all countries. The findings suggest that worldwide, the Dove, Nivea, Olay, L’Oreal, Maybelline, Ferrero, and, to a lesser extent, Disney brands were perceived as feminine. Brands such as Google, Nike, Coca-Cola, Ford, and Mercedes were perceived as masculine.

Regressions of brand equities on brand genders resulted in significant positive effects of brand gender on brand equity in all countries (worldwide \( R^2 = .306, p < .001 \), the coefficient of
the masculine brand personality was \( .503, p < .001 \), and this was \( .477, p < .001 \) for the feminine brand personality).

A comparison of the confirmatory factor analysis model in a multigroup design with unconstrained factor loadings and loadings constrained to be equal across the 10 countries did not result in significantly different fit indices (Chen 2007), thus showing evidence of measurement invariance. This supports the assumption of the global generalizability of the brand gender–brand equity model.

**Key Contributions**

This study’s theoretical contribution lies in its examination of Grohmann’s (2009) gender dimensions of brand personality and its ability to predict brand equity on a generalizable global basis. From a managerial perspective, the model enhances existing global branding systems by providing a valid and efficient tool. Brand gender is not the only driver of brand equity. However, brand gender explains approximately 30 percent of the variance in brand equity across a variety of nations and products. To the best of our knowledge, the personality dimensions presented in this study are the first to deliver comparable results worldwide.

Globalization has expanded the reach of many consumer products and, to the extent that marketing can use a single, global branding strategy, global sales could be promoted in a highly cost-effective manner. There is no one global strategy applicable to all products, and marketing for any product will undoubtedly always require some modifications for local markets. Nonetheless, we have identified a unifying characteristic applicable to global marketing—brand gender. Although further research is warranted to pinpoint the specifics of brand gender in various nations, it is safe to conclude that the potential of brand gender as a marketing strategy for successful global marketing is strong.

*References are available upon request.*
The Effects of Radical Innovativeness, Strategic Orientations, and External Networking on Firm Performance: Evidence from Developed and Emerging Economies

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Nathaniel Boso, University of Leeds  
Vicky M. Story, University of Nottingham  
John W. Cadogan, Loughborough University and Lappeenranta University  
Milena Micevski, Loughborough University

Keywords: radical innovativeness, strategic orientations, social networking, performance

EXTENDED ABSTRACT

Research Question
This study examines the extent to which firms’ strategic orientations, and external networking activities enhance the effect of radical innovativeness on performance, and how these relationships vary across developed and emerging economies. Empirical findings regarding the value of radical innovativeness have been inconsistent: the performance outcome is positive in some studies, negative in others and some studies report no effect at all. This study argues that a possible explanation for these inconsistent findings may be due to three important factors: (1) a potential moderating effect of firms’ strategic orientations; (2) a lack of understanding of the role firms’ external networking activities may play within the radical innovativeness – performance relationship; and (3) limited research on the roles of institutional and infrastructural conditions that firms are confronted with. The purpose of this research is, therefore, to examine the above mentioned moderating effects of entrepreneurial orientation (EO) and market orientation (MO), and external networking activities (i.e. business and political ties) on radical innovativeness-performance relationship across more developed and less developed institutional settings. By doing so, we show why these contingencies are important boundary conditions that can enrich our understanding of how radical innovativeness influences firm performance.

Methods and Data
Data were collected from exporting firms in both developed (i.e. United Kingdom and Republic of Ireland), and emerging (i.e. Ghana and Bosnia and Herzegovina) markets, enabling us to examine the extent to which our conceptual model varies across both market contexts. For all countries, a structured questionnaire was used targeted at local exporting firms. Overall, sample sizes consisted of the following: UK = 198; Ireland = 127; Ghana = 164; and Bosnia and Herzegovina = 117. We assessed firm performance with objective data that captured an average of managers’ self-reported actual sales and profit (before tax) figures. Radical innovativeness construct assessed the extent to which firms’ new products and technologies were radical, revolutionary, inventive, and novel. Our EO scale is made up of four dimensions: risk-taking, proactiveness, aggressiveness and autonomy. We assessed MO with three dimensions: market intelligence generation, dissemination and responsiveness. Two components of networking activities were operationalized, including business networking (e.g. ties with suppliers and competitors).
and political networking (e.g., ties with public officeholders). Following satisfactory results of confirmatory factor analysis, and invariance tests for our measurement scales, we subsequently followed structural equation modeling approach for testing interactions to evaluate our proposed relationships. We find that our estimated structural model were robust across several post hoc analysis scenarios.

**Summary of Findings**

Our research uncovers five interesting findings. First, we find that the interaction term involving radical innovativeness and EO is positively related to performance among developed ($\gamma = .12; p < .05$) and emerging ($\gamma = .12; p < .05$) market firms. Second, the interaction between radical innovativeness and MO is positively related to performance in both developed ($\gamma = .15 p < .05$) and emerging ($\gamma = .12; p < .10$) market firms. Third, radical innovativeness and business networking jointly lead to increases in performance in both developed ($\gamma = .20; p < .05$) and emerging ($\gamma = .21; p < .05$) market firms. Fourth, high and low levels (compared to moderate level) of political networking are associated with weaker radical innovativeness-performance relationship in developed ($\gamma = -.12; p < .10$) and emerging ($\gamma = -.14; p < .05$) markets. Finally, our test of whether the relationships tested are variant across developed and emerging market groups is supported because we find that when the estimated structural paths are constrained equal across both groups, significant decreases are recorded for both model fit ($\Delta \chi^2 = 10.94; \Delta d.f. = 5; p < .05$) and percentage of variance explained ($\Delta R^2 = 16; p < .01$).

**Key Contributions**

This research helps explain how firms’ internal strategic orientations and external networking factors strengthen the beneficial effects of radical innovation activity on performance, enabling us to make three important contributions. First, we depart from previous studies that have advocated linear paths between radical innovativeness and performance and the direct effect of EO and MO on performance. We find support for our theory that the effect of radical innovativeness on performance is more positive when EO and MO activities are higher, providing firms the capacity to deploy internally cultivated entrepreneurial and market-oriented capabilities to enhance the rate of success of radical innovation offers. Second, our study demonstrates that the effect of radical innovativeness on performance is facilitated when business networking capability is stronger and when political networking activities are moderate. Thus, we extend the literature on radical innovativeness and its benefits by showing that externally nurtured business and political networking activities, as enablers of innovation strategy, condition the performance consequences of radical innovativeness. Whereas increasing levels of business networking is ideal for radical innovation success, in the case of political networking, we find that it is rather moderate (as opposed to low and high) levels of political networking that facilitate radical innovation success.

*References are available upon request.*
Internationalization of Small and Medium-Sized Firms: Does Network Involvement Matter Cross-Nationally?

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Keywords: network involvement, internationalization, guanxi, svyazi

EXTENDED ABSTRACT

Research Question
Network connections appear particularly essential to the launch, survival, and success of SMEs’ international ventures (Coviello 2006; Ellis 2011). Market knowledge obtained from business and social networks also enables small firms to enter new markets or engage in more rapid internationalization (Coviello 2006; Ellis 2011). Moreover, social networks enhance the performance of firms that internationalize (Zhou et al. 2007) and influence their internationalization, market selection, and entry modes (Freeman et al. 2006). We add to the growing importance of networks and internationalization by pursuing the following research questions:

1. To what extent does SMEs’ involvement in networks, along with other antecedents, contribute to their internationalization?

2. Do the impacts of network involvement differ between emerging markets with known importance given to such connections (e.g., guanxi in China and svyazi in Russia) and a developed country such as the U.S.A.?

Method and Data
Established scales for all the major constructs were adapted from prior literature and a questionnaire was administered to SMEs in the textile industries in China, Russia and the U.S.A. Prospective respondents were randomly selected from well-organized sampling frames in all three countries and contacted via e-mail to participate in an Internet survey. A total of 824 responses were obtained, with roughly comparable numbers of SMEs from the United States (n=293), China (n=287), and Russia (n=244).

Summary of Findings
Maximum likelihood structural equations modeling indicated good fit to the data of a model containing two major antecedents (relationship commitment and global mindset) to both network involvement and SME internationalization. All prior hypotheses were largely supported. We found positive and significant impacts of relationship commitment and global mindset to network involvement and a positive and significant impact of network involvement on SME internationalization. While we did not find support for a direct or indirect effect of relationship commitment on SME internationalization, we found that network involvement effectively mediates the impacts of global mindset on SME internationalization. We also found support for the moderating effects of environmental turbulence on the relationship between network involvement and SME internationalization. The hypothesized effects do not change substantially across the country contexts.

Key Contributions
We offer empirical evidence on the importance of networks for providing critical information and resources to enable firm internationalization. SMEs obtain critical information and other resources, such as access, from their network contacts. Not only do we offer a multi-country examination of

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these effects of network involvement on internationalization, but we also focus on SMEs, rather the current dominant focus on large firms in various research studies. We also contribute to resource-based views by showing that critical marketing resources, including information and access, often come from extra-firm relationships. The importance of networks for providing critical resources is particularly acute in complex, turbulent environments, in which market resources tend to be scarce, highly competitive, or simply not within the reach of smaller firms. We also show that network involvement matters regardless of the cultural context. Our results challenge claims that networks in China and Russia are somehow different, based on unique personal, social, and business ties, unlike collaborations in market economies. This convergence of network involvement effects across developed and emerging markets may be a relatively recent phenomenon, given the increasing similarity of business and market conditions around the world.

References are available upon request.
The Role of Global Brand Strategy, CMO Presence, and TMT Structure in the Internationalization-Performance Relationship of Retail Firms

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Keywords: standardization, adaptation, scope economies, coordination, organizational learning

EXTENDED ABSTRACT

Research Question
The internationalization-performance (I-P) relationship has been extensively studied by many scholars (Griffith, Cavusgil, and Xu 2008). While this body of work has also explored moderators of this relationship, the role of the firm’s brand strategy, despite its strategic importance and potential impact in this context, has not received adequate attention (Ozsomer et al. 2012). To that extent, our research focuses on the choice that a globally expanding firm faces between extending its domestic brand(s) into foreign markets, opting for regional or local brand(s), or some combination of these two. Following related prior research on global marketing strategy (GMS) standardization (cf. Zou and Cavusgil 2002), we refer to this brand-strategy related choice as global brand strategy (henceforth, referred to as GBS), wherein, the more that firms extend or standardize their domestic brands in foreign markets, the higher is their GBS. We draw on the rationales of scope economies and organizational learning, used to explain the I-P relationship, to explore the moderating effect that a GBS has on it. Further, given the interdependence of environment, structure, and strategy, we also investigate if this moderating effect is influenced by (1) chief marketing officer (CMO) presence in the top management team (TMT); (2) the proportion of regional or country head(s) in the TMT; and (3) diversity of the markets in which the firm operates.

Method and Data
We draw the sample for our research from the retailing industry, given its importance to the global economy, as well as the wide range of internationalization observed in it. Moreover, a single-industry focus avoids confounding results, given the cross-industry differences in the shape of the I-P relationship. We collect our measures longitudinally using various secondary sources of data like annual reports, which results in a sample of 63 globally headquartered public firms that have some foreign sales (258 firm-years). Firm performance is measured as return on sales; internationalization is the ratio of foreign sales to total sales (or FSTS), along with its squared term; and, GBS is the proportion of international stores that operate under the name of the firm’s domestic brand(s). The proportion of regional heads is the number of such executives, as a proportion of all top executives listed in firms’ annual reports; CMO presence is coded as 1 when this list has an executive responsible for marketing, and 0 otherwise; and, diversity of the firm’s country markets is captured using various dimensions like culture, economy, etc. In analyzing the moderation effect of GBS on the I-P link, and the suggested three-way interaction effects with these latter measures, we also account for sample selection bias (since we exclude purely domestic firms), as well as serial correlation and heteroskedasticity.

Summary of Findings
First, we replicate prior findings in that the I-P relationship is curvilinear, and specifically, U-shaped (cf. Capar and Kotabe 2003; Contractor, Kundu, and Hsu 2003). Second, in line with our expectations, a GBS, i.e., a brand strategy pursuing greater levels of standardization or extension, of...
domestic brands in foreign markets, positively moderates the I-P relationship. A graphical investigation of the related two-way interaction, suggests that the positively (negatively) sloped part of the U-shaped I-P relationship is more positive (less negative) for firms pursuing higher levels of GBS. A higher level of GBS also causes the inflection point of the I-P relationship, i.e., the level of FSTS at which the negatively sloping part of the U-shaped I-P relationship turns positive, to occur earlier in the internationalization process. Third, we find support for our expectations that the positive moderating role of a GBS in the I-P link will be strengthened when the firm has a CMO in the TMT, but weakened as the proportion of regional or country head(s) in the TMT increases. Finally, our results show that different dimensions of country market diversity do not affect the positive moderation of the I-P relationship by a GBS.

**Key Contributions**

Theoretically, we draw on existing theories of scope economies and organizational learning to suggest new moderators of the internationalization-performance (I-P) relationship. In doing so, we demonstrate the importance of marketing-related factors in internationalization, such as a firm’s global brand strategy, and CMO presence in the TMT. Additionally, we replicate prior research, namely the U-shape of the I-P relationship (for firms in capital-intensive industries like retailing), and note that we do so in a longitudinal data-setting, one that also provides a strong empirical test of all our results. Managerially, our findings offer several insights for global retailers. First, we show that global retailers can reap benefits from pursuing a global brand strategy (GBS), where they extend their domestic brands into international markets. Second, our results offer insight into the structural arrangements that can further impact these benefits from a GBS. Specifically, global retailers pursuing a GBS can further improve I-P relationship by including a CMO in their TMT, since such a position ensures better coordination of their global brand(s) across markets. Yet, such firms should also note that a higher proportion of TMT regional heads could weaken the positive impact that GBS has on the I-P relationship, due to socio-political forces.

*References are available upon request.*
Foreign Market Opportunity Assessment and Market Selection: An Industry Perspective

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Keywords: foreign market opportunity assessment, international market selection, market potential, country responsiveness

EXTENDED ABSTRACT

Research Question
Identification and selection of the best foreign markets is essential for the success of internationally expanding firms. Yet, determining which markets best suit a company is not a straightforward task. This study addresses the question of how managers should go about evaluating and identifying target markets for their businesses. We take a new perspective in the foreign market opportunity assessment and selection by emphasizing the industry potential rather than the established country-level criteria in the literature. We propose a practical, flexible, and forward-looking, three-stage template for assessing foreign market opportunities and identifying best markets. The three stages include: determining country responsiveness for a specific industry, estimating future industry growth, and incorporating an industry-relevant aggregate measure. We illustrate the template with a real-industry application.

Method and Data
Our template is built based on an analysis of secondary data obtained from the Euromonitor. The data consist of both historical data (from 1990 to 2010) and forecast data (from 2011 to 2020) on industry-specific consumer expenditure for selected industries and annual gross income for eighty-three countries. Thus, the model incorporates both backward- and forward-looking approaches. The proposed tool is composed of three steps: i) Computing country responsiveness, which reflects income elasticity (i.e. the unit change in the industry-specific consumer expenditure by one unit change in income); ii) Checking growth potentials, which reflect the annual growth rate of industry-specific consumer expenditure; and iii) Integrating an industry-relevant aggregate measure, such as the rate of urbanization for automotive industry. As a result, the final template incorporates major indicators of market potential: country responsiveness, industry growth rate, and aggregate country indicator, along with market size calculated as the sum of the industry-specific consumer expenditure for each country.

Summary of Findings
We apply our method to protein/meat industry. Our template first identifies which countries are most responsive on meat consumption in the face of rising disposable income. Running a regression of meat expenditure per capita on income per capita, controlling for years, we obtained income elasticity which we refer as country responsiveness. Once we plot country responsiveness along with the other two dimensions (growth rate and an industry-relevant aggregate measure), a lucid picture appears to show which countries have high potential for a specific industry. We then identify four market clusters. Global Industry Winners (high growth in expenditure and high ranking in the selected aggregate measure), Global Valuables (low growth in expenditure and high ranking in the selected aggregate measure), Industry Valuables (high growth in expenditure and low ranking in the selected aggregate measure), and Stagnants (low growth in expenditure and low ranking in the selected aggregate measure).

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Global Industry Winners is the most favorable segment, whereas Stagnants is the least favorable one.

**Key Contributions**

The proposed tool offers insights on crucial dimensions for the industry-specific foreign market potential and assists managers in choosing the best country markets for entry. The methodology also allows for screening countries while simultaneously assessing industry market potential. It is straightforward and adaptable to many industries as managers have the opportunity to choose those market potential indicators most critical for their customer segments.

*References are available upon request.*
The Influence of Marketing and Technological Capabilities on New Product Performance: The Moderating Role of Institutions

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Keywords: new product performance, marketing capability, technological capability, meta-analysis

EXTENDED ABSTRACT

Research Question
The relationship between marketing-related versus technology-related capabilities and their relative impact on firm performance has attracted much research interest (e.g., Krasnikov and Jayachandran 2008). While previous findings indicate synergistic effects of both capabilities, definitive evidence has not emerged to indicate under which conditions either, or both, capabilities provide superior advantage, in particular as related to new product development. A condition that largely has been neglected in previous research is the role of the institutional context, although researchers have long suggested that the utility of capabilities depends on the market environment and that institutions are likely to shape the effects of capabilities on firm performance (Eisenhardt and Martin 2000).

In a recent study, Wu (2013) has shown that the effects of marketing capabilities vary across countries and that differences in economic, legislative, and cultural institutions in these countries moderate the influence of capabilities on performance. Whether these findings apply to other capabilities, other kind of performance measures and other institutional contexts has not been studied yet. The current meta-analysis investigates this issue by comparing the relative influence of two major capabilities of firms (marketing versus technological capabilities) across five different institutional contexts (economic, regulative, marketing, technological, and cultural).

Method and Data
We use the data provided by a recent meta-analysis on predictors of new product performance (Evanschitzky et al. 2012). We selected 325 effect sizes that refer to effects of capabilities on new product success. The data for the institutional system variables were annual data per country and we assigned the values to each study according to publication year. The data for cultural systems by Inglehart are updated about every five years and we assigned the value scores that are close to the data collection year of each individual study.

The effect size metric selected for the meta-analysis is the correlation coefficient; higher values of the coefficient indicate a stronger effect of capabilities on new product success. To test for the effects of the suggested institutional and cultural variables, we model the transformed coefficients as a linear function of these variables. Our data set comprises multiple effect sizes, that is, more than one effect size per study. Furthermore, we have influencing variables at the effect size level, that differ within a study, and variables at the study level, that differ only between studies. Therefore, we apply a variance-known hierarchical linear model estimation procedure (HLM).

Summary of Findings
The positive effect of capabilities on new product performance is supported by the significant intercept in the model. We find support for the following moderating effects of institutional and cultural systems:

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1. Economic system: Marketing capabilities’ influence on new product success is stronger in countries with low growth rates (developed high-income markets) compared to countries with high growth rates (emerging markets) and vice versa.

2. Regulative system: the influence of marketing capabilities is weaker than that of technological capabilities in countries with weak rule of law and the influence of marketing capabilities increases with rule of law.

3. Marketing system: the relative influence of marketing capability compared to technological capability becomes weaker the more marketing activities in a country occur.

4. Technological system: the relative effect of marketing capabilities compared to technological capabilities changes in favor of marketing capabilities the more a country invests in research and development.

5. Cultural systems: the relative advantage of marketing over technological capabilities decreases the more a society puts emphasis on secular-rational values compared to traditional values. It increases for societies with high emphasis on self-expression values compared to survival values.

**Key Contributions**

This study shows that the relative impact of marketing and technological capabilities on new product performance depends on the institutional context.

These findings extend previous work on the role of capabilities as drivers of firm performance. The relative influence of different capabilities depends on institutions. That is, a single capability may have different effects across countries and these effects may differ across capabilities.

The findings are important for research on emerging markets. The conclusions of the current study add to the institution-based view of competition by developing a contingent perspective on capabilities: economic, regulative, marketing, technological, and cultural institutions in a country determine the relative value of different types of capabilities.

The study contributes to the research stream on country-specific influences on new product development and the success of products (Nakata and Sivakumar 1996). The innovation literature has routinely provided evidence that all theoretical and strongly empirical models of innovation and NPD are highly contingent on exogenous environmental influences. Institutional contexts are important moderators for the influence of drivers on new product success.

These insights provide important implications for practitioners, because they indicate in which institutional settings firms should either develop marketing capabilities, technological capabilities, or both.

*References are available upon request.*
Can Advertising Effectiveness Be Increased by a Clear Brand Positioning?

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EXTENDED ABSTRACT
Both brand globalness and brand local iconicness are key facets of a brand that hold certain promises for the consumer and thus can lead to a competitive edge for companies (Douglas and Craig 2011). They convey an image of quality (Kapferer 2012), make the brand more attractive as they promise status to the consumer (Batra et al. 2000, Steenkamp, Batra, and Alden 2003) and carry a cosmopolitan or patriotic aura (Ger 1999, Steenkamp and Jong 2010). This informational cue of the global or local iconic facet of the brand is well accepted in the literature. Our study attempts to add one more important feature: Besides the informational cue, a brand might also act as a source variable for advertisements and thus a local iconic or global positioning might help to make advertising more effective.

Employing communication theory, we propose a model that explains how brand positioning strategy facilitates advertising effectiveness. We develop that brand positioning may enhance the non-cognitive persuasion of advertising, when seen as attractive and the consumer wants to identify with the brand. Additionally, brand positioning may increase the cognitive persuasion of advertising, if it adds credibility. Our model is composed by two levels: consumer and brand level. The consumer level puts forward the relationship from advertising to brand image to cover the non-cognitive effect of persuasion. This relationship is mediated by brand perceived quality, which resembles to cognitive effect of persuasion. On the brand level, two moderators cover the brand positioning strategy employed by the company, brand globalness and brand local iconicness. Both are expected to enhance the relationship from advertising to brand image and from advertising to brand perceived quality. Additionally, we propose that the two constructs of brand globalness and brand local iconicness are exclusive to each other and therefore interact negatively.

The proposed model is tested with data from three cities in China, using 36 consumer good brands and a total of 1187 responses. We use Mplus to build the hierarchical linear model. Our findings generally provide support for our reasoning. More specifically, our findings contribute to three main research areas. The model suggests how the process of advertising effectiveness enhancement by a brands’ global or local positioning facilitates. This is only achieved via enhancing the non-cognitive persuasion; the moderation results on the cognitive persuasion are not significant. Therefore, we suggest that when brand positioning is seen as a source of advertising, it can add attractiveness, but not credibility. Furthermore, we confirm that a local iconic positioning is a viable strategy as the acceptance of local brands is on the rise in emerging markets. The third major contribution is that a brand’s local iconicness and globalness display a negative interaction. It has been argued that for developing countries, local brands gain from a global positioning (Özsomer 2012). Our results suggest the opposite: Local iconic brands as well as global brands should rather build on their strength and not try to fix their weaknesses. Positioning a brand as glocal implies losing appeal compared to a positioning close to the generic strategies.

References


Research Question

Despite the noticeable research interest in global brands, the study of the price-related consequences of brand globalness (PBG) has been very limited. However, focusing on price rather than brand attitudes or purchase intentions as an outcome variable provides a stricter test of PBG’s predictive ability because price reflects “the amount of money we must sacrifice to acquire something we desire” (Monroe 2003, p.5). In this context, it is conceivable that while consumers may hold positive attitudes towards global brands and display a greater willingness to purchase them, they may be unwilling to pay a premium just for “globalness”. Put simply, consumers may like global brands and want to buy them but they might not actually do so if they find their price unacceptable.

Against this background, the purpose of the current study is to examine how PBG impacts an important but as yet unstudied behavioral outcome, namely consumers’ willingness to pay (WTP). We approach WTP as a behavioral construct, because the process we use to elicit WTP measurements (Becker, DeGroot and Marschack 1964) involves an actual transaction whereby study participants have to use their own resources to buy a real product.

Method and Data

Data were collected with face-to-face interviews, using a quota sampling approach with regards to age and sex. The respondents (N = 129) were recruited and surveyed by trained interviewers in shopping malls, supermarkets, cafés, etc.; 44.2 percent were female, and average age was 43.9 years (s.d. 13.5). We experimentally manipulated globalness by developing different ads for two fictitious brands in two product categories (shower gel and USB flashdrive). The ads showed the product and highlighted whether the brand was global (e.g., “contains mineral water from the best sources worldwide”) or local (e.g., “mineral water from the best sources from [local country]”) or made no reference to globalness/localness (control condition, “now available”). The experiment involved three stages. First, respondents reviewed the ad. Second, the product was sold with the BDM lottery approach (Wertenbroch and Skiera 2002). Finally, respondents completed a questionnaire that included scales for PBG, brand quality and prestige, purchase intentions and consumer characteristics such as sex and age.

Summary of Findings

A structural equation model estimated with SmartPLS (Ringle, Wende and Will 2005) revealed that the indirect effect from PBG on WTP through perceived brand quality and purchase intention is significant while the indirect effect through brand prestige is not. In order to test for the type of mediation involved, we added a direct path from PBG to WTP. We find a significant and negative direct effect. Thus, the results point to a competitive mediation situation whereby the direct effect and the indirect effect point in
opposite directions (Zhao, Lynch and Chen 2010), leading to an overall non-significant effect. Our results also replicate the findings of Steenkamp, Batra and Alden (2003) with regard to the effect of PBG on purchase intention through perceived brand quality and brand prestige. Specifically, the indirect effects of PBG on purchase intention through perceived brand quality and perceived brand prestige are both significant.

**Key Contributions**

To the authors’ best knowledge, this is the first empirical study to examine the impact of PBG on WTP and offer evidence on the actual behavior of consumers when faced with brands varying (only) in terms of globalness. Our experimental approach enabled us to “isolate” the effects of PBG on the outcome variables and identify the role of brand quality and brand prestige as mediating influences.

From a theoretical perspective, we extend previous research on PBG by investigating its effects on *actual* behavior rather simply on attitudes or intentions. From a methodological perspective, we apply the BDM lottery procedure to measure consumers’ WTP instead of a self-reported measure. Some consumers might exhibit a higher or lower WTP for a global or local brand in a contingent valuation-based question, in an effort to present themselves as either globally-oriented or attached to their local culture. However, these same consumers would behave differently in real life purchase situations, where their decisions would be inevitably linked to an actual payment. Finally, from a managerial perspective, our study provides empirical insights on the relationship between PBG and WTP which could assist the development of effective pricing strategies.

*References are available upon request.*
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Innovation and New Product Development

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Keywords: new product development, sales–R&D cooperation, functional diversity, conflict

EXTENDED ABSTRACT

Research Question
Investigators argue that the sales function should collaborate closely with research-and-development (R&D) in new product development, because it is an important source of market intelligence. However, sales and R&D are particularly diverse functions whose interaction is conducive to disagreement and interpersonal conflict. So far, only little attention has been directed to the challenge how the interaction of sales and R&D in innovation projects can be effectively managed. This study develops and tests a research model that investigates sources of conflict between R&D and sales. We propose that conflict (task vs. relationship conflict) originates from various dimensions of diversity of sales and R&D, such as different orientations (market and long-term orientation), demographic characteristics, and differences in departmental subcultures. However, not all conflict is necessarily detrimental to new product success. Although in common parlance conflict is a much maligned word, there is a well-established conception that it may have both positive and negative facets in innovation endeavors (De Clercq, Thongpapanl, and Dinov 2009). Our study assumes that diversity can lead to both beneficial and deleterious conflict, and aims to provide insight into which type of diversity induces which type of conflict.

Method and Data
To test the hypotheses of our study, we collected dyadic survey data from senior executives across multiple industries. We acquired a random sample of manufacturing and technology firms from a commercial list provider and identified firms that were generally suitable for testing our research questions (e.g., existing internal R&D and sales departments) by screening data bases, corporate websites and through exploratory telephone calls. For 1400 firms, we were able to identify a senior executive that had an overview over NPD (new product development) and our other variables of interest. We contacted these executives via email or telephone to solicit participation in the study. We obtained dyadic responses from 252 firms. Each dyad includes one respondent from the market side (e.g., head of sales, head of marketing) and one respondent from the technical side (e.g., head of R&D, technical director). To estimate the conceptualized research model, we used structural equation modeling.

Summary of Findings
From a theoretical perspective, more similar departments should have lower levels of conflict due to congruity in views and opinions, effects of social categorization and value congruence. Our analysis generally supports this tenet, but it also suggests that different areas of diversity exacerbate different types of conflict. For instance, differences in market or long-term orientation were shown to have a positive effect on task conflict, but no effect on relationship conflict. Since it is firmly established that task conflict benefits...
the outcomes of cooperation (Matsuo 2006), orientation differences seem to affect only the positive facet of conflict while they have no effect on relationship conflict, which is negatively associated to market performance. For demographic differences, however, the picture is different, because this area of diversity affects both task conflict and relationship conflict. This observation fits squarely with findings from social psychology. Demographic indicators are important cues for social evaluation because they trigger social comparison processes that are inherently affective in nature (Tajfel 1981). When R&D and sales differ more strongly in their demographic profiles, department members are prone to engage in self-categorization on the basis of demographic indicators, leading to ingroup-outgroup-thinking that summons negative emotions and may trigger relationship conflict.

Key Contributions
Our study makes a meaningful contribution, because functional diversity has been underresearched in the marketing literature on NPD processes. Prior research has widely neglected diversity as a driver of conflict in NPD, although its theoretical relevance for intergroup relations is well established. In particular, the interface between R&D and sales connects two particularly diverse NPD stakeholders, but we are aware of no prior research that examines the quality of cooperation between these two functions in NPD. Moreover, our study may suggest meaningful practical implications, because the extent of functional diversity is amenable to management intervention. But making appropriate use of instruments to manage diversity requires an understanding of what effects, if any, the different dimensions of diversity have on the cooperation between R&D and sales. We expect that different types of diversity have different relative influence on task conflict and relationship conflict between R&D and sales. Our study provides guidance regarding which type of diversity between R&D and sales should be leveled and which types of diversity could be tolerated or should even be encouraged. Thus, our research addresses an important gap in the literature and carries pragmatic insights for managing one of the most important functional interfaces in NPD.

References are available upon request.
From “I Will Take on Risk” to “We Took on Too Much Risk”: A Longitudinal Exploration of Individual and Team Motivations in Strategy Risk Levels

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Keywords: innovation, strategic risk, goal orientation, regulatory focus, performance feedback

EXTENDED ABSTRACT

Research Question
Breakthrough innovations, while risky, significantly improve a firm’s market value (Sorescu and Spanjol 2008), yet increasing and unwarranted managerial aversion to risk is a growing impediment to innovation (Koller, Lovallo, and Williams 2012). Thus, risk perceptions, which are managers’ assessments of risk in terms of uncertainty estimates and their confidence in those estimates (Sitkin and Weingart 1995), are a critical determinant of product and organizational performance. The important research question we explore is: How do individual and team-level characteristics and performance feedback influence the risk level of intended vs. retrospective product management strategies? We address this gap by examining how managers’ motivational proclivities and stock returns impact managers’ perceptions of risk strategies.

The motivations we examine are goal orientation (GO) and regulatory focus theory (RFT). GO frames how individuals respond to achievement situations (Brett and VandeWalle 1999), while RFT examines how people strive to achieve their goals (Higgins 1998). Because most product and innovation management strategies are devised, implemented, monitored and adjusted by multiple people working together as product or brand management teams, we examine team effects. Person-in-situation approaches consider how individual dispositions operate in actuality (Tett and Burnett 2003), suggesting that the composition of dispositions among team members separately impacts individual perceptions and behaviors. Performance feedback in the form of stock price results impacts managerial actions, with poorer feedback resulting in riskier decisions (Markovitch, Steckel, and Yeung 2005), so we also examine the role of stock price as a performance feedback mechanism in retrospective perceptions of risk strategies.

Method and Data
To test the hypothesized relationships, we conducted a longitudinal study of team decision making ($n_{individuals} = 269$, $N_{teams} = 58$) in the PharmaSim simulation (Kinnear, James, and Deighan 2006). Participating MBA students provided information about their individual goal orientation and work regulatory focus prior to the simulation. Respondents were then randomly assigned to four- or five-person teams and allowed an initial familiarization period with the simulation to ensure they understood how the simulation works. During this 3-period warm-up, teams were able to rerun individual periods and/or restart the simulation from the beginning. Team members’ individual perceptions of the riskiness of the team’s intended strategy were collected at the end of the familiarization period and before the start of period 4. At the end of the simulation (after period 10 results were received), they rated their individual perceptions of the riskiness of the team’s implemented strategy throughout the simulation (i.e.,

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retrospective assessment). Performance feedback is operationalized as the coefficient of variation of the PharmaSim-reported firm stock price for periods 4 through 9.

**Summary of Findings**

We used multi-level structural equation modeling to analyze the two-level data, which is well-suited for data analysis involving mediation hypotheses tests where level 1 units (i.e., individuals) are nested in Level 2 units (i.e., teams) (Preacher, Zyphur, and Zhang 2010). The analysis reveals similar and differential influences of individual and team motivations on intended vs. retrospective strategy risk levels. At both levels, the goal orientation–work regulatory focus hypotheses are supported. Prevention work regulatory focus (WRFN) reduces intended risk strategies (STRI). The hypothesized positive effect of promotion work regulatory focus (WRFP) on STRI is not supported. STRI increases retrospective risk strategy (STRr) perceptions, with a substantially stronger effect at the team level.

At the individual level, performance goal orientation (PGO) reduces STRI indirectly through WRFN; it also reduces STRr directly and indirectly (through WRFN and STRI). Learning goal orientation (LGO) increases STRI directly, while also indirectly increasing STRr through STRI.

At the team level, PGO and WRFN exhibit direct, but opposite, effects on STRr. The surprising direct positive effect of WRFN on STRr is counter-balanced by the negative mediated effect through STRI. LGO positively and WRFN negatively impact stock price coefficient of variation, but the overall effect of LGO is negligible as the direct and indirect effect sizes are nearly equivalent. Stock price coefficient of variation exhibits no impact on STRr.

**Key Contributions**

Overall, the analyses support the theorized links, demonstrating the validity of the research context. In particular, the relationships between goal orientation and work regulatory focus supported by the meta-analysis of Gorman et al. (2012) exhibit strong effects in this research.

We find that strategic risk perceptions are dominated by performance goal orientations, which suppress both intended and retrospective risk strategies and drive individuals and teams toward more conservative, less risky strategies. While learning goal orientations raise perceptions of intended risk strategies at the individual level, they have no impact on retrospective risk strategy perceptions and no team impact. Individual tendencies toward taking on higher initial risk by focusing on learning over performance disappear at the team level.

This overall effect is a potential cause for concern. Firm performance is positively related to breakthrough innovations (Sorescu and Spanjol 2008), yet there is an extended downward trend in firm investment in such innovations (cf., Griffin 1997; Barczak, Griffin, and Kahn 2009; Markham and Lee 2013). Our results suggest that the team effect makes individual decision makers overly sensitive to and focused on risk. Increased strategic risk perceptions can be beneficial in that they support new product portfolios that exhibit high value, balance, and strategic fit (McNally et al. 2012), perhaps because they lead to increased information search and processing. On the other hand, risk perceptions may drive reduced risk-taking in the future. Greater risk aversion may have led the managers studied here to think they behaved more aggressively than they actually did, and the team effects may have exacerbated this perception. Such risk aversion may lead potentially to increased information seeking that delays decisions and results in analysis paralysis, an inability to pursue paths with less certain outcomes, a more conservative approach, innovation portfolios skewed towards incremental innovation, and ultimately a decline in firm performance.

*References are available upon request.*
Salespeople’s Contribution to Innovation in the Firm: Can Generativity Be a Driving Force?

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Keywords: sales, innovation, generativity, salespeople

EXTENDED ABSTRACT

Research Question
The role of salespeople in spurring and facilitating innovation appears intuitive: Salespeople should play a key role in innovation and new product development (NPD) since they are probably the ones who best understand consumer needs and wants. Yet most salespeople do not take part in NPD efforts (Gordon et al. 1997), and those who do, do get involved because they have incentives to. Yet some seem to get involved simply because they want to, despite the absence of any other reason (McDougal and Smith 1999). This paper explores the role of salespeople’s concern for the well-being of future generations—a phenomenon known as generativity—in driving salespeople to take part in their employer’s innovation process through idea generation, promotion, and realization (that is, their innovative performance). In addition, it explores whether said innovative performance translates into increased sales performance. Six hypotheses are derived from the extent literature: The higher the level of generativity in a salesperson, the higher his/her performance in generating (H1), promoting (H2) and realizing (H3) ideas within his/her organization. The higher a salesperson’s professional innovative performance with regards to (H4) Idea Generation, (H5) Idea Promotion, and (H6) Idea Realization, the higher his/her sales performance.

Method and Data
In order to empirically test our six hypotheses, we conducted a survey with 145 professional salespeople from various organizations. Generativity was assessed using McAdams and de St. Aubin’s (1992) Loyola Generativity Scale. It consists in 20 items reflecting all topics related to generativity, such as the desire to pass on knowledge, and to be creative and productive (Cronbach alpha = .605). Innovative performance was assessed using nine items based on Scott and Bruce’s (1994) scale for individual innovative behavior in the workplace. Three items referred to idea generation (e.g., “generating original solutions to problems” – Cronbach alpha = .883); three items referred to idea promotion (e.g., “making important organizational members enthusiastic for innovative ideas” – Cronbach alpha = .842); and another three items referred to idea realization (e.g., “transforming innovative ideas into useful applications” – Cronbach alpha = .843). Individual sales performance was measured subjectively by asking salespeople to evaluate themselves, relative to other salespeople working for their company, on achieving quantity and quality sales objectives (Sujan, Weitz and Kumar 1994; Cronbach alpha = .800). We also included a number of additional control factors including self-efficacy, expertise, creative self-efficacy, and creative expectations.

Summary of Findings
Our first hypothesis stated that generativity should positively influence Idea Generation. After controlling for 4 factors that are creative expectations, creative self-efficacy, expertise, and self-efficacy, generativity failed to prove impactful on this dimension.

Our second hypothesis stated that generativity should positively influence Idea Promotion. After taking into account our 4 control variables, generativity is found to be a significant and positive predictor of this dimension (B = .478; p < .001).

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Our third hypothesis stated that generativity should positively influence Idea Realization. After controlling for our 4 control variables, generativity is found to be a marginally significant and positive predictor of this dimension ($B = .213; p < .10$).

Hypotheses 4 through 6 predicted a positive impact of idea generation, promotion, and realization on sales performance. Our fourth model examined these relations after statistical control of the same 4 control variables. Only idea promotion turned out to be a positive and marginally significant predictor of sales performance ($B = .159; p < .10$).

**Key Contributions**
While we found no empirical support that generativity impacts idea generation, we did find strong support that—over and above other variables such as self-efficacy, expertise, and creative expectations—generativity exerts a strong influence on idea promotion within the firm. We also found that salesperson generativity seems to positively affect idea realization by salespeople in organizations, although the effects appear weaker and less statistically significant. In turn, contrary to our expectations, we found that innovative performance seems not to be influential on sales performance. In fact, only idea promotion seems to be positively impacting sales performance, but the effects are small and their statistical significance is poor.

References are available upon request.
A Longitudinal Study of the Influence of Marketing in New Product Development Teams

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Keywords: marketing, new product development, influence tactics, cross-functional teams

EXTENDED ABSTRACT

Research Questions
How do influence tactics (by the source of market information) affect the project leader’s acceptance of market information?

How does the project leader’s acceptance lead to new product development (NPD) team utilization of market information?

How does team utilization of market information impact NPD performance and further market performance?

Method and Data
At Time 1, we used online survey and collected data from 265 (21.3%) project leaders. After removing incomplete responses, 181 (14.5%) cases remained. We further removed cases where NPD projects did not include the source of market information, and used the rest of data (162 project leader responses) for model testing. Time-2 data collection was conducted 12 months after the initial survey. The questionnaire mainly focused on performance measure. We asked respondents to provide project name/code and descriptions at Time 1, so that this exact information can be given in each individualized survey at Time 2 to help each corresponding project leader recall the same project, especially because leaders often engage in multiple projects simultaneously. Among the 162 projects at Time 1, 22 cases were removed, because respondents at Time 1 did not provide adequate project information. Furthermore, 24 project leaders were not reachable for various reasons. One hundred and sixteen cases remained as the Time-2 sample pool. We received 49 complete responses, which generated a satisfactory response rate of 42.24% in such a project-level longitudinal study. One project was terminated before it was completed, and thus we used the remaining 48 cases for data analysis.

Summary of Findings
Four influence tactics were found to affect the project leader’s acceptance of market information in various ways: rationality (positive), upward appeal (U), coalition (negative), and assertiveness (inverted-U). A project leader’s acceptance of market information further enhanced the NPD team’s utilization of that information. According to empirical evidence, we maintain that the influence flow of source → leader → team is an effective way to leverage the use of market information in the NPD team.

Key Contributions
A number of marketing scholars have shown that the role of marketing in many firms is declining and losing its influence. If marketing plays (or should play) an important role within the firm, this function should have a prominent voice in NPD. Despite growing academic and practitioner focus on the role of marketing at the firm level, this research provides a micro look at marketing’s influence in the firm’s internal environment. Does marketing still have a seat, and a voice, at the smaller tables where key decisions are made? This longitudinal study examines the influence of marketing in cross-functional NPD teams.

References are available upon request.

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Making the Intangible Tangible: Launch Decisions for Service Innovations

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Keywords: historical method, fsQCA, multi-method, service marketing

EXTENDED ABSTRACT

Research Question

More and more IT- and web-based service innovations are entering the market. Such service innovations are special since they do not entail any personal contact with the company, often implying high perceived uncertainty for customers. Therefore, it is especially important to design the launch of such service innovations in a way that reduces customers’ uncertainty and fosters innovation acceptance. Basically, tactical launch decisions constitute the elements of the marketing mix (Hultink et al. 1997) which has been extended to the 7-P framework for services (Booms and Bitner 1981). Surprisingly, there is no research investigating service innovation launch tactics and their relation to service innovation acceptance.

Based on the 7-P framework (Booms and Bitner 1981) and research on fast and frugal decision-making (e.g., Gigerenzer and Gaissmaier 2011), we suggest that customers only rely on a few selected decision cues, i.e. manifestations of tactical launch decisions, when making their service innovation acceptance decisions. First, we explore which tactical launch decisions are actually employed by firms when launching IT-or web-based service innovations. Second, we investigate which combinations of launch tactics are effective in fostering IT-or web-based service innovation acceptance as well as which of the 7 P’s substantially contribute to service innovation acceptance.

Method and Data

First, we conducted a qualitative analysis of 21 IT- or web-based service innovations launched between 2006 and 2012 in order to identify tactical launch decisions actually employed for the market introduction of IT- or web-based service innovations (e.g., Dropbox, Airbnb, and Spotify). We utilized the Historical Method (Golder 2000) to analyze information about the launch tactics from various sources, such as the services’ own websites, press commentaries, and blogs. Inter-coder reliability of the content analysis was satisfactory.

Second, we utilized the information about the launch tactics extracted from the Historical Method and carried out a fuzzy-set qualitative comparative analysis (fsQCA; Ragin 2008) in order to assess to what extent launch tactics contribute to IT- or web-based service innovation acceptance. Moreover, we aimed to identify combinations of launch tactics that explain IT-or web-based service innovation acceptance. Following Woodside’s (2013) call for adoption of asymmetric thinking in data analysis, fsQCA produces various combinations of antecedents that lead to high outcome values (Ragin 2008; Woodside 2013). We used website traffic metrics as the outcome variable, serving as a proxy measure for service innovation acceptance (Tarafdar and Zhang 2008). FsQCA constitutes a case-based analysis bridging both qualitative and quantitative research methods (Woodside 2010).

Summary of Findings

The results of the Historical Method revealed that the tactical launch decisions of IT- or web-based service innovations encompass various decisions associated with the 7 P’s. For example, the emphasis on customer support and the employment of lean website/app design are observed for several service innovations. Moreover, a simple and easy to understand service process was stressed by a range of service innovations. Interestingly and contrary to findings from product innovation literature (e.g., Lee and O’Connor 2003),

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most of the service innovations investigated did not employ a formal external promotional program or preannouncement of the launch. The predominant business models utilized by the IT- or web-based service innovations investigated are freemium and subscription business models. Especially more innovative service innovations seem to benefit from a freemium business model.

The results of the fsQCA confirm our proposition that the 7 P’s are sufficient to explain service innovation acceptance to a great extent. The identified combinations of launch tactics that are able to explain IT-or web-based service innovation acceptance allow us to differentiate between launch tactics that are substantially contributing to service innovation acceptance and launch tactics that do not prove to be essential for a service innovation’s acceptance.

Key Contributions
Our study makes several important contributions to the understanding of the link between service innovation launch tactics and service innovation acceptance. With regard to theoretical contributions, we complement Booms and Bitner’s (1981) concept of the 7-P-services marketing mix by identifying additional tactical launch decisions for IT- or web-based service innovations that can be incorporated into the framework. Based on the theory of fast and frugal heuristics (Gigerenzer and Gaissmaier 2011), we identify launch decisions which are crucial for IT- or web-based service innovation acceptance, thus applying the concept of heuristic decision making to the service innovation launch context. With regard to methodological contributions, we utilize the advantages of both qualitative and quantitative data analysis by using a multi-method approach. First, we inductively derive unique launch tactics for IT- or web-based services from qualitative data analysis using the Historical Method (Golder 2000). Second, we follow a deductive approach based on the theory of fast and frugal heuristics, previous research, and the results of our qualitative analysis. By employing fsQCA (Ragin 2008), rather than net-effects of single launch tactics, we identify combinations of launch tactics that are sufficient to explain service innovation acceptance.

References are available upon request.
How Do Resource Limitations Propel Innovation?

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Keywords: resource limitations, innovation, resource advantage theory, design thinking

EXTENDED ABSTRACT

Research Question
Innovation has become the number-one engine of economic growth. Yet, due to the dynamic and erratic nature of innovation in global markets, it is no longer an easy task to configure what resources are needed in advance. Therefore, it can be argued that twenty-first century innovation practices are inherently resource-limited. Despite the growing research on the drivers of successful innovation and the high managerial relevance of resource-limited innovation, little is known about how and under what conditions resource limitation is a driving force for successful innovation outcomes. We examine this issue via in-depth comparative case studies of seven firms with diverse backgrounds. Findings show that industry turbulence (low vs. high) and innovation type (proactive vs. reactive) change the perception of what resources are limited. More interestingly, firms that perceive resource limitation as an enabler rather than an inhibitor seem to have a dynamic capability that we call design thinking. Further, results show that design thinking capability is an important contingency factor in resource-limited innovation and has a key moderating role in the resource limitation-innovation success relationship. We provide theoretical and managerial implications of these findings and suggestions for further research in this emerging area of innovation research.

Method and Data
We investigate the effects of resource limitations on innovation at the organizational level. For our empirical foundation, we tap into the experience and learning gained by key decision makers who manage innovation with limited resources in their firms. We thus empirically identify and describe key resources involved in generating successful innovation outcomes. Considering the sparse academic literature on the innovation with limited resources, we adopt a discovery-oriented, theory-in-use approach (Deshpande 1983). An explorative comparative case study design with the objective of uncovering new understandings on innovation under resource limitations was used (Eisenhardt and Graebner 2007). Informants from seven American companies were chosen for cross comparison based on the logic that differences may exist between mature companies and nascent entrepreneurial firms as well as different industries that focus either on products or processes as their final customer offering. Each of the company settings thus provided contextual variability to help generate theoretical dispersion and convergence when trying to generate new conceptual understandings from the grounded approach utilized.

Summary of Findings and Key Contributions
On a theoretical level, we have three main findings from our study. First, environment (e.g., technology turbulence) and innovation type (e.g., proactive vs. reactive) shape the perception of which resources matter most in innovation success. Our respondents from technologically high turbulent environments with proactive innovation practices highlighted the importance of two resources: human and relational. Respondents from technologically low turbulent environments with reactive innovation practices mentioned the importance of financial resources. Second, limitations seem not to be directly related to innovation success but rather there is a contingency effect on this relationship. Our respondents discuss this contingency factor as a capability with which they were able to reconfigure and reallocate available resources. We identified this factor as design thinking capability. Findings suggest that design thinking capability positively moderates the relationship between resource limitation and innovation success. Finally, design thinking

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capability does not seem to have a direct effect on innovation outcomes.

We argue that only in their interplay are design thinking and resource limitations beneficial to innovation performance. Specifically, companies with design thinking capability have more successful innovation outcomes when less resources are available and, indeed, don’t suffer from potential negative influences of limited resources like those companies with less design thinking. Resource limitation provides companies with the focus and sense of direction and purpose needed in order to benefit from design thinking. By using an abductive logic, firms with design thinking capability establish a framework to evaluate the available resources, reframe the innovation problem given the available resources, decide on which resources could provide more benefit to the reframed problem, and how these resources could be reconfigured and reallocated for positive innovation outcomes.

On a practical level, findings of this study suggest that design thinking allows innovators to come up with more creative solutions because of resource limitations. In particular, managers should focus on learning how to design strategy (Lockwood 2010), train employees to think like designers (Brown 2009), provide an organizational climate where design thinking can flourish (Martin 2009) rather than trying to make more resources available. Many high tech start-ups (e.g., Square, Facebook, and Instagram) and established companies (e.g., Nike and P&G) are examples of companies transforming their culture to embrace design thinking and creatively take advantage of limited resources. While anecdotal evidence suggests that design thinking may be a driver of innovation performance, findings in this study point to the relevance of design thinking in innovation with limited resources. As such, this research is particularly relevant in situations where innovating with resource limitations is a rule rather than an exception. While our inductive methodology allowed for the generation of a conceptual framework of resource-limited innovation, it is not without its own limitations. As with all research projects the study provides only a glimpse of the potential understanding of the resource limitation-innovation phenomenon. Specifically, our methodology did not allow us to test for the generalizability of our findings. However, we see future work in testing for the generalizability of the generated model. Also, while we found convergence in many themes as we analyzed the cases and this allowed for the generation of the proposed model via theoretical induction, we cannot preclude other factors that may have a contingency effect on innovation performance (e.g., size of the market, market competitiveness). Other case studies might discover different types of dynamic capabilities associated with innovation success under resource limitations beyond contingency effect of design thinking that we identified in our cases. As such, there is a tremendous amount of opportunity in terms of studies that might focus on specific aspects of our dynamic capabilities model of resource-limited innovation.

Overall, the findings of this study provide an initial step towards a fundament of the emerging literature on the role of resource limitations in innovation. Moving towards such a more comprehensive theory of resource-limited innovation may help companies to develop strategies that aim at taking advantage of limitations instead of removing them. Therefore, we hope that our research findings stimulate further investigation on this emerging and exciting topic.

References are available upon request.
Drivers of New Products’ Success: The Moderating Role of Technological Turbulence

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Keywords: new product success, technological turbulence, ability to develop new products, Brazil

EXTENDED ABSTRACT

Research Question
The firm’s innovative posture is considered an essential factor for market competitiveness and business survival (Wei and Morgan, 2004). Product innovation has a prominent role in the organization’s overall performance (Langerak et al. 2004; Ledwith and O’Dwyer, 2009). The successful launch of new products has received significant attention in international studies (e.g. Kleinschmidt et al. 2007; Nakata, 2010) revealing a number of constraints and/or drivers to its attainment. Yet, research seems to have overlooked the preceding step to new product success (NPD) which refers to the ability to develop new products (ADNP). There is a paucity of studies that tested the impact of internal drivers on the ADNP and their success. Furthermore, little is known about how innovative organizations operate before turbulent conditions in the external environment. This study develops a research model that looks at the effect that customer orientation, learning orientation and innovation orientation have in the ADNP. It further analyses the effect that ADNP has in NPS and the moderating role that technological turbulence has on the latter relationship.

Method and Data
A cross-sectional study was conducted in Brazil. A questionnaire was developed entailing the following scales: Customer Orientation; Learning Orientation; Innovation Orientation; ADNP; Technological Turbulence; NPS. The research instrument also included as control variables environmental conditions (speed of changes in the market needs and competition intensity) and company size (number of employees). The questionnaire was originally written in English and subsequently translated into Portuguese following the reverse translation procedure (Dillon et al. 1994). The final questionnaire was sent by e-mail to the CEOs of 3,000 Brazilian industrial companies. The sample yielded 273 valid questionnaires.

To validate the measures, we conducted exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). Relationships regarding the antecedents of ADNP were tested with linear regression analysis and the moderation hypothesis was tested with hierarchical regression analysis.

Summary of Findings
Findings confirmed that customer orientation, learning orientation and innovation orientation have a positive effect in ADNP. The innovation orientation has the greatest positive effect on ADNP, followed by the customer orientation and the learning orientation. Findings further suggest that there is a significant positive impact of ADNP on NPS. Results also showed that companies operating in high technological turbulence environments show a stronger influence of ADNP in NPD.

Key Contributions
This study’s main contribution stems from the consideration of the construct ADNP, which is rarely explored in the literature. The research measures ADNP and investigates its
antecedents and effect on NPS. In addition, the study contributes to the investigation of specific factors external to the organizations as moderators of internal factors. In particular, this research analyzed the specific effect of technological turbulence as a moderator (as opposed to other studies that tested technological turbulence in combination with other variables, such as, market turbulence). Finally, this investigation allows a better understanding of ADNP and NPS in the context of an emerging economy (Brazil). Consequently the study contributes to the assessment and pertinence of existing conceptualizations in an emerging economy environment.

References are available upon request.
Sustainability Innovation: Impetuses and Triple Bottom Line Rewards

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Keywords: sustainable innovation, sustainability, triple bottom line, innovation

EXTENDED ABSTRACT

This research is one of the first studies on sustainability innovation, which is drawing increasing interest among businesses wanting to “do good.” The essential aim is to understand 1) the impetuses in firms to engage in sustainability innovation, which is developing and implementing sustainable new products and processes, and 2) determine the effects of sustainability innovation on the firm’s triple bottom line (economic, social, and environmental performance). We examine this phenomenon through the lens of the resource-based view by presenting and empirically testing a framework of the drivers, moderators, and consequences of sustainability innovation. Specifically we propose that customer sustainability concern, intra-organizational trust, and sustainability champion clout directly or interactively propel sustainability innovation, which in turn fosters positive social, environmental, and economic benefits. The model is tested through a survey of innovation practitioners in a wide range of industries, and was generally supported.

Research Question
The purpose of this study is to understand impetuses that initiate or advance sustainability innovation and the effects of innovation on the firm’s triple bottom line, or economic, social, and environmental performance.

Method and Data
Practitioners in a variety of industries we recruited to participate through their membership in opt-in sustainability innovation groups. We tested hypotheses simultaneously as a path model via partial least squares (PLS) analyses in SmartPLS.

Summary of Findings
Most of five hypotheses were supported, highlighting the positive relationships between proposed internal drivers of innovation with sustainability innovation. Additionally, the research supported the relationship between sustainability innovation and the triple bottom line.

Key Contributions
This study is one of the few that empirically demonstrates a direct determinant of the triple bottom line, which has long been argued as a worthy area of pursuit but not formally investigated. This finding is a significant contribution of the study.

For innovation practitioners, this study highlights the importance of having an innovation program that directly addresses the needs of its customers while having the proper organizational resources as drivers. The sustainability literature has established that firms are typically addressing these initiatives haphazardly, without an overarching strategy; however, this research suggests that an internal approach that is geared toward better understanding the needs of various stakeholders and is firmly supported by internal champions will reap handsome rewards for the firm.

References are available upon request.

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Can the Emerging Prediction Market Methodology Aid in Improving Demand Forecasting of New Products?

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EXTENDED ABSTRACT

Although other disciplines and dozens of well-known companies have experimented with prediction markets to solve business information problems, there has been limited application of this forecasting tool in marketing. This research examines prediction markets in a new product development setting, and investigates two fundamental questions: 1) Can prediction markets produce better forecasts than methods traditionally employed by firms?; and 2) If so, why? We carry out a two-part prediction market field test that we designed and implemented at three separate divisions of a Fortune 100 consumer packaged firm. In the first study, a total of 154 employees participated in the internal prediction market, and entered individual forecasts for 6 new product introductions. We find that prediction markets provide superior results in 67% of the forecasts, reduce average error by approximately 15 percentage points, and reduce the error range by over 40%. These results suggest that prediction markets perform best when there is limited information available to support the forecast (e.g., new products). As the prediction markets literature has yet to formally explore the reasons that can lead to improved performance in forecasting, the second study invited participants to complete a survey consisting of theoretically-based, crowd-related measures. The survey data enables us to empirically evaluate which hypothesized crowd-related factors are associated with improved forecast accuracy.

References are available upon request.

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The Importance of Knowledge Overlap in Open Innovation Communities: How It Drives (and Doesn’t Drive) Developer Preferences for Joining Open Source Software Development Projects

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Keywords: open innovation, open source software development, social capital, knowledge management, innovation

EXTENDED ABSTRACT

Research Question
The open source software (OSS) development paradigm is a prime example of how the Internet enables open innovation communities to coordinate highly knowledge intensive tasks virtually among a diverse group of developers (Agarwal et al. 2008; Crowston & Howison 2004; Grewal et al. 2006; Lakhani & von Hippel 2002; Mallapragadha et al. 2012; Raymond 2001; von Krogh & von Hippel 2006). The rapid rise, apparent sustainability and success of the ‘bazaar’ style of software development has stimulated a rich stream of empirical research.

Our research objective is to understand how the attractiveness of an OSS project for developers seeking to join its development team, depends on how much potential for learning and skill accumulation it offers to potential joiners. Our research questions are as follows: Does overlap between the software knowledge domains of a developer’s prior OSS projects and a focal OSS project’s knowledge domain attract an experienced developer to join a new project? Two characteristics of the network structure may form the contingencies; these are network centrality and prior network ties (Mallapragadha et al 2012; Tortoriello et al. 2012). Our second research question therefore asks: How does the network centrality of the focal OSS project and the developer’s past network ties with the focal project’s members increase or decrease the importance of knowledge domain overlap in attracting a developer to join its core team?

Method and Data
For our empirical analyses we used monthly data on all open source projects hosted on SourceForge.net and archived at University of Notre Dame (Madey 2006). Detailed search queries were used to extract and process data detailing the characteristics of the projects, core developer team members as well as project activity statistics. We used three criteria in selecting core developers. First, we ensured that all developers in our analysis belonged to the same cohort, so as to control for environmental influences that might impact their choice of new projects. Hence, we select developers who newly registered on the SourceForge site between November 1, 2004 and June 30, 2005. Second, to ensure that our sample only included ‘serious’ developers, as distinct from the large number of amateur lurkers on most online websites, we chose those developers who had participated in at least one project hosted at SourceForge.net between November 1, 2004 and November 1, 2005. Finally, the project choices made by the shortlisted developers between December 2005 and November 2011, the ‘estimation period’, were used to calibrate the parameters of our

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empirical model. The outcome variable of interest is the joining event – which is coded as ‘1’ if developer $i$ chooses project $j$ on a particular joining event and ‘0’ otherwise. We identified 709 joining decisions made by 462 unique developers. The month/year combination on which a developer chooses a new project is termed the joining date. We use the RELOGIT procedure in STATA to correct for the relative “rarity” of joining events.

**Summary of Findings**

Our results indicate that knowledge overlap matters in influencing choice in open source projects: an experienced developer is more likely to join an OSS project based on both technical and application domain overlap. Further, based on the effect size, knowledge overlap may be the key driver of choice. However, the importance of each of these knowledge overlap variables is contingent on the network location of the target project, in terms of network reach and network closure.

**Key Contributions**

Our work contributes to better understanding of OSS innovation and broadly to research on the formation of open innovation networks. Many studies have found that it is always open communities that face the challenge of recruiting contributors instead of the reverse – that is, the contributors facing a challenge in finding opportunities to contribute their expertise (Choi et al. 2010; Fang & Neufeld 2009; Wasko & Faraj 2005). Further, it cannot be assumed that by simply being open, global and online, a community of knowledge workers has access to all necessary expertise and therefore will be innovative. Instead, just as organizations face the risk of myopia by being over-specialized (Levinthal & March 1993), this study identifies mechanisms by which an innovation community can engage (inadvertently) in path-dependent growth (through greater knowledge domain overlap) or circumvent it by recruiting more diverse expertise in workgroups (that is, lower knowledge domain overlap).

*References are available upon request.*
Customer Participation Design Impacts Customer Value and Performance Outcomes

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Keywords: customer participation enabling platform, customer value creation, customer satisfaction, willingness to engage in future co-production

EXTENDED ABSTRACT

Research Questions
The following research questions are answered by testing related hypotheses:

RQ1: How two key drivers of customer participation enabling platforms (CPEP), choice and degree of participation, impact customer value (individual, relational, and economic) in an online context.

H1: Degree of participation has a positive impact on the levels of individual, relational, and economic value creation.

H2: The presence of choice in a CPEP design has a positive impact on (a) the level of individual value creation, (b) the level of relational value creation, and (c) the level of economic value creation.

RQ2: How customer choice and degree of participation impact customer performance outcomes, in particular customer satisfaction and willingness to engage in future co-production through the development of individual, relational, and economic value in an online context.

H3: The levels of (a) individual value creation, (b) relational value creation, and (c) economic value creation have a positive impact on the level of customer satisfaction.

H4: The levels of (a) individual value creation, (b) relational value creation, and (c) economic value creation have a positive impact on the willingness to engage in future co-production.

H5: The level of customer satisfaction has a positive impact on the willingness to engage in future co-production.

Method and Data
A choice vs. no choice between-subjects experimental design was used to test the effect of choice and the degree of participation on value creation. Choice was manipulated by describing a situation where a company offered (1) only an internet based service requiring customer participation or (2) the internet based service and the option of visiting a local branch where an employee completes the service. The remaining variables were measured. Perceived degree of participation, individual value, relational value, and economic value were measured using five-items each. Customer satisfaction used a four-item measure and willingness to engage in future co-production, a five-item measure.

The context of this study encompasses co-production enabling platforms that are available online because of the rapid growth of internet users (over 200 million in the U.S. alone) and information technology which has changed many business processes. The target sample population was respondents who have used a financial service based website that enables co-production such as TurboTax.com or Etrade.com. The respondents for the sample were identified and contacted through the use of the survey research service provided by Qualtrics. A total of 314 responses were collected.

Summary and Findings
Confirmatory factor analysis (CFA) using AMOS 20 was conducted to assess the adequacy of the measurement model.
using the measured perceived degree of participation variable, three value creation variables, and two performance outcome variables. All factors exhibited convergent and discriminant validity and the CFA model fit the data well. Linear regression was employed to test each hypothesis. All hypotheses indicate significant results and in the direction expected. Specifically, a higher degree of participation positively effects (H1) individual, relational, and economic value creation. The presence of choice positively effects (H2) individual, relational, and economic value creation. Regarding the effects of the three value creation factors on performance outcomes (H3 and H4), higher levels of value creation have a positive and significant effect on satisfaction and on willingness to engage in future co-production. Finally, the effect of satisfaction on willingness to engage in future co-production (H5) was significant and positive.

Mediation testing was conducted to assess whether value creation mediates the CPEP design and performance outcomes. When CPEP design and the value creation factors are simultaneously included as predictors of performance outcomes, all the factors of value creation have a statistically significant effect on the performance outcomes of satisfaction and willingness to engage in future co-production. Thus, the results indicate that customer value creation fully mediates the CPEP design and performance outcome relationships.

**Key Contributions**

This investigation was conducted in an effort to address the extant lack of empirically based guidance for the management and design of customer participation enabling processes that support the co-creation of value. Additionally, this study broadens the focus on value creation in relation to performance outcomes beyond a focus solely on customer participation and its effect on performance outcomes. This research provides empirical evidence that further corroborates the role of customer value creation as critical for firm success through the use of customer participation enabling systems. The efforts of this investigation further illuminate the effects of customer participation resulting in several key findings for discussion.

The first key finding illustrates some of the positive implications of enabling customer participation for strategic purposes. The second key finding is related to the effect of service delivery system design on performance outcomes. The third key finding further illuminates the importance of value creation and the understanding of its role in the customer participation-firm performance relationship. The fourth key finding is related to how firms must motivate customers to be engaged in the value creation process, that is, by using key value propositions that may lead to increased levels of motivation for customers.

*References are available upon request.*
Crowdfunding (CF) is a process where projects are initiated in a public announcement by organizations or individuals to receive funding, assess the market potential, and build customer relationships. Pledgers may then contribute monetary or other resources, during a specified timeframe, using offline or online campaign platforms that utilize different payout schemes, in exchange for a product specific or unspecific, material or immaterial reward. This financing scheme is becoming an increasingly accepted complement to traditional venture capital models. Since there are no gatekeeping intermediaries, like financial institutions, successful project financing is secured by engaging prospective customers as project supporters. Despite its growing importance, CF remains relatively unexplored in literature to date. Only few scientific papers deal exclusively with CF (e.g., Belleflamme et al. 2011). Literature streams which provide a theoretical background for CF refer mainly to donation or open innovation theory (e.g., Ordanini et al. 2011). Empirical research investigates location-based (Agrawal et al. 2011) and category-based effects (Ordanini et al. 2011) in CF campaigns, which share some traits with new product preannouncement (NPP) as shown in this paper. Factors influencing funding success in this context have, so far, been neglected. Therefore, this paper investigates which factors influence CF success.

Method and Data
Data to answer the research question was collected from the current market leader in CF campaign platforms, kickstarter.com, between May 16th and 19th 2013 via a custom web crawler. The resulting data, consisting of 45,400 projects, contained publicly available information, such as requested and pledged funding amount. The resultant data was cleaned and constrained to projects initiated within the past 14 months. Four projects missing the expected delivery dates and outliers were removed. These outliers consisted, most notably, of those projects with excessive funding wishes. Upon data cleaning, analysis was reduced to 1,042 technology projects, as these promised to deliver a product, making NPP theory applicable. Since projects on Kickstarter only receive the pledged amount when the minimum funding goal, set by the project initiators, is reached, project success is defined as whether or not the minimum goal was reached. An appropriate method for predicting this binary variable is logistic-regression-analysis. Since timing and the amount of communicated information are identified as crucial success determinants by NPP literature, the regressors are selected as follows: months to delivery, update and image counts on kickstarter.com and whether a unique project-website is available from the project initiators.

Summary of Findings
Interpreting logistic-regression-results involves a three-step approach. First, coefficient significance must be assessed. Second, model fit must be calculated, and finally, coefficients must be interpreted. The parameter estimates, with the associated Wald z-statistics, are as follows: intercept (-1.750/-8.377***), months to delivery (-.157/-.3.366***), number of project-page-updates (.291/14.955***), number of project-page-images (-.028/-2.077*) and unique project-webcrawler.

For further information contact: Anne Michaelis, Research Assistant, University of Technology Ilmenau (e-mail: anne.michaelis@tu-ilmenau.de).
website (.086/.480). These results indicate that the first two variables have a highly significant (p<.001), the second-to-last variable has a significant (p<.05) and the last variable does not have a significant influence on whether a project may secure more pledges than the minimum goal. Model fit for logistic regression models may be measured by Nagelkerke’s (1991) $R^2$. This measure is standardized in the range between zero and one and thus rules of thumb for regular regression analysis may be applied. Nagelkerke’s $R^2$ for the model is .502, indicating a very good model fit.

Mean project values, changed by one marginal unit, ceteris paribus, are two months to delivery, seven project updates, nine images, and a unique project website having a predicted success probability of 38.14%. Reducing the number of months to delivery increases success probability by four percentage points, adding one meaningful update increases success probability by seven percentage points. Adding one more image increases success probability less than one percent.

**Key Contributions**

This paper’s goal is to contribute theory to CF literature, which is scant to date and to provide empirical evidence of critical CF success factors. These contributions are threefold. First, the CF concept is analyzed yielding a comprehensive definition that broadens existing definitions and the understanding of CF by including various dimensions neglected by previous definitions. Second, relevant factors, which may influence successful financing of projects seeking CF, are derived by drawing on findings from NPP literature. The comparison of CF with NPPs reveals several intersections that provide valuable insights for CF. Third, a contextual contribution is provided by empirically exploring the impact of the identified factors (number of months to delivery, number of project page updates, number of project page images, and having a unique project website) on funding success of CF projects. Based on these empirical results, actionable recommendations for increasing funding success probability are formulated and discussed. This study is the first of its kind, and thus adds to the dearth of research on CF. Furthermore, it contributes uniquely to the understanding of a new way to engage customers.

*References are available upon request.*
Part H
Marketing Analytics and Research

Track Chairs
P. K. Kannan, University of Maryland
Michael Trusov, University of Maryland

Marketing Analytics I
Customer-Engagement Representations: Statistical, Algorithm, and Isomorphic Management Modeling (SAIM)  
Arch G. Woodside, Alexandre Schpектор, Xin Xia  
H-2
The Effects of Web Panel Survey Participation on Customer Behaviors: An Empirical Investigation  
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Measuring Brand Inertia Through State Space Models: An Application to Scanner Panel Data  
Kang Bok Lee, Yubin Park, Russell Zaretzki, Joydeep Ghosh  
H-12
Customer-Engagement Representations: Statistical, Algorithm, and Isomorphic Management Modeling (SAIM)

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Alexandre Schpektor, Queen Mary University of London
Xin Xia, Shanghai University of Finance and Economics

Keywords: asymmetric, Boolean, configural, isomorphic, statistical

EXTENDED ABSTRACT

Research Question
The study describes the complementary benefits of model-building and data analysis using algorithm (see fsQCA.com) and statistical modeling methods in the context of unobtrusive marketing field experiments and in transforming findings into isomorphic management models.

Method and Data
Relevant for marketing performance measurement, configural analysis is a relatively new paradigm in crafting and testing theory. Statistical testing of hypotheses to learn net effects of individual terms in MRA equations is the current dominant logic. Isomorphic modelling might best communicate what and how executives should decide using the findings from algorithm and statistical models. Data testing these propositions here uses data from an unobtrusive field experiment in a retailing context and includes two levels of expertise, four price-points, and presence versus absence of a friend (“pal” condition) during the customer-salesperson interactions (n = 240 store customers).

Summary of Findings
The analyses support the conclusion that all three approaches to modelling provide useful complementary information substantially above the use of one or the other alone and that transforming findings from such models into isomorphic management models is possible.

Using both configural thinking via modelling with algorithms and net effects thinking via modelling with multiple regression analysis captures nuance and offers very specific recommendations for management decisions in alternative contexts. Isomorphic modelling is a step toward insuring the findings from models become useful and actually get used. Figure 11 here is one of the configural models from the unobtrusive field experiment that the paper discusses. Using the logical “AND” in Boolean algebra, the model specifies that when the salesperson exhibits high expertise AND the customer brings along a purchase pal AND the price is high, profits will be high. The XY plot of this solution includes high profits when the configuration score is low—other models are necessary to represent the cases for the dot in the upper left of Figure 11—the findings for the expertise • pal • price model in Figure 11 indicates an asymmetric relationship with profits (the mid-level “•” represents the logical AND, not multiplication).

Key Contributions
Findings from formal configural analyses extend and deepen findings from the isomorphic models reported in observational studies (e.g., Howard and Morgenroth, 1968; List, 1997; Montgomery, 1975; Woodside and Wilson, 2000) in marketing and interpretations of field experiments in behavioral economics (Ferraro and Price, 2011; Landry 2007; List, 2007). The dominant logic of reporting only fit validity testing via statistical models and not considering alternative decision paths (asymmetric) resulting in (un)favorable outcomes needs beefing-up. Embracing the four major principles of configural modeling provides the necessary additional beef; these principles include principle of equifinality.

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(i.e., alternative paths lead to the same outcome), causal asymmetry (i.e., antecedent configurations leading to success are more than the mirror opposites of antecedent configurations leading to failure), complexity (i.e., no simple antecedent is sufficient usually for accurate prediction and explanation, individual solution paths-implementations (recommendations) are asymmetric—doing each step correctly in a path is not the only way to get to a desirable outcome.

References are available upon request.
The Effects of Web Panel Survey Participation on Customer Behaviors: An Empirical Investigation

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Suman Basuroy, University of Oklahoma

Keywords: web panels, difference in differences, question behavior effect, loyalty

EXTENDED ABSTRACT

Research Question
Proprietary firm-sponsored web panels are growing in popularity, and the purpose of this paper is to examine the effects of participation in such a panel on customer purchasing behaviors. Research on the so called “question behavior effect” (QBE) has demonstrated that when customers participate in a firm-sponsored purchase intentions or satisfaction survey, they are often likely to change their purchasing habits. However, as yet, it is unclear whether less personalized but cheaper and more widely used web-based surveys can produce similar QBE effects to those found in telephone and face-to-face surveys. Additionally, while prior QBE studies have examined the impact of participation in a single survey, this study seeks to understand the effect of participation in multiple surveys on customer behavior. Lastly, very little prior research has considered the customer characteristics that influence the degree to which purchasing behavior changes as a result of survey participation. We provide clarity to this issue by empirically examining customer variables that increase or decrease QBE effects.

Method and Data
We tested the research hypotheses with a quasi-experimental dataset obtained in cooperation with a major U.S. based retailer that maintains a web panel of its customers to support its marketing research activities. For each panelist, we have data on the number of surveys completed and detailed transactional information regarding purchase behaviors. We also have answers to the panelists’ first survey questionnaire which we use to operationalize various loyalty measures. We employ customers who were not panel members as a control group. To test our hypotheses regarding the effects of web panel participation, we model the data as a quasi-experiment and employ a difference-in-differences (DD) estimator to assess web panel participation effects.

Summary of Findings
Our results show that web panel participation significantly improves various measurements of customer transactional behavior. We also find, contrary to conventional wisdom advocating quarantines for respondents, that answering more surveys leads to incremental positive effects with no evidence of tapering. Our results also show that the increase in customer buying is larger for customers who were less loyal before joining the web panel compared to the more loyal customers. Our results are robust to endogeneity and reverse causality concerns.

Key Contributions
This study makes three significant contributions to the QBE literature. First, we document that similar to surveys conducted face-to-face or by telephone, the much cheaper and more widely used web surveys also produce a robust and significant QBE effect on respondents. Our second contribution to the QBE literature is to explicitly examine the effects of repeated survey participation on customers. The third contribution to the QBE literature lies in considering which customers might be more vs. less susceptible to participation effects.

References are available upon request.

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Do Buyers Perceive Relationship Learning in the Same Way as Suppliers Do? A Multi-Group Invariance Analysis

Xinchun Wang, Texas Tech University

Keywords: relationship learning, resource advantage theory, relationship marketing, organizational learning

EXTENDED ABSTRACT

Research Question
The purpose of this study is to address the question that whether or not there is multi-group invariance between buyer and supplier, who are both involved in the relationship learning process.

Method and Data
In testing for equivalence across groups, sets of parameters can be used (Jöreskog 1971). According to Jöreskog tradition, the first step of factorial invariance tests is to examine the equality of covariance structures across groups. Consequently, the null hypothesis will be:

\[ H_0: \Sigma_1 = \Sigma_2 = \Sigma_3 = \Sigma_4 = \ldots = \Sigma_m, \]

where m is the number of groups. If the null hypothesis was rejected, then it can be interpreted as evidence of multigroup variance (Byrne 2009). Under this condition, more increasingly restrictive hypotheses will be tested to identify the source of variance, which include (1) factor loading pattern; (2) error of measurement; and (3) factor variance-covariance.

This study collected data from both the suppliers and buyers that are currently enrolled in a relationship. However, since the purpose of the present study is only to examine the measurement of relationship learning, we did not collect dyadic data, which means the suppliers and buyers in our sample may not be in the same relationships. A total of 600 questionnaires were distributed to firms. 243 completed responses were collected with 134 buyers and 109 suppliers. The response rate is 40.50%. Relationship Learning is measured with a reflective scale adopted from Selnes and Sallis (2003).

Summary of Findings
In order to test factorial invariance, a baseline model is required to be compared with two groups. One criterion to choose the baseline model is that it must be the one that best fit the data set. In the present study, we choose the measurement model of the buyer as the baseline model. In the group of supplier, we constrained the covariance matrix \( \Sigma \) as the same as the buyer model. Thus, the null hypothesis is described as:

\[ H_0: \Sigma (1) = \Sigma (2) \]

The result is as follows: \( \chi^2 (252) = 418.27 \) (p< 0.001); root mean square error of approximation (RMSEA) = 0.069; non-normed Index (NFI) = 0.87; and comparative fit index (CFI) = 0.94. \( \Delta \chi^2 (136) = 300.39 \) (p< 0.001). Thus, the null hypothesis has been rejected, which means there is multi variant between the two groups at the level of factor covariance structure.

Key Contributions
This study presents original evidence for the multi group variance between buyers and suppliers in the relationship learning process. This evidence indicates that it is not appropriate to measure buyer’s and supplier’s relationship learning activities using the same scale. An improved scale might be necessary to be employed in the future studies. The present study also proposes a dynamic approach to measure relationship learning.

References are available upon request.

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Using Available Data to Estimate Firm Marketing Mix Spending: A Novel Approach to an Old Problem

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Keywords: marketing expenditure, marketing spending, marketing capability, marketing capital, brand capital

EXTENDED ABSTRACT

Research Question
Accurate measures of total marketing spending are necessary to address a range of important research questions pertaining to firm marketing capabilities, brand capital, and performance. Unfortunately, total marketing expenditure is not disclosed by most firms in a way that is reflected in standard data sources. In response, an increasing number of researchers across business disciplines have resorted to using the widely available selling, general and administrative (SGA) expense as a proxy for total marketing spending. We argue that SGA is a noisy and imperfect measure of marketing mix spending. A fundamental limitation of SGA as a marketing proxy is in that it is a catch-all accounting category. Nevertheless, SGA contains valuable information on marketing spending, and the challenge is, rather, how to devise a practical way to extract that information. We proceed to propose and validate a practical approach to estimating total marketing expenditure from publicly available data.

Method and Data
Fortunately, some firms report their total marketing spending in their 10-K reports, but not in a way that is captured by major data services. We capture these marketing spending figures for firms in a randomly-selected sample that is further augmented with firms in the S&P 500 index. We use these data to develop and validate a straightforward approach to estimating total marketing mix expenditures based on a small number of publicly available firm-level predictors that include SGA expense as a key input.

Our general approach is based on the premise that there is likely a stable cross-sectional relationship between marketing activity reflected in marketing mix spending, and variables that capture key aspects of the firm, its operating activity, and its business environment. Although we evaluate multiple such classes of variables, we find that a parsimonious model that includes SGA, total revenue, capital intensity and an interaction term of SGA and Benchmark provides the best balance of predictive power, model fit, and usability. The latter term explicitly controls for change in the structural relationship between marketing spending and SGA when a firm is at risk of missing its key earnings benchmarks – zero earnings and last year’s earnings. We then use standard validation tests and various sensitivity analyses to assess the model’s performance.

In an effort to explore how the proposed measure of total marketing expenditure may produce a different result compared with SGA as a marketing proxy, we subsequently evaluate a stylized model of firm performance. We evaluate inferences based on three alternate measures of marketing intensity: SGA (as a marketing proxy), actual marketing spending, and fitted values of marketing spending from the proposed model.

Summary of Findings
Our results are two-fold. First, the proposed model allows us to obtain correlations between the actual and fitted marketing expenditure values in the range of 0.82 and 0.84, as compared with 0.67 for SGA. This 22%-25% improvement in the focal correlation leads us to conclude that the proposed

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approach is able to generate marketing expenditure estimates that are considerably more accurate and have less noise than the prevailing measure based on SGA alone.

Second, we show that the proposed solution is superior to SGA as a marketing proxy, because it enables correct inference about the true impact of marketing intensity on ROA, whereas the proxy may mask the true impact. This is because the estimated coefficient on SGA is forced to pick up two effects while controlling for all other variables’ effects: the true return on marketing expenditure and G&A’s effect that is a negative cost.

**Key Contributions**

Limited accounting data availability on key marketing decisions has long been an important obstacle in business research. We address this challenge by proposing and validating an approach to estimating total marketing expenditure from publicly available data. Our method holds considerable promise for academic research due to its simplicity, generalizability and the potential to generate estimates of marketing mix expenditure that are superior to the “naive” approach that uses SGA expenditure data alone.

*References are available upon request.*
Happy or Sad? Some Contributions from Human–Computer Interface

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Luiz Moutinho, University of Glasgow

Keywords: emotional response, self-reported measurements, psychophysiological measurements, human–computer interaction, Slogan Validator

EXTENDED ABSTRACT

Research Questions
1. Will the Slogan Validator measures be more strongly related to recall than self-report measures?

2. Whether the signal-based emotion recognition (human–computer interface) technique can complement traditional emotion research methodology in order to increase the overall effectiveness of advertising copy strategy?

Method and Data
Since this research requires only oral responses and audio recording equipment, participants chose the place that they feel more comfortable and relaxed to conduct the experiment. After that, the interviewer asked the participant to fill out the traditional questionnaire. Brand recall was measured 5-6 days later by telephoning participants and asking them what brands they remembered.

There were 80 female and 62 male subjects in the experiment, a mix of salespeople, librarians, university staff, working professionals, and undergraduate and graduate students. The subjects ranged in age from 18 to 55 (mean = 27). All the recorded files were analyzed by using the Slogan Validator software and transformed all the results into an SPSS dataset.

Summary of Findings
This study uses a Binary Logistic Regression to the null hypothesis. Brand recall is the categorical dependent variable (remember = 0, not remember = 1). A set of five emotions (from the Slogan Validator and self-report) serve as the independent variables. Results of all four slogans reveal that the Slogan Validator measures are more strongly related to brand recall than self-report measures thus support the hypothesis. The Cox & Snell R-square and Nagelkerke R-square of the Slogan Validator are all higher than self-reports.

Key Contributions
Experimental studies in marketing using psychophysiological measures still encounter several applicability, validity, and reliability problems. This study introduces a voice recognition method – the Slogan Validator, which is a speech signal-based evaluation tool which can analyze elicited emotions from signal data and offers a more natural way to analyze individual emotional responses. Utilizing this technique only needs oral responses and audio recording equipment, making it a comparatively uncomplicated and unobtrusive method. In comparison to other psychophysiological techniques, it is also a more cost-effective method for marketing research. Results of this investigation show that voice recognition measures better predict the brand recall than self-report measures. The voice recognition method suggests the practitioner as well as the academic in marketing an opportunity to overcome biases and limitations that usually annoy self-reported measurements. Therefore, this research argues that the voice recognition technique can offer the benefits of both psychophysiological (accuracy) and self-reports (easy, cheap and speed) measures of emotions.

The results reveal that our approach takes the preliminary step on a path leading to the increased effectiveness of advertising copy strategy.

References are available upon request.

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Why Amazon Uses Both the New York Times Best Seller List and Customer Reviews: An Empirical Study of Effects of Traditional and Social Earned Media on Product Sales

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Keywords: social media, traditional media, earned media, integrated marketing communication

EXTENDED ABSTRACT

Research Question
In the new media landscape, consumers acquire product information from journalists through traditional media (traditional earned media), and from fellow consumers through social media (social earned media). Consumers consider earned media more independent and reliable than company advertising (paid media). Media industry practitioners argue that traditional and social earned media are likely to be complementary rather than replacement sources to each other (Barthelemy et al. 2011). For example, when the ING group asks which media consumers will turn to for financial information—traditional media like Barron’s, The Wall Street Journal, and Bloomberg, or social media like Twitter and Facebook, 55% consumers report reading news from traditional media whereas 33% from social media (ING 2012). However, given the evidences that consumers are using both media, the understanding of the joint effects of traditional and social media on product sales only emerges recently (Trusov et al. 2009, Stephen and Galak 2012). This article helps fill this gap by investigating three research questions: (1) What are the effects of traditional and social media on product sales when they are both available to consumers? (2) What is the effect of product sales on social media? (3) Are there any interactions between traditional and social media?

Method and Data
We examine our research question in the context of Amazon book sales. The US book publishing industry saw sales rose 6.9% in 2012 to $15 billion. And Amazon is the largest bookseller with an 11% lead over Barnes & Noble (Milliot 2012). For traditional media, we choose the New York Times Best Seller list because it is “one of the most authoritative lists of which books are selling the most in American bookstores” (Tauzin 1999). We collect 583 books that appeared on the New York Times Best Seller list between 2000 and 2005. For social media, we use amazon customer review because seven out of ten consumers read online user review before purchasing in 2013 (Wiltfong, 2013). To study the interdependent relationship among product sales, traditional and social earned media, we specify a system of simultaneous equations. Amazon book sales are a function of price, product category, customer review, and the Best Seller list. Customer review volume is a function of book sales, price, customer review valence, variance, and helpful votes, and the Best Seller list. The Best Seller listing duration is a function of price, product category, customer review, and the highest rank on the Best Seller list and variation of ranks.

Summary of Findings
First, while the emerging literature demonstrates only one-way influence between earned media, i.e., from traditional to social media (Trusov et al. 2009), and from social to traditional media (Stephen and Galak 2012), we find that the influences can move both directions. A long stay on the Best Seller List increases review volume; conversely a
large review volume increases the duration on the Best Seller List. Secondly, we find that traditional earned media influences book sales. In addition to such direct effect, we demonstrate that the Best Seller List has two indirect effects. Since the Best Seller list influences customer review while customer review influences book sales, the Best Seller has an indirect effect. A second indirect effect arises because the Best Seller list influences customer review, and conversely customer review influences the Best Seller itself that in turn influences book sales. Third, we find that social media influences product sales through all three statistics of customer review (volume, valence, and variance). Fourth, parallel to traditional media’s indirect effects, social media has indirect effects on book sales through interaction with traditional media. Fifth, although price has no direct effect on book sales, it exerts an indirect effect via traditional media.

**Key Contributions**

Our empirical results suggest that sales, social media, and traditional media are all interacting in the new media landscape. The main marketing implication is that, it is important for companies to incorporate both traditional and social earned media for product communications because they both have direct positive effects on product sales. But more importantly, multiple earned media offer indirect effects on product sales that do not exist in the case of single earned media. Those indirect effects are caused by interaction of multiple earned media.

*References are available upon request.*
Golden Rules of Thumb vs. a Contingency Approach—Delineating the Sources of Variation in Model Fit

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EXTENDED ABSTRACT

Research Question
In the marketing discipline, the fit of specified models is a crucial evaluation criterion to accept or reject a conceptual framework, a theory or even a new paradigm. Prior research provides a large number of so-called golden rules for evaluating model fit. However, when applying these rules of thumb, scholars often struggle and, under the worst condition, these rules lead to counterintuitive results. The actual misspecification of the model aside, this is due to the fact that most rules do not account for certain characteristics of the model in question, such as its complexity or even sample size. In order to improve the evaluation accuracy, prior research suggests applying at least two or a larger set of indicators. Given that different fit indicators tend to be distorted by the same source of variation and—what is even more problematic—by the distinct interplay of different sources, we claim that this does not help to overcome the problem completely. For those reasons, there is a strong need (i) to disentangle and quantify the sources of (unwanted) variation in model fit and (ii) to provide researchers with a flexible and easy-to-use instrument to assess the fit of a given model by taking into account major contingencies. Building on a review of recent research, this paper examines the distorting influences of different key characteristics on a large set of fifteen fit indices. Prior examinations suggest a number of factors that have a powerful impact on fit indices, regardless of the actual misspecification of a model, namely sample and model size, dependencies and the model type.

Method and Data
A Monte Carlo simulation study analyzes the extent to which model fit indices are influenced by model misspecification and, most importantly, by other factors. We used a 3 (misspecification) × 3 (sample size) × 5 (latent variables) × 4 (indicators per latent variable) × 2 (model type) full factorial experimental design (360 combinations of latent variable models) with 200 replications. Hence, the full dataset consists of 72,000 cases.

Summary of Findings
The analysis determines which bias is most influential. In addition, we are able to identify the superior indices and those that are not recommended for marketing research. Remarkably, the analysis reveals that well-established golden rules of thumb are misleading for most of the examined fit indices. Positive exceptions are CFI, TLI, IFI, and RNI which did not show severe distortions (as they were solely influenced by the misspecification of the model). All other indices were distorted by at least one other factor or by the interaction of several factors. In sum, these findings do not favor the notion of absolute thresholds (e.g., .90) that do not account for specific sources of variation, such as the model or sample size.

Key Contributions
In order to help researchers determine adequate cutoff values, we suggest an easy-to-use Excel tool that can feasibly be applied in marketing research and marketing practice. The tool builds on a large-scale extension of this paper’s simulation study. When evaluating their models, researchers are asked to answer a few essential questions (e.g., How many cases do I have? How many variables does my model have?). Having defined the configuration of the focal model, the tool calculates adjusted fit values for all major fit indices. In consideration of this paper’s findings, we urge researchers (and reviewers) to be careful about the sensitivity of most fit indices and, if possible, consult the recommended indices only. In addition, they should adjust these fit indices according to the distorting factors identified in this paper. The suggested tool is a helpful instrument to do so.

References are available upon request.

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Measuring Brand Inertia Through State Space Models: An Application to Scanner Panel Data

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EXTENDED ABSTRACT

With the huge growth in the field customer relationship management (CRM), understanding customer repeat purchasing behavior and the factors that influence it has become an issue of critical importance with the eventual goal being the ability to fashion programs that increase the frequency or consistency of purchase or widen the scope of the consumer’s interaction with the firm and its partners (Venkatesan and Farris 2012). There are many issues, both economic and psychological, that come into play in this area. Two concepts that are often used to describe customer purchase patterns are customer inertia, and alternatively variety seeking. For example, Yim and Kannan (1999) postulate that the market is comprised of a portion of hard-core loyal customers and a portion of potential switchers.

Numerous researchers have investigated patterns of inertia in purchases including (Bawa 1990; Corstjens and Lal 2000; Gönül and Srinivasan 1993; Jeuland 1979; Morrison 1966; Seetharaman and Chintagunta 1998). A key measure of inertia called the GL index was defined in the very forward looking paper of Guadagni and Little (1983) on choice modeling of scanner panel data. Roy et al. (1996) in their development of a dynamic reduced form model of customer choice and earlier Heckman (1981) provided concise definitions of customer behavior. In this model, observed past purchase experience is referred to as structural state dependence or purchase feedback and is accounted for with the use of lagged choice variables. Alternatively, inertia or habit – persistence refers to a non-systematic repeated increase in utility that is not tied to prior purchases. It is accommodated through serial correlation in the random component of the utility function of the choice model. Finally unobserved heterogeneity refers to interindividual variations in purchasing behavior not accounted for by the other effects.

While others have attempted to assess these models with more traditional choice models containing lagged variables such as Roy et al.’s (1996) Lightning Bolt model, advances in state-space modeling of time series and Bayesian simulation techniques allow the construction of more straightforward, flexible and interpretable models that can lead to new insights into brand inertia, state dependence, in the end customer loyalty.

In order to illustrate the value of a state space model, we introduce a simplified two state choice model with purchase intentions that depend upon standard regression factors such as price, and a latent utility state which is a function of both previous purchases and an error term which may be autocorrelated with earlier errors. This model differs from earlier regression models which uses both observables and lagged variables in a regression framework. Instead, a Bayesian simulation method called particle filtering is used to integrate over the unobserved utility history of an individual and maximize the likelihood function over the parameters that govern price effects, the state dependence on earlier purchases and the correlation between error terms, i.e. the inertia; see Carvalo et al. (2009).

We illustrate the advantages over earlier work include simplicity in implementation, ease of interpretability, accuracy, and the ability to capture both inertia and variety seeking behavior, in exchange for which the analyst trades increased computing time. For example, in such a model, variety...
seeking is related to negative correlations between the error terms of the latent utility states.

The effectiveness of the approach is first explored through simulation where we show that the model produces less biased estimates with more accurate standard errors for regression coefficients. In particular, we found that the algorithm does a good job capturing changes in utility when brand switching occurs not only in a simple context where purchase decision for binary choice but also a multiple context where purchase sequence for more than two choices. Furthermore the lag effect in the state equation is easier to understand than the misspecified lagged variable in standard models and easily contrasted to the inertial effect computed from the autocorrelation parameter. The model is then applied to real data on soft drink purchases from a scanner dataset in an effort to understand the effects of price, promotion, prior purchase experience, and inertia in determining purchase decisions.

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The Role of Service Innovation in Customer Relationship Management: A Relationship Marketing Perspective

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Roger Calantone, Michigan State University

Keywords: service innovation, relationship marketing, multilevel analysis, relationship investment

EXTENDED ABSTRACT

Research Question
Building relationships with customers is critical for firm success (Bolton 1998; Reimartz, Thomas and Kumar 2005). One potentially effective strategy that helps firms build stronger customer relationship is to align firm offerings with their needs and wants (Gruner and Homburg 2000; Im and Workman 2004; Joshi and Sharma 2004). Although the importance of innovation has been well demonstrated in the manufacturing and technology sectors, its importance in the service sector has not been fully explored (Chesbrough 2005; Bitner, Ostrom and Morgan 2008). Particularly, there are very few models in the services field that demonstrate how service managers can operationalize a service innovation strategy and leverage it to foster relationships with customers. This reality is startling given that fact that we are operating in an increasingly service-based economy (Lusch et al. 2007). This study advances current research on relationship marketing, by examining the role of innovation in generating continuous value for current customers while building relationships with new customers. This addresses the calls in the literature to identify missing underlying mechanisms that connect relationship investments to firm performance.

Method and Data
To investigate our research question, we use a dyadic dataset collected from the private club industry. The private club industry comprises of golf clubs, country clubs, yacht clubs, social clubs and athletic clubs. The private club industry is an ideal setting to examine this research question because there is an exceptional emphasis on relationship building with its customers, called members, as they embody frequent service encounters and long-term relationships with memberships spanning generations in families, and additionally it is an institution where the relationship is declared between and by both parties. Data is collected via a web-based questionnaire that was e-mailed to managers who are members of the Club Managers Association of America (CMAA). In encouraging club manager’s participation in the study, an invitation email was sent directly from one of the top executives of the CMAA. In the survey, managers were also asked about their preference to participate in a follow-up study involving their club members. This resulted in 47-matched dyad with 1584 member (customer) responses. To test our conceptual model, we used moderated structural equation modeling technique by using Mplus version 7. This technique and software is recommended when dealing with dyadic data and cross level interactions.

Summary of Findings
Our results show that innovation is one of the missing links in the relationship investment and firm performance relationship. We find that innovation acts as a strategic link between relationship investment and customer attraction and retention. Service innovation only generates positive word-of-mouth but also increases loyalty and future purchase intention. Additionally, we find important firm boundary conditions in the form of manager’s risk taking and interaction frequency that moderate the relationship between relationship investment and service innovation.

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Key Contributions
Overall our study makes the following two important contributions to the marketing literature. First, this study advances both the literatures of relationship marketing and innovation by demonstrating that both relationship marketing and innovation are complementary systems of thinking and practice. Specifically, we complement current models of relationship marketing by accounting for the need for firms to continually differentiate their offerings to provide continual value to the relationship. This advancement addresses calls not only in the relationship marketing literature to identify missing underlying mechanisms that connect relationship investments to firm performance, but also in service innovation literature to build models that demonstrate how service managers can embrace innovation. Second, we advance a step further and identify conditions under which the relationship between of relationship marketing and service innovation can be strengthened or weakened.

References are available upon request.
Research Question
Of particular interest in past research has been the link between employee satisfaction (ES) and customer satisfaction (CS). This research investigates the influence of frontline ES on CS in a utilitarian service environment by using the established Service Profit Chain (SPC) framework, the satisfaction mirror (Heskett et al. 1997) and insights from the Organisational Behaviour literature (Snipes et al. 2005). The ES-CS link is investigated using matching dyadic data in order to gain a deeper insight into the topic. This method accounts for the limitations of previous studies that used data from a single source (Homburg and Stock 2004). Furthermore since past research focussed on hedonic environments (Homburg et al. 2009; Jeon and Choi 2012) then a utilitarian service was chosen to see if the results from hedonic environments could be replicated in a different context. Grocery retail stores were chosen to test the proposed ES-CS link because although predominantly utilitarian in nature, customers spend significant amount of time in the retail environment carrying out shopping tasks, when compared to other utilitarian environments. This also potentially gives more opportunity for customer-employee interaction which is important in assessing how the satisfaction of employees affects CS.

Method and Data
A large scale quantitative study with 15 grocery retail stores was conducted. All stores were considered to be similar as they were in a single retail chain that has strong guidelines as to how stores are to be presented and laid out. Ghosh (2006) noted that the layout of most grocery retail stores caters for routine and planned shopping behaviour which is considered utilitarian in nature. This also followed Silvestro and Cross (2000, p. 249), who suggested that retail grocery stores “have a strong corporate image, with similar layouts and overall appearance, thus the stores are broadly comparable in terms of service provision and service levels’.

The constructs used in the research were measured using validated measures from the literature (e.g Dietz et al. 2004; Wangenheim et al. 2007) and seven point Likert scales. Separate questionnaires were administered to employees and customers. To achieve the best possible response, and to ensure the correct matching of the dyadic data, customers were selected at random on exiting the store and matched to the employee thus eliminating systematic bias (Homburg et al. 2009). 1024 customer responses were aggregated to the employee level resulting in 97 dyads being examined through the use of Structural Equation Modelling.

Summary of Findings
The four item CS factor and the six item ES factor were found to have an acceptable internal consistency, convergent and discriminant validity and construct validity (Bagozzi and Yi 2012). A significant ($p < .01$) negative correlation was found between ES and CS, this contradicts previous research. The fit statistics for the model were excellent $NFI = 0.97$, $CFI = 1.00$, $SRMR = 0.038$, $RMSEA = 0.000$, and $\chi^2/df = 0.96$ (Bagozzi and Yi 2012). This would indicate that ES does not affect CS positively but rather increased ES leads to decreased CS. This is unusual and surprising as theoretically it has been presumed that ES positively affects CS (Heskett et al. 1997; Homburg et al. 2009). Control variables of employee gender, full or part time employment, employee length of employment, day of the week, location of the store and size of store had no significant influence on the ES-CS link.

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Key Contributions
This research examined a utilitarian service environment and in doing so provided significant findings that contradict previous predominantly hedonic focused ES-CS research. This research highlights that accepting that ES will positively affect CS as a tried tested and validated conclusion is simply overstated. A key contribution that this research makes is that ES does not positively influence CS in this particular utilitarian environment, contradicting the predominantly hedonic research to date. Furthermore, in using dyadic data, corresponding information from customers and employees was gained, thus enriching previous research in the service marketing literature as well as the organisational behaviour literature.

It should be emphasized that this study is only a first step towards understanding the complex nature of the ES-CS link. The ES-CS link is a complex phenomenon and judgements on the relationship should be cautionary. However this research highlights that the nature of the service, hedonic or utilitarian, can have a significant impact on the findings of the ES-CS link.

References are available upon request.
Satisfaction with Online Services in China and the U.S.: The Impact of Confucian Versus Aristotelian Views

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**Keywords:** satisfaction, online service, culture, service experience

**EXTENDED ABSTRACT**

**Research Question**

Online shopping markets have been expanding dramatically in recent years (Chen and Dubinsky 2003). For example, Chinese and the U.S. markets are projected to become the world’s first and second largest online shopping markets (with a combined share of over 50% of world online market), and are expected to expand by 41.6% and 11.5% respectively in 2013 (IMF 2013). Therefore, online retailers seeking a sizeable world market share can’t ignore either Chinese or U.S. markets. However, lack of cultural insights has already become a barrier for retailers to obtain customers overseas (Ackerman and Tellis 2001). For example, Amazon has only 4% market share in China by 2012, while its local competitor Tmall.com has 52% market share (Wang and Ren 2012).

Despite the increasing interest in investigating Confucian versus Western values’ role in service literature (Donthu and Yoo 1998; Furrer et al. 2000; Liu et al. 2001; Patterson et al. 2006; Winsted 1997; Wong 2004), there has been little effort in examining the influence of the two values on responses towards partially negative service experiences. Our research suggests differences between Confucian and Western consumers on their satisfaction towards partially negative service experiences, and examines the underlying mechanism through which these differences might occur.

**Method and Data**

The primary objective of this research is to unveil cultural difference in the way partially negative service experiences impact satisfaction. Experiment 1 shows that culture moderates consumers’ satisfaction towards a negative service experience. Moreover, Zhong Yong underlies the difference between Western and East Asian participants’ responses towards the experience. Experiment 2 reveals not only that Anglo Americans are prone to generate more felt happiness and less felt anger than Chinese participants, but also that these emotions mediate the effect of Zhong Yong on satisfaction.

**Summary of Findings**

Our research suggests differences between Confucian and Western consumers on their satisfaction towards partially negative service experiences (i.e., services with both positive and negative service components), and examines the mechanism through which these differences might occur. Our findings reveal that Confucian participants show higher satisfaction towards partially negative service experiences than Western counterparts. Differences between Confucian and Western values are proposed to underlie the satisfaction difference.

**Key Contributions**

Our research contributes to the cultural literature by identifying Zhong Yong as the mechanism through which Confucian and Western consumers differ in reactions towards partially negative service experiences. Prior culture literature has confirmed the role of dialectical thinking style (Peng and Nisbett 1999) and acceptance to duality (Williams and Aaker 2002) in cross-cultural responses towards conflicts.

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Our research uniquely adopts Zhong Yong to explain cultural differences in conflict resolution styles, which result in different emotional and satisfaction responses.

Results of our research also offer practical implications for online service providers operating across Confucian and Western cultures. Since Western consumers tend to perceive partially negative service experiences less positively than those in Confucian cultures, improving service quality should be more helpful for reducing the number of dissatisfied consumers in Western (e.g., United States) than in Confucian cultures (e.g., China). Henceforth, to better satisfy consumers, Western companies in East Asian markets should not merely concentrate on improving service quality, while East Asian companies in Western markets should focus more on providing high service quality.

References are available upon request.
The Differential Effect of Recessionary R&D Spending on Shareholder Value in Manufacturing Versus Service Firms

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Keywords: R&D spending, services, expenditures, comovement

EXTENDED ABSTRACT

Research Question
Marketing scholars provide a number of recommendations to assist managers in effectively allocating marketing resources. For instance, increasing research and development (R&D) efforts during recessions is supposed to take advantage of weakened competitors. Academic research has recently taken an interest in how the nature of the relationship between marketing activities and the business cycle affect performance. We revisit the theoretical rationale for increasing R&D spending in economic downturns and explain how manufacturing and service firms should differ. We develop a model for business-cycle advertising, using the concepts of cyclical comovement, to (1) identify the various R&D strategies manufacturing and service firms engage in during economic downturns and (2) examine the strategies’ effect on stock price performance.

Method and Data
In order to proxy general economic activity, GDP is used (Stock and Watson 1999). In order to proxy firms’ long-term performance, firms’ share price is used, as it is forward looking and risk adjusted, and is increasingly used by marketing academics to measure the impact of marketing activities (e.g., Kumar, Ramaswami & Srivastava 2000). Quarterly GDP data for the period between 1979 and 2012 are obtained from the Bureau of Economic Analysis (BEA). Firm-level quarterly R&D data come from COMPUSTAT, while stock-market data come from CRSP. We data test the model with quarterly R&D for 688 firms.

This research consists of three steps. In the first step, the cyclical component is extracted from the GDP and R&D time series using the Hodrick-Prescott (HP) filter (Hodrick and Prescott 1997). The second step consists of quantifying the extent to which R&D expenditures mirror the business cycle. The third step involves identifying the nature of the relationship between R&D’s cyclical dependence and stock market performance.

The first step in the process identifies what components of R&D’s fluctuations are due to fluctuations in GDP. It requires separating the trend in growth of R&D and GDP from their cyclical variations. This study uses the Hodrick-Prescott (HP) filter, which has been applied in marketing, and is appropriate to examine how business cycles impact marketing activities’ effectiveness (Deleersnyder et al. 2004; Pauwels & Hanssens 2007). Furthermore, unlike other methods, the HP filter enables estimation with the full time series, as no time periods are lost.

Summary of Findings
After filtering the data, we examine the level of cyclical comovement. Cyclical comovement measures the extent to which fluctuations in R&D spend can be explained by fluctuations of the economy, as measured by GDP. In other words, the cyclical comovement elasticity is obtained by regressing the cyclical component of R&D spend (i.e., HP-filtered R&D) on the cyclical component of GDP (i.e., HP-filtered GDP). This is consistent with the methodology of Deleersnyder et al. (2009), Deleersnyder et al. (2004), and Lamey et al. (2007). Thus, the test for aggregate R&D spending is:

\[ R & D_t = B GDP_t + \epsilon \]

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Autoregressive error terms for each firm are added to account for serial correlation in the data (Engle 1974). The selection of the number of lags for each firm is based on information criteria (Judge et al. 1988). An elasticity estimate, which enables the comparison of comovement across firms. It is not necessary to include an intercept term because the HP-filter generates a zero-reverting cyclical component (Lamey et al. 2007). A positive (negative) and significant indicates that the evolution of R&D spend is procyclical (countercyclical). An insignificant sign indicates that R&D spend is acyclical. If $|\beta| < 1$ ($|\beta| > 1$), the cyclical swings in R&D spend are attenuated (accentuated) compared to the overall cyclical swings in GDP. There are some limitations to the above equation. The first relates to endogeneity, as R&D spend is a component of GDP (Deleersnyder et al. 2004). However, R&D spending represents only 2.79% of GDP (World Bank 2011), and is thus an unlikely driver of the U.S. economy.

We then regress the cyclical comovement coefficient ($\beta$) estimated in equation (3) on the firm’s average stock price growth. The average stock price growth is obtained by following a similar procedure as that of the R&D series. First, the stock price time series is filtered using the HP filter. The long-term growth of the firm’s stock price is the average percentage growth in the trend component of the stock price time series (Deleersnyder et al. 2009).

**Key Contributions**

Because the predictor ($\beta$) is an estimated parameter, we obtain robust standard errors derived through a bootstrapping procedure similar to that of Nijs et al. (2007). First, a sample of size $n$ is selected with replacement from the data set constructed from the results of equation (3), such that $n$ is the sample used for the initial estimation. We then add measurement error to each estimate of comovement elasticity. These errors are obtained from Monte Carlo simulations. This phase is repeated 250 times, each time creating a variation of the initial data set. Finally, we calculate parameter estimates for our regression of average stock price growth on comovement elasticity for each of the 250 data sets previously created. We repeat this process 1,000 times, and obtain an estimate of the standard error of $\beta_{OLS}$ (comovement elasticity coefficient estimated via OLS), which is the standard deviation across all 250,000 parameter vectors (Efron & Tibshirani 1993).

*References are available upon request.*
Conceptualizing Service Recovery as a Service Apology

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Keywords: apology, service recovery, forgiveness, remorse, norm violation

EXTENDED ABSTRACT

Research Question
Both common knowledge and research in other disciplines suggest that one of the most effective ways to repair a relationship after things go wrong is to apologize. Yet, relatively little research in the services literature addresses apologies. Research that has empirically explored apologies in a service recovery context has typically treated apologies as a dichotomy, assuming that an apology is either offered or not (e.g., Mattila and Cranage 2005). However, apologies are more complex than simply saying, “I’m sorry.” Rather, apology researchers in other disciplines have recognized that apologies contain several components (Schlenker and Darby 1981; Smith 2005). Interestingly, some (but not all) of these components are consistent with strategies suggested in the service recovery literature.

Thus, the objective herein is to present a conceptual model of service apologies, offering an alternate perspective on service recovery, which has largely relied on justice theory. The model focuses on the customer’s perception of the service provider’s specific behaviors used after a service failure. While the use of all behaviors is not always necessary and will be more critical after severe failures (e.g., exploitation and discrimination), an understanding of all elements is essential, as many elements may be implied by other behaviors.

Summary of Findings
A service apology is conceptualized as the behaviors enacted by the service provider after a service failure in an attempt to restore the relationship. Based on a review of research on apologies, ten apologetic behaviors are identified that are proposed to positively influence the customer’s forgiveness of the service provider. These apologetic behaviors (or some of them) are grouped together into broader categories. Acknowledgement of a norm violation includes three behaviors: admission of engaging in the behavior, being accountable for the behavior, and agreement that the behavior is wrong. Remorse encompasses the service provider’s expression of three related cognitions and emotions—regret, guilt, and empathy. Service providers are also expected to offer an apology statement, an explicit statement of repentance (e.g., “I’m sorry”). Lastly, amends includes compensation (economic and non-economic) and reform.

Importantly, the perception that the apology is true, as opposed to fake, is proposed to mediate the effects of the apologetic behaviors on forgiveness. Apologies perceived as fake can add insult to injury, as they can exacerbate the negative consequences of the initial offending behavior rather than rectify them (Smith 2005). Lastly, forgiveness is proposed to have a positive effect on the customer’s trust in the service provider.

Key Contributions
Rather than rely on justice theory to understand service recovery, an alternative viewpoint on relationship rebuilding is presented by proposing a model of a service apology. Previous research based on justice theory has not been clear concerning the facets of interactional justice, which has been proposed to include concepts ranging from friendliness and responsibility to being informative and respectful (see Davdow 2003 and Gelbrich and Roschk 2011). This service apology model suggests that the interpersonal treatment customers expect after a service failure likely includes the six apologetic service behaviors categorized within acknowledgement of a norm violation and remorse.

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While previous services research has identified the importance of admission of engaging in the behavior (Bitner, Booms, and Tetreault 1990) and being accountable for the behavior (Seiders and Berry 1998), these components were not considered side-by-side. Presenting them together, along with agreement that the behavior is wrong, offers an understanding of their important yet nuanced differences.

Additionally, this model suggests forgiveness as an important mediating construct in the relationship rebuilding process. The concept has only recently been introduced in the services literature (Tsarenko and Tojib 2011, 2012), and this research has not considered the antecedents of forgiveness nor its effect on trust.

References are available upon request.
The Self-Service Paradox: Being Unhappy but Buying Again

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Keywords: self-service technologies, service failure, attribution, satisfaction, repurchase intention

EXTENDED ABSTRACT

Research Question
This paper examines the influence of service dissatisfaction on repurchase intentions in different service settings (i.e. full-service vs. self-service) and the moderating effect of self-attribution. Therefore the aim of our paper is twofold: First, in order to generate a better understanding of the diverging effects between full- and self-services we examine the influence of service performance on service satisfaction, repurchase intentions, and self-attribution of the service outcome for both full- and self-services. In a second step, we investigate the relationship between service satisfaction and repurchase intentions and offer an explanation of diverging effects between full- and self-services by demonstrating that these effects are associated with different levels of self-attribution of the service outcome. Our study goes beyond existing research and contributes to service technology literature by introducing the ‘self-service paradox’ that refers to the phenomenon of higher repurchase intentions in case of service dissatisfaction after the use of self-service technologies when compared to traditional full-service delivery modes.

Method and Data
We conducted a 2 (full-service vs. self-service) × 2 (no service failure vs. service failure) full-factorial, between-subject online experiment (N = 137). Study scenarios asked participants to imagine that they planned a train journey with a fictive railway company to visit a friend who lives 500 kilometers away. Participants in the full-service conditions were told that they went to the service counter to buy the ticket for the trip and booked a low-priced route that, however, required changing trains once. In contrast, respondents in the self-service conditions imagined that they booked a low-priced route that required change of trains on the company’s website on their own. Service performance was manipulated such that respondents in the no service failure conditions were informed that they – despite changing trains – reached their destination on time, whereas the service failure conditions prescribed a scenario where the amount of time to change trains had not been sufficiently factored into the booking process, thus rendering an uninterrupted journey impossible and resulting in a two hour delay.

We investigated the influence of service performance and service delivery mode on service satisfaction, repurchase intentions, and self-attribution by means of three analyses of covariance (ANCOVAs). Hereupon, we examined the moderating impact of self-attribution on the relationship between service satisfaction and repurchase intentions using regression analysis.

Summary of Findings
We empirically show that although service failure has an equivalent negative effect on service satisfaction between full and self-services, repurchase intentions are considerably higher in the self-service context than when compared to the full-service context. While the intention to use the same service delivery mode again strongly depends on service satisfaction in the full-service context, the service satisfaction-repurchase intentions link in the self-service context is diminished, such that repurchase intentions remain on a high level. Further analysis shows that these differences between faulty full- and self-service encounters can be explained by different degrees of self-attribution of the service outcome between both service delivery modes. This finding offers an explanation of the differing consequences of service satisfaction on repurchase intentions between full- and self-services. The fact that self-service customers attribute service
outcomes to themselves can be held responsible for an unequal impact on behavioral intentions.

**Key Contributions**
This research contributes to several streams of research. First, although several paradoxes in the context of technologies have been explored (Mick and Fournier 1998), this study observes a new phenomenon in this context. Second, previous research on the relationship between satisfaction and repurchase intentions has investigated various moderators of this link. This study contributes to this research by identifying a new moderating variable – the attribution of service outcomes – as it has been found to diminish the strength of this effect. Third, although closely related to previous research on the self-serving bias, said research has now been extended: our experimental findings suggest that only full-service customers are subject to the self-serving bias. Self-service customers, on the other hand, do not exhibit a biased ascription of responsibility for favorable and unfavorable services outcomes. Consequently, this result identifies a new boundary condition of the self-serving bias.

*References are available upon request.*
Failed Encounters in the Service Industry: An Investigation into Role Theory

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Keywords: services marketing, role theory, behavioral habit, attitude, customer loyalty

EXTENDED ABSTRACT

Research Question
To better understand failed service encounters it is essential to investigate the relationship between providers and customers. Specifically, we must look at how behavior is subject to change based on the roles customers and providers play. Through the lens of role theory, we explore how attitude and habit affect service encounters and how behavior is subject to change based on situational context. The goal of our research is to identify determinants of failed service encounters by evaluating customer’s attitudinal beliefs, behavior habit and accorded service failures across four healthcare specialty departments.

Method and Data
A failed service encounter is defined as the non-utilization of a service that is driven by the customer. Hospital billing records and results from a hospital sponsored patient survey are used to capture behavioral and attitudinal measures. Four different provider specialties are evaluated to determine how behavior is subject to change based on situational context and attitude. To ascertain customer behavioral change in the context of incurring a service failure from a provider, we examine the effect of provider accorded service failures (provider initiated rescheduled appointments). Four multinomial logistic models are used to compare the effects of behavioral habit and services failures on failed service encounters in cardiology, neurology, hematology/oncology, and gastroenterology over the course of one year, April 1, 2010–March 21, 2011. The models express the probability of not utilizing a scheduled provider’s service as a function of series of explanatory variables.

Summary of Findings
We examined the customer’s intent to utilize a service and their actual behavior. Behavioral measures were found to be more indicative of customer’s loyalty than attitudinal measures. Although patients may have rated certain specialties more favorably than others, our results showed that the context of the situation may outweigh their attitudinal belief. Further supporting the argument that behavior is influenced by situational context is the finding that customers are more likely to fail to arrive for their next service encounter when they incur a service failure by their provider. This finding was supported in all specialties except hematology/oncology. We purport that it is the urgency surrounding the encounter that leads to the disparate effects of accorded service failure.

Key Contributions
Through this research managers have the necessary knowledge to manage customer relationships and service more efficiently. This framework offers management tactical tools to improve operational efficiency and increase customer loyalty. First, managers can use segmentation techniques to identify certain populations to target to better meet individual customers’ needs. Customer’s habits and urgency of appointments should be recognized by management when their appointment is scheduled. Second, management must recognize that although service failures are inevitable, they can be an opportunity to strengthen the customer-provider relationship. Research has found that by implementing compensatory mechanisms at the time of the service failure, there is an opportunity to meet and exceed customer’s expectations. Finally, management needs to recognize that attitudinal measures and behavioral actions may offer contradictory evidence. Therefore, caution should be taken when analyzing only one set of data.

References are available upon request.

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Taking Advantage of Service Failures: Opportunistic Complaining

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Keywords: opportunistic complaining, service failure, dysfunctional consumer behavior

EXTENDED ABSTRACT

Research Question
More and more customers nowadays attempt to take advantage of service recovery situations and claim what they can, rather than what they deserve given the service encounter circumstances (Wirtz and McColl-Kennedy, 2010). The present manuscript advances our understanding of opportunistic complaining by empirically investigating the role situational characteristics of the service failure (severity of the service failure and the provision of service guarantee policies by the service provider) play in triggering the intention to make opportunistic complaints. It further proposes a mediating process by which these drivers impact the consumer’s intention to make opportunistic claims. These mediating processes include the customer’s cognitive and emotional responses to the service failure.

Method and Data
A 2 × 2 between subjects experimental design was used to test the hypothesis with severity of the failure (high vs. low) and service guarantee (offered vs. not offered) as the independent factors and the likelihood of opportunistic complaining as the dependent variable. Scenarios of the airline losing its customer’s luggage were administered to online consumer panel drawn from the Mechanical Turk (MTurk) online database. 136 usable responses were collected with 52.2% representing male respondents and the mean age across two genders of 34 years old. Subjects were randomly assigned to one of four treatments based upon whether the service failure was severe or not, and whether a service guarantee was offered or not.

Opportunistic claiming was measured by asking respondents to indicate monetary amounts the passenger was entitled to under the circumstances; the lost belongings being estimated to be valued at $150. Perceived value of complaining was measured using Likert-type scale (α=.78) (3-item scale, adapted from Bagozzi, 1982; Singh, 1990b). Customer anger was measured using the 3-item scale (α=.88) proposed by Bonifield and Cole (2007) and Yi and Baumgartner (2004). Measures for gender, age, and Machiavellianism were evaluated as control variables since they can be related to opportunistic behavior.

Summary of Findings
The purpose of this paper is to advance our understanding of the opportunistic claiming behavior by investigating its drivers and mediators. In two separate studies (Study 1 and 2) we found evidence that the severity of the service failure and service guarantees offered by the provider act as drivers of opportunistic claiming. In addition, Study 2 highlights the importance of mediating process in determining opportunistic claiming. Anger (an emotional response to the failure) partially mediates the relationship between the drivers and opportunistic claiming. The perceived value of complaining, a cognitive response to the failure, was found to be directly affecting opportunistic claiming propensity, but not mediating the relationship between the drivers and opportunistic claiming.

Key Contributions
The overall picture of what forces trigger opportunistic claims has remained somewhat vague since customer-centric and situational drivers of opportunistic claiming have not been accounted for in the past research. The present manuscript addresses this gap and advances our understanding of the phenomenon of opportunistic complaining by empirically investigating the drivers of opportunistic claiming behavior, as well as the processes by which the drivers impact it.

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Our results suggest that service providers should put procedures in place to reduce the occurrence of severe failures. Also, the implementation of service guarantee policies should be carried out with caution, since the results support the findings from the extant literature indicating that such policy may be ineffective and open to abuse. Also, perhaps managers should pay more attention to estimating perceived value of complaining from a consumer perspective. Based on the previous claims, the executive teams are encouraged to conduct proper training for front line employees in order to assess the legitimacy of a complaint in future situations where perceived value of complaining is particularly high. Overall, we urge service providers not to confront customers by questioning the claim legitimacy, but to employ preventive measures to discourage customers to claim in opportunistic manner.

References are available upon request.
Appraisal Processes and Emotional Reactions as Determinants of Service Delivery Performance: An Attitude Theory Perspective

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Keywords: emotional exhaustion, POS, service delivery performance, shared values

EXTENDED ABSTRACT

Research Question
This study’s main aim is the application of attitude theory to the study of the determinants of service delivery performance. Anchored in Bagozzi’s attitude theory, we develop a research framework whereby we consider employee POS and shared values as appraisal processes, which lead to emotional reactions (emotional exhaustion, organizational commitment and job satisfaction), which have an impact on coping responses/behaviors (i.e., service delivery performance). Thus, this study provides a comprehensive theoretical explanation of service delivery performance as a result of appraisal processes and emotional reactions. We contribute to the services management literature by exploring the under-researched relationships among shared values, POS and employee emotional exhaustion in a retail context.

Method and Data
Data were collected from frontline retail catering employees in motorway service areas (MSAs) in the U.K. These individuals were employed by one of the largest motorway service area operators specializing in fast-food outlets and restaurants (see Harris and Ezeh 2008), located in the rest areas of major motorways. Of the 2,324 survey questionnaires distributed to employees, 839 were returned, resulting in a raw response rate of 36.1%. After removing 99 non-valid questionnaires, the final response rate was 31.8%. The majority of respondents were female (61.9%), younger than 25 years old (52.5%), and worked on a full-time basis (60.5%). The questionnaire included multi-item measures drawn from the extant literature.

To assess the validity of the measures, the items were subjected to a confirmatory factor analysis (CFA) using the maximum likelihood (ML) estimation procedures in LISREL 8.72 (Jöreskog and Sörbom 2001). Evidence of discriminant validity (AVEs>.50) is found for all constructs. Composite reliability values range from .87 to .94 for all constructs. A structural equation model (SEM) is employed to test the hypotheses. All the indices suggest a good fit of the final model to the data: NFI = .98, NNFI = .99, CFI = .99, IFI = .99, and RMSEA = .036.

Summary of Findings
This study’s theoretical contributions to services literature lie in the application of attitude theory to the investigation of the determinants of service delivery performance. Specifically, the key roles of POS and shared values in driving emotional exhaustion negatively are reported. Our findings highlight the importance for retail service organizations of providing organizational support to enhance/reduce employees’ positive/negative emotional reactions, namely job satisfaction, organizational commitment and emotional exhaustion. Also, the indirect effect of POS on service delivery performance is found to be positive and significant. This important result indicates that emotional exhaustion, job satisfaction and organizational commitment taken together,
mediate the relationship between POS and service delivery performance. This finding stresses the importance of POS. Another thought-provoking finding is that job satisfaction indirectly affects service delivery performance through organizational commitment. Finally, an unexpected result is that while shared values do not directly impact on affective organizational commitment, an indirect effect exists through emotional exhaustion. This finding highlights the importance of emotional exhaustion as a potential mediator of this relationship and underlines the importance of the newly proposed link between shared values and emotional exhaustion for the service management literature.

Key Contributions
Overall, our results show that attitude theory provides a sound theoretical foundation for understanding the determinants of service delivery performance in a retail context and that our research framework provides a structure for management attention in their efforts to enhance service delivery performance, with a number of useful and potentially novel insights. Our findings underline the importance of studying organisational support variables for service delivery performance, and demonstrate significant relationships among shared values, POS and emotional exhaustion. Thus, the research contribution of our study is threefold: (1) it investigates the under-researched relationship between shared values and POS, (2) it builds on limited prior research regarding the link between POS and emotional exhaustion and (3) it explores the neglected relationship between shared values and emotional exhaustion.

References are available upon request.
From Aniket to Alex: A Phenomenological Study of Identity Appropriation and Emotional Labor in Call Centres

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Keywords: services, emotional labour, employee-customer interaction, dyads, identity appropriation, call centres

EXTENDED ABSTRACT

Research Question
Service workers in call centres in developing countries are often expected to assume non-native cultural identities while interacting with customers in the Western world—a practice labeled identity appropriation. Identity Appropriation involves adoption of foreign linguistic practices such as accents, vocabulary, inflection, and slang. It may also include adoption of an alias which is culturally suited to the customer’s location. This practice is usually prevalent in call centres that perform basic customer service operations. This study examines call centre service workers’ lived experience of identity appropriation, its emotional consequences and the self-related meanings that employees draw from this experience. It further explores if identity appropriation constitutes a form of emotional labour—a job demand that requires employees to display normatively appropriate emotions during interactions with customers. The findings of the study are presented with reference to the overall context of a call centre job.

Method and Data
This study uses interpretative phenomenology to examine the experience of identity appropriation. The experiential perspective was captured through semi-structured, in-depth interviews with call centre employees. The interviews elicited employees’ experiences, feelings, and perceptions associated with identity appropriation and self-related meanings drawn therefrom. The experiential narratives were analysed using hermeneutic process and common themes were identified both within and across the accounts. A deeper understanding of call centre employees’ lived experience of identity appropriation was gained from both the experiential descriptions and interpretative analysis of the meanings attached to these experiences.

Summary of Findings
The following themes emerge from the analysis of the experiential accounts: 1) Call centre employees experience a pervasive lack of control over most aspects of the job— not being able to use one’s own identity is yet another manifestation of this lack of control; 2) Employees experience internal dissonance over identity-faking on account of a) devaluing of the real self, and b) discomfort regarding customer deception; 3) There are psychological consequences to normative emotional displays in a job which otherwise allows little autonomy; 4) Employees’ social networks outside of work play an important role in alleviating the stressful effects of the job. Based on the experiential evidence it is suggested that identity appropriation is a form of emotional labour. Faking of identity like faking of emotions is a job demand that requires additional emotional effort over and above the physical and cognitive effort required for primary task completion. The analysis draws on literature to highlight the parallels that can be drawn between the basic characteristics, identity related contingent conditions that result in negative emotional consequences of these two job demands.

Key Contributions
This study offers a first-hand understanding of call-centre employees’ experience of having to assume an inauthentic identity at work. The experiential lens used to examine identity appropriation, the focus on its emotional and self-related consequences, and the parallels drawn with emotional labour, distinguish this study from the previous perspectives on identity appropriation (e.g. cultural implications of linguistic globalisation; implications of globalisation on the

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work process; work anthropology), thereby enriching the literature on this topic.

This study draws attention to the conflict between expectations of mutual trust in the service employee-customer dyad on the one hand, and organisation sanctioned customer deception on the other, raising questions of whether meaningful customer relationships can be developed on the foundation of such subterfuge.

The study highlights the attendant emotional strains and identity-related consequences experienced by service workers who have to fake their identities. These findings have implications for how service employee wellbeing is looked at.

The findings also have implications for the manner in which call centre jobs are designed-simplistic, repetitive tasks coupled with lack of job control and inability to reflect one’s true identity build up stress at work.

*References are available upon request.*
How Perceived Service Complexity Erodes Cognitive Capacity in the Selling of Professional Services

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Keywords: professional services, customer cognitive capacity, service complexity, multilevel modeling, adaptive selling

EXTENDED ABSTRACT

Research Question
Professional services, like financial or legal services, involve many decision variables that interact in non-simple ways and are therefore “difficult for a client to evaluate” (Patterson, Johnson, and Spreng 1997, p. 4) and perceived to be highly complex. At the same time customer integration and personal interactions are especially important when selling professional services (Reid 2008; Hausman 2003). Yet, the question of how to successfully design professional service encounters in light of high perceived complexity has so far been neglected by research.

Addressing this gap, we argue that during service encounters customers exert mental effort to understand the service and make informed decisions, which reduces their cognitive capacity (van der Linden and Eling 2006). However, due to a trade-off between understanding and saving cognitive resources (Hobfoll 1989), we expect a quadratic, U-shaped relationship between perceived complexity and cognitive capacity.

To further explore the role of cognitive capacity in professional service encounters, its effects on important outcomes (customer satisfaction and loyalty) will be investigated. Additionally, we propose that adaptive selling (Weitz, Sujan, and Sujan 1986) weakens the effect of complexity on cognitive capacity: Finding the right approach in dealing with the customers will improve their mental receptiveness despite high perceived complexity.

Method and Data
Data was collected from a large national retail bank. Financial services have a long tradition in research on professional services (Yim, Chan, and Lam 2012; Thakor and Kumar 2000) and customers often perceive them as being complex (Devlin 2001).

The dataset comprises data from two sources: sales representatives and customers. Our theoretical framework requires that data be gathered immediately after the interaction between customer and sales rep. We hence administered questionnaires to customers directly after each encounter. This approach assures that customers’ answers directly relate to the specific encounter and biases due to fading memory or other influencing factors can be avoided. Sales representatives received and sent back the questionnaires by mail. Responses were matched using code numbers. The final dataset yielded data from 310 interactions (310 customers, response rate 33.7%; 108 sales representatives, response rate 68.7%).

In our dataset customers are nested within employees. Nested data may yield similarity of responses within levels but variation between levels. This violates the independence of observations assumption and can result in underestimated standard errors (Maxham, Netemeyer, and Lichtenstein 2008) and therefore requires a multilevel approach. Hence, a multilevel path model was estimated using the statistical software Mplus 7 (Muthén and Muthén 2012).

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Summary of Findings
Results support the supposed quadratic influence of perceived complexity on cognitive capacity: The linear effect of complexity, which has to be controlled for (Cohen et al. 2003), is significantly negative ($b = -0.19; p \leq 0.01$), while its quadratic effect on cognitive capacity is significantly positive ($b = 0.18; p \leq 0.01$). The positive coefficient of the quadratic term indicates a U-shaped relationship, whereas the negative coefficient of the linear term indicates that the overall trend inherent in the data is negative (Aiken and West 1993): At high levels of perceived complexity, cognitive capacity is indeed higher than at moderate levels, but still considerably lower than at low levels of complexity.

Regarding the effects of cognitive capacity, we find a significantly positive influence on customer satisfaction with the encounter ($b = 0.30; p \leq 0.05$) as well as customer loyalty ($b = 0.19; p \leq 0.05$). A reduction of cognitive capacity thus negatively affects these important outcomes.

Finally, the quadratic complexity by linear adaptive selling interaction term yields a significant path coefficient ($b = -0.20; p \leq 0.05$). Adaptive selling thus weakens the influence of perceived complexity on cognitive capacity and leads to an upward shift of the U-shaped curve.

Key Contributions
The contribution of this paper is threefold. First, it expands research on professional services by establishing the importance of customers’ cognitive capacity for professional service encounters. We are the first to empirically investigate cognitive capacity in the selling of professional services and to demonstrate its central role in shaping outcome variables.

Second, we uncover the intricate nature of the complexity-capacity-relationship. The quadratic influence of perceived complexity is a particularly unique finding, as intuitively one would expect a steadily negative relationship. The assumed force underlying this effect is customers’ tradeoff between complete understanding and saving cognitive energy.

Third, adaptive selling is shown to weaken the impact of perceived service complexity on customer cognitive capacity and thus prevent the ensuing detrimental effects on customer satisfaction and loyalty. Managers should hence enable their sales reps to effectively use adaptive selling in professional service encounters.

From a managerial perspective, the importance of strategies to decrease perceived complexity is underlined. As professional services are highly customized (Dawes, Dowling, and Patterson 1992), optimizing the number of features to be configured is one way to reduce perceived complexity. Likewise, the information given to customers can be simplified, for example by using adjectives instead of numbers (Scammon 1977).

References are available upon request.
Unintended Consequences of Engaging Customers with Loyalty Initiatives

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Keywords: loyalty initiatives, habit, dependence, relationship, relationship marketing

EXTENDED ABSTRACT

Research Question
Continuous service providers engage customers with loyalty initiatives in the hopes of eliciting greater behavioral loyalty. Prior research evaluated loyalty initiatives’ direct effects on customer performance without considering how they interact with preexisting intrinsic loyalty mechanisms. This research delineates how three intrinsic loyalty mechanisms—habit-based, dependence-based, and relationship-based intrinsic loyalty—work to secure customers’ existing business, and then investigates how loyalty initiatives alter, rather than simply augment, these preexisting effects. Restated as questions: does an existing customer’s habit, dependence, and relationship with a service provider influence their future propensity to expand, retain existing services, or defect; and will these preexisting influences be enhanced or suppressed if the service provider proactively engages the existing customer with a loyalty initiative?

Method and Data
These research questions were empirically examined through a field experiment conducted at a telecom provider. First, CRM metrics were captured to represent the initial levels of customers’ habit, dependence, and relationship. In order to provide confidence in these metrics’ validity, related survey questions were administered to customers not included in the field experiment and correlations of these metrics with the responses were examined. Next, customers were randomly selected to receive a new loyalty initiative (i.e., no-strings-attached gift of two months’ free calling on their home phone line). These customers, and a matched control group, were observed for the following nine months to capture any changes, or lack thereof, to their account. Customers either expanded on their previous subscriptions, kept their account the same (status quo), or defected. A multinomial logit, with “status quo” as the reference category was used to estimate the hypothesized effects on retention (i.e., a lack of defection) and expansion. The multinomial logit specification allowed for opposing effects. For instance, the model could reveal if habit reduced expansion while also supporting retention (reducing defection). An ordinal logit or a regression with customer revenue as the outcome would have hidden these opposing effects.

Summary of Findings
The data confirmed the expected positive direct effects of intrinsic loyalty mechanisms on retention for dependence and relationship ($p < .05$), but not for habit. Simple slope analysis showed that habit reduced defection for the control group, as expected ($p < .05$), but the loyalty initiative treatment reversed this effect in the treatment group which masked the overall direct effect. The expanded model with interactions between the loyalty initiative and each preexisting intrinsic loyalty mechanism revealed that habit’s support for the status quo (suppressing defection and expansion) was weakened by the loyalty initiative ($p < .05$). Additionally, the loyalty initiative enhances dependence’s positive effect on retention ($p < .05$). For previously dependent customers, a loyalty initiative may represent a tangible and appropriate act of reciprocal commitment and alleviate asymmetric dependence concerns. Finally, a preexisting relationships’ positive effect on retention was enhanced by the loyalty initiative but the effect on expansion turned negative. Recently acquired customers responded with a greater likelihood to expand or defect, but the loyalty initiative simply reinforced existing behavior for well established relationships. Customer lacking dependence or a relationship would be more likely to question the motives behind a loyalty initiative.

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Key Contributions
The study highlights the importance of considering why customers are already behaviorally loyal before introducing an ancillary loyalty initiative. Furthermore, evaluations of the loyalty initiative will differ depending on the outcome measured. Emphasizing these points, we conducted a spotlight analysis of the effect of the loyalty initiative at different intrinsic loyalty profiles. If customers have strong habits (dependence), with all else at medium levels, the loyalty initiative increased likelihood of expansion (retention) by 1.94% (4.31%) without hurting retention (expansion). The loyalty initiative increases the risk of defection by 5.86% if customers had low intrinsic loyalty on all dimensions. When the loyalty initiative was provided to customers with other loyalty profiles, gains in one outcome were offset by losses on the other. For instance, customers with established relationships reacted with greater retention but less expansion.

Overall, through this research, we reveal how loyalty initiatives can stimulate pairs of antagonistic interaction effects, which pins the risk of defection against the promise of expansion. Consequently, managers must simultaneously consider 1) the goal of customer engagement, 2) the intrinsic loyalty characteristics of existing customers, and 3) the characteristic of the loyalty initiative. Prior to this research, only the latter consideration received serious academic attention.

References are available upon request.
Service Conversations: Dynamics of Service Context and Customer Participation

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Keywords: service conversations, temporal dynamics, customer participation, context complexity, service outcomes

EXTENDED ABSTRACT

Research Question
For most professional services, conversations between the service provider and the customer constitute an important part of the service experience and are critical to service outcomes. Customer participation in service conversations (CPSC) is essential for the effective execution of these joint efforts. This research examines conversational interactions at the micro level and develops a conceptual framework to explain the temporal dynamics of service context complexity and CPSC and their impact on service outcomes.

Method and Data
To test the hypotheses, the authors conducted four studies to examine service conversations in both health care and financial services. In Study 1, we conduct a controlled experiment to test the relationship between customer-perceived context complexity and CPSC behavior at a point in time. In Study 2, we analyze naturally occurring customer/doctor online conversations to explore the temporal dynamics of CPSC and their impact on service outcomes. In Studies 3 and 4, we use an online consumer panel to conduct controlled experiments that replicate our online conversation findings by manipulating different context complexity and temporal structures of financial service conversations.

Summary of Findings
The authors demonstrate that during a conversation, customers manage elements of CPSC, including information sharing and interaction control, according to their perceived context complexity. The initial stage of CPSC provides salient context cues and influences CPSC at later stages of a conversation. A service conversation that can quickly reduce customer-perceived context complexity by transitioning CPSC from sharing information through submissive control to sharing information through dominant control leads to better service outcomes, such as customer satisfaction, service quality, and customer advice adherence.

Key Contributions
This research makes three important contributions to the literature. First, we adopt a context perspective to examine customer participation behaviors. We conceptualize service context in terms of its psychological features, and identify perceived context complexity as an important psychological feature that can help explain the variations of customer participation behaviors. This conceptualization of context and exploration of the relationship between perceived context complexity and behavior are new to the marketing and service literature, helping advance research by enabling generalization across psychologically similar service settings. Second, we analyze dyadic service conversations to understand the dynamic conversation interaction process. We examine how customer participation behaviors unfold over time in terms of sharing information and asserting interactional control, rather than simply an overall evaluation of how well the conversation seemed to go on the whole. We contribute to the limited understanding of service conversations at a micro level by showing that customer information sharing and interactional control during the initial stage of a conversation can affect elements at a later stage of the conversation. Third, to our knowledge we are the first to demonstrate that the temporal structure and how a service conversation evolves over time matter to service outcomes.

References are available upon request.
A Dynamic Model of Customer Participation of Service Quality During Extended Consumption Experiences

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Keywords: customer participation, consumption experience, longitudinal, in-role, extra-role, information sharing, role clarity, service quality, progress toward goals

EXTENDED ABSTRACT

Research Question
The presence of customers during consumption experiences is self-evident and unremarkable for many organizations. Active customer participation is also considered an antecedent to customer engagement. However, customer participation is sometimes considered a hindrance to service employees' productivity and managers rarely plan for and incorporate customers’ behavior into their strategies. The issue of customer participation is important in both business-to-business (B2B) and business-to-consumer (B2C) markets where customer participation across extended service experiences can lead to successful customer and firm outcomes, including greater satisfaction, service quality, word of mouth, and repeat purchases.

The goals of this article are to (1) develop a conceptual framework that enables marketing scholars and managers to understand customer participation behaviors and their consequences and (2) empirically investigate how they unfold over time in a field setting. We define “customer participation” as behaviors that customers exhibit during consumption and consider three fundamental types of behavior: customer in-role performance, extra-role performance, and information sharing. This research addresses three questions: (1) How do customer participation behaviors, change over time during an extended consumption experience? (2) How do customers’ assessments of progress toward goals and customer role clarity influence perceived service quality and customer participation during extended consumption experiences? (3) How do customers’ participation behaviors influence perceived service quality?

Method and Data
To test our hypotheses, we included customers who interact with an organization at multiple points in time during an extended consumption experience. We chose a business school’s career-counseling center because the counselors provide both customized (e.g., face-to-face counseling interviews) and standard (e.g., online training, brochures, classroom lectures) offerings to a variety of customers (undergraduate and graduate clients) over time. We adopted a three-step research process: a qualitative phase (structured and unstructured interviews), quantitative pretests, and then a longitudinal study. We conducted confirmatory factor analyses and tested for convergent and discriminant validity; the measurement model meets conventional criteria. We conducted a longitudinal survey at three stages during an extended consumption experience. We surveyed members of a full-time MBA class (who were job seekers using the center) using paper-and-pencil methods. Clients’ participation was voluntary, and they received a $5 gift certificate for participation. We collected data each month for three months. The response rate was nearly 100%. Sample sizes were as follows: time 1: n = 127; time 2: n = 130; and time 3: n = 113. We estimated Equations 1–5 twice, modeling the dependent variables measured at time 2 and time 3 as a function of current and lagged variables, respectively.

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Summary of Findings
We distinguish between early-stages (t = 1 or t = 2), and later-stages (t = 3). At early stages, customer in-role and extra-role performance is influenced by role-clarity showing that customers learn their roles as they go through the consumption experience. However, this dynamic relationship is no longer evident at t = 3 showing that customer roles become embedded over time.

In the early stages, customer participation (in-role, extra-role performance and information sharing) is also positively influenced by their progress-toward-goals. Also, when customers believe they are gaining on progress-toward-goals, they share more information with the service provider. This effect is amplified because information sharing has a positive effect on customers’ perceptions of service-quality in the early stage of the consumption process, and perceived service-quality ultimately (i.e., in later stages) influences all customer participation behaviors (either directly or through progress toward goals). In the early stages, customers likely view their consumption experiences with a specific organization as discrete events rather than as ongoing experiences. Thus, perceived service-quality does not initially influence participation behaviors, until a relationship with the organization has developed. Information sharing is intricately linked to service-quality and varies over time.

As the consumption experience evolves, the effect of customer information sharing on perceived service-quality reduces. The effect of customers’ perceptions of service quality on in-role performance is partially mediated. Moreover, trust has a direct negative effect on in-role performance. The dynamic results show that when customers understand their role, they are more aware of and influenced by the organization’s service-quality than in the early stages of the consumption experience. Extra-role performance conversely becomes more spontaneous and independent in later stages of consumption. Moreover, in the early stages, trust exerts a negative influence on subsequent customer extra-role performance (when trust was high, the customers did not perform any discretionary activities). In the later stages, positive emotions have a positive effect on extra-role performance, reinforcing the positive effect of customers’ assessments of progress-toward-goals.

Key Contributions
Our “process-based” viewpoint makes several contributions to the marketing literature. First, prior research has typically investigated consumption by analyzing post-purchase evaluations or pre-purchase processes. In contrast, we examine consumption during the experience. Second, we conceptualize and measure three distinct participation constructs: customer in-role performance, extra-role performance, and information sharing. Third, we develop and estimate a theory-based model of the relationships among perceived service quality, customer participation behaviors, and their antecedents. Fourth, this research treats customers as active participants with participation behaviors that influence and are influenced by different factors at different stages of the consumption experience. Last, this research integrates a forward-looking (assessment of progress toward goals) and a retrospective (perceived service quality) component to explain customer participation over time.

For managers, we demonstrate the importance of actively aligning the organization’s goals with the goals of customers and demonstrating it to the customers (rather than taking it for granted). Second, organizations should invest in creating and managing effective communication processes and train employees to encourage and prompt information sharing by customers. Third, service employees must plan for differences across customers. Individual customers need assurance and feedback to reinforce that they are progressing toward their goals. Fourth, managers should recognize that customer participation behaviors differ during different stages of the extended consumption experience and may be triggered by different variables.

References are available upon request.
The Impact of Customer Integration and Customer Co-Production on Service Quality Performance

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Keywords: quality control initiatives, service quality performance, customer co-production, service dominant logic

EXTENDED ABSTRACT

Despite an emerging interest in customer integration and customer co-production in the literature, little attention has been paid to investigation of the relationship between customer integration, customer co-production and service quality performance. Based on the facilities-transformation-usage framework of service delivery and control theory, we develop a conceptual framework that examines the impact of combining quality control initiatives (QCIs) on service quality performance in a business-to-business setting. We explicitly consider quality control initiatives with formal and informal control mechanisms as well as the selected organisation’s internal environment as antecedents of such initiatives. The data is drawn from a survey of hotel industry service providers. The results of this study would benefit managers to gain a better understanding of how QCIs affect the relationship between customer integration and customer co-production and service quality performance.

In service organisations, service intangibility and customer coproduction in the process of service delivery are of particular relevance (La et al., 2005). Intangibility indicates that services are not seen, touched, or tasted (Knight, 1999; La et al., 2008) and coproduction of customers “involves the participation and integration of customer resources in the core offering itself” (Lusch et al., 2007: p.11). Co-production leads to an interaction among service encounter staff (employees) and customers while delivering services (Sizoo et al., 2005). As a result, services are heterogeneous; “no one service performance is identical to another” (Knight, 1999: p.349). This makes standardization and hence quality control difficult to achieve (Dahring, 1991). Moreover, intangibility means that it is difficult for customers to examine or experience the service before they have used it (La et al., 2008). Hence, service quality is assessed only during the service encounter, when the customer interacts directly with the service (Shostack, 1985). The facilitation-transformation-usage (FTU) framework offers a way of understanding and identifying causes of quality failure, while control theory points to different types of QCIs that can be applied in various stages of the service delivery process.

Research Questions
Specifically, this research addresses these questions:

1. To what extent do customer integration and customer co-production affect service quality performance?

2. How do different QCIs formal and informal mechanisms improve service quality performance?

3. To address these research questions, the data is drawn from a survey of hotel industry service providers in different cities in Saudi Arabia. Statistical tests can then be used to determine the relationships between the variables.

Key Contributions
This research will contribute towards a new way of understanding the phenomenon of service quality by looking at the employees’ perspective and by a novel combination of Snell’s (1992) control theory with Moller’s (2008) FTU framework, representing an implementation perspective of Vargo and Luch’s (2004) service dominant logic. Moreover, it will com-
pare the relative effectiveness of different QCIs (Snell, 1992; Moeller, 2008; Vargo and Lusch, 2004). The findings of this study will give marketers a better understanding of a managerial (practical utility) perspective, by providing empirical evidence of how QCIs affect customer integration and co-production, and service quality performance, and the relative effectiveness of different QCIs. This may provide pointers towards the use of QCIs to improve service quality.

References are available upon request.
Consequences of Switching Costs in Service Contexts: A Meta-analytic Assessment

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Keywords: switching costs, services, relationship marketing, meta-analysis

EXTENDED ABSTRACT

Research Question
Perceived switching costs are all perceived, anticipated and/or experienced costs of switching a relationship from one to another supplier. Researchers and practitioners alike are interested in the consequences of switching costs because they provide insights into how customers respond towards relationship marketing activities. We provide a quantitative review of this research stream to close gaps in previous studies and to accomplish the following objectives. First, switching costs have an effect on several outcomes which goes beyond prior service research. Aggregated empirical findings from a meta-analysis can be used to assess more comprehensive models than provided to date, in particular models that encompass several dependent variables at a time. Second, prior studies exhibit variation in their findings regarding the effect size and effect direction of the consequences of perceived switching costs. Meta-analytic models can provide a more general picture of the overall size and direction of the effect by aggregating findings. Third, variations in findings can be explained by substantial and methodological differences among studies. A meta-analysis can resolve ambiguous findings and assess the generalizability of relationships.

Method and Data
We searched and included all empirical studies that measure buyers’ perceived switching costs related to services (as defined above) and provide estimates on the consequences of the construct. Our search resulted in 128 usable manuscripts that provide 145 independent samples that reported on one or more consequences of perceived switching costs. The effect size metric selected for the meta-analysis is the correlation coefficient. With the effect size estimates, we produce a correlation matrix that is used for structural equation modeling. All constructs in the structural equation models are measured by a single indicator and error variances for the indicators are set to zero, because measurement errors are already considered when integrating the effect sizes. The harmonic mean of the cumulative sample size underlying each meta-analytic correlation is used as sample size. We test four alternative models: A base model, a loyalty-stage model, a loyalty-engagement model, and an engagement-loyalty model.

Summary of Findings
The best fitting model is the loyalty-engagement model: Perceived switching costs enhances all kinds of loyalty. Cognitive loyalty reduces both positive and negative customer engagement. Affective loyalty increases positive customer engagement, but does not affect negative customer engagement. Behavioral loyalty increases switching and positive engagement reduces switching. Affective loyalty shows the weakest effect on customer engagement, while behavioral loyalty has the strongest influence on positive engagement. The effect of negative engagement on switching is more than twice as strong as the influence of positive customer engagement on switching; indicating that negative behavior has a relatively stronger influence on switching than positive customer behavior.

The moderator analysis shows that the consequences of switching costs tend to be stronger in B2C compared to B2B markets; effects in contractual settings are related to customer engagement behavior, while effects in non-contractual
settings are primarily related to loyalty; non-monetary switching costs have stronger influence on positive and affective consequences, while monetary switching costs are more likely to reduce negative customer behavior; most effects of switching costs have increased over the years and they are weaker in individualistic countries.

**Key Contributions**

The key contributions of this study provide implications for research and practice:

1. Perceived switching costs reduce switching. Switching costs are an overall influential strategy; considering mediating variables is important to strengthen or weaken their influence of switching costs.

2. Negative effects in the model are stronger than positive ones. Failures in switching costs building have detrimental effects.

3. The relationship between switching costs and their consequences tends to be stronger in B2C markets compared to B2B markets. B2C markets benefit more from building switching costs in a service context.

4. The effects in contractual settings are related to engagement behavior, the effects in non-contractual settings are more related to loyalty. Service firms should provide different strategies for contractual vs. non-contractual settings.

5. Non-monetary switching costs have stronger influence on positive and affective aspects, while monetary switching costs are more likely to reduce negative behavior. To enhance positive customer engagement and referral program effects, service firms should prioritize the generation of non-monetary switching costs.

6. Most effects of switching costs have increased over the years. Generating switching costs as a whole seems a successful strategy.

7. The effects of switching costs are weaker in individualistic countries. Individualistic service customers switch without necessarily behaving negatively or positively toward the firm. Particularly, for international marketing it calls for the differentiated use of retention means.

*References are available upon request.*
Effective Use of Non-monetary and Monetary Compensation in Service Recovery

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ABSTRACT
This study examines effects of monetary and non-monetary compensation on satisfaction with the service recovery. Among the different types of monetary compensation, a store credit and a refund lead to higher satisfaction than a gift or a discount. The effects of non-monetary compensation depend on the responsibility for and the severity of the service failure. The results of the paper provide managers with knowledge about how to enhance customer engagement through appropriate service recovery.

Introduction
During the last decades, service firms have been facing increasing levels of competition. In such a competitive environment, it is difficult to retain customers. An important determinant of customer retention is customer satisfaction. However, due to the particular nature of services, which are variable, intangible, dependent on both the service provider and the customer as well as produced and consumed at the same time (Boshoff 1997; Collie, Sparks, and Graham 2000), it is particularly difficult to achieve high levels of customer satisfaction and retention. As, due to the specific characteristics of services, there is a high risk of service failures, effective service recovery is needed in order to (re-)establish customer satisfaction. Service recovery consists of corrective actions such as offering monetary or non-monetary compensation by which the service provider can generate positive customer responses (Zemke and Bell 1990). Non-monetary or psychological compensation refers to immaterial actions used to recover a service failure, for instance showing concern, apologizing or providing an explanation (Goodwin and Ross 1992; Mattila 2006; Miller, Craighead, and Karwan 2000; Sparks and McColl-Kennedy 2001) as well as an intervention of the manager (Tsai and Su 2009). Monetary compensation consists of offering tangible resources in order to recover a service failure (Del Río-Lanza, Vázquez-Casielles, and Diaz-Martin 2009), for example a refund of money, offering discounts or coupons for future purchases, offering a gift, offering to reperform or to modify the service (Chuang et al. 2012; Goodwin and Ross 1992; Vázquez-Casielles, Iglesias, and Varela-Neira 2012). The objective of using such service recovery measures is to engage a customer even after a service failure.

The purpose of the study reported here was twofold. First, we aimed to systematically analyze effects of four types of non-monetary (explanation, apology, showing concern, manager intervention) as well as four levels of monetary (gift, discount, store credit, refund) compensation in the context of a service recovery on customer satisfaction with the service recovery (referred to as SSR in the following). The different types of non-monetary and monetary compensation were extracted from previous studies in this field (Kelley, Hoffman, and Davis 1993; Miller, Craighead, and Karwan 2000). Such an analysis is of specific interest because previous research provides the notion that the interaction between non-monetary and monetary compensation leads to higher satisfaction than using either type alone (Goodwin and Ross 1992; Miller, Craighead, and Karwan 2000; Wirtz and Mattila 2004).

Second, we aimed to examine under which conditions different types of non-monetary compensation lead to the highest SSR. The conditions that we considered were typical conditions that are relevant for many different types of services: responsibility for the service failure (service provider vs. customer) and severity of the service failure (low vs. high). The comparison between the responsibility of the service provider and the responsibility of the customer can only rarely be found in previous research. From the perspective of the service provider it is important to know how to react

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when the service provider is responsible for a service failure, but it is also of specific interest to know what to do when the customer is responsible because it would not be appropriate to tell the customer that he or she is responsible. Moreover, as previous research has not addressed the appropriateness of different types of compensation in different conditions of failure severity, it is interesting to also examine this aspect in more detail. The context of application that we chose was a dinner at a restaurant.

This study contributes to both marketing research and practice by systematically examining aspects that were not covered by previous research and by showing that specific combinations of monetary and non-monetary compensation can have different effects on customer SSR and that the different types of non-monetary compensation can be more or less appropriate under specific conditions. Carefully choosing the type of compensation used for service recovery can be beneficial in that one service provider can clearly differentiate the own company from competitor companies by providing excellent service recovery, and represents an opportunity to develop a strong relationship between the customer and the service provider.

**Empirical Background**

Research on effects of different types of non-monetary compensation on customer behavior provides the notion that apologizing, providing an explanation, or showing concern can lead to higher customer satisfaction and intention to purchase in the future (Bolkan and Daly 2009; Bradley and Sparks 2012; Conlon and Murray 1996; Davidow 2000; Sparks and McColl-Kennedy 2001). Furthermore, previous research provides the notion that combinations of monetary and non-monetary compensation lead to a more successful service recovery than offering either type alone (Goodwin and Ross 1992; Miller, Craighead, and Karwan 2000; Wirtz and Mattila 2004). However, no previous study examined systematically effects of combinations of several types of non-monetary and monetary compensation on customer reactions.

Studies on the effects of the responsibility for a service failure that additionally examined the role of compensation provide the following insights. A study that differentiates between the firm’s and the customer’s responsibility found that the more the firm was responsible for the service failure, the more the customer felt he deserved not to pay for the service and to get an apology (Folkes 1984). Providing an apology is considered as a fair behavior in the context of service recovery and results in customer satisfaction (Guchait, Kim, and Namasiyavam 2012; Martin and Smart 1994). However, some studies demonstrate that offering an apology has little or no influence on customer satisfaction (Boshoff 1997; Davidow 2000; Hoffman and Chung 1999).

Another study found that the customer is more satisfied after the service recovery when he or she is responsible for the service failure and this satisfaction is even higher if the service provider shows empathy during the service recovery (Hocutt, Chakraborty, and Mowen 1997). A further study that differentiated between the firm’s responsibility and an external cause found that compensation enhances repurchase intentions when the firm is responsible, whereas it is sufficient to provide an explanation if the failure has an external cause (Grewal, Roggeveen, and Tsiros 2008). Providing an explanation for a service failure has an important role during service recovery because customers want to understand the reason of the failure (McColl-Kennedy and Sparks 2003). However, none of these studies examined systematically which types of compensation are most appropriate in the two conditions of responsibility (service provider vs. customer).

Previous research on the interaction of the type of compensation and the severity of the service failure shows that for less severe service failures customer satisfaction is higher if monetary (non-monetary) compensation is used to compensate an outcome-related (process-related) service failure, but for highly severe service failures, monetary versus non-monetary compensation does not have different effects on customer satisfaction (Chuang et al. 2012). Another study provides the notion that customers, who receive an explanation, are less satisfied with the service recovery in the case of a severe service failure than in the case of a less severe failure (Conlon and Murray 1996). A third study in this field provides the insight that, in a restaurant context, compensation has a stronger positive effect of customers’ perceptions of justice in the case of high severity, whereas, in a hotel context, this effect is stronger in the case of low severity (Smith, Bolton, and Wagner 1999). A further study found that in the case of a severe failure, offering compensation can improve customer satisfaction with the recovery process, whereas this effect does not exist for the case of a less severe failure (Roggeveen, Tsiros, and Grewal 2012). However, these studies again do not systematically analyze which combinations of monetary and non-monetary compensation produce the most positive customer responses in the two conditions of low and high severity of the service failure.

**Theoretical Background and Hypotheses Development**

*Effects of Combinations of Non-monetary and Monetary Compensation.* Before developing a hypothesis on effects of combinations of monetary and non-monetary compensation, a basic hypothesis on the impact of the value of monetary compensation will be developed. Although this effect might have been subject to previous studies, it will be formulated and tested again in our specific contexts for reasons of completeness.
According to social exchange theory (Walster, Berscheid, and William 1973), the process of service recovery is considered an exchange situation by which customers expect to get compensation from the service provider in order to restore equity after the service failure. Several studies have demonstrated that non-monetary compensation leads to greater satisfaction when associated with monetary compensation (Goodwin and Ross 1992; Miller, Craighead, and Karwan 2000; Wirtz and Mattila 2004). Moreover, previous research has found that customers are more satisfied if the monetary compensation represents a comparatively high monetary advantage (Blodgett, Hill, and Tax 1997; Boshoff 1997; Tsai and Su 2009) because an inequity in a positive sense can result in higher satisfaction (Brockner and Adsit 1986). Thus, it can be basically assumed:

H1a: Monetary compensation of higher value leads to higher SSR than monetary compensation of lower value.

Regarding possible combinations of non-monetary and monetary compensation, it is interesting to determine whether specific types of non-monetary compensation are able to enhance the effect of lower value monetary compensation because types of compensation that represent higher value for the customer usually mean higher costs for the company. As showing concern and the intervention of the manager are interpreted as a gesture of interest (Davidow 2000; Tsai and Su 2009), and as Bell and Ridge (1992) emphasize that the customers expect fair compensation that they consider as a sincere interest from the service provider in order to restore equity after service failure, it can be argued that showing concern and the intervention of the manager have a high potential to restore perceived fairness compared to other types of non-monetary compensation, and thus customer satisfaction (Homburg and Fürst 2005; Karatepe 2006). Thus, it can be argued for monetary compensation of lower value:

H1b: If showing concern or a manager intervention are combined with monetary compensation of lower value, such a combination can lead to similar SSR levels as combining monetary compensation of higher value with less effective non-monetary types of compensation.

In the following, we will look in more detail at the conditions under which specific types of non-monetary compensation lead to high SSR levels because the effects of different types of non-monetary compensation are less clear than the effects of different levels of monetary compensation.

Interaction of Types of Non-monetary Compensation, Responsibility, and Failure Severity. According to attribution theory, consumers’ emotions, attitudes, and behaviors are influenced by their judgments of causes of experienced situations (Folkes 1984; Krishnan and Valle 1979; Weiner 1985). Furthermore, responsibility attribution affects consumers’ perceptions of the equity of an exchange situation (Folkes 1984), e.g., an exchange between a customer and a service provider. When experiencing a service failure, consumers are likely to think about who is responsible for the failure and to show different reactions depending on whom they ascribed the responsibility. Based on the findings of Hocutt, Chakraborty, and Mowen (1997) as well as of Iglesias (2009) that customers are more dissatisfied when they perceive that the service provider is responsible for a failure, it can be argued that, specifically in such a case customers perceive a high inequity which results in high dissatisfaction. However, when customers are responsible for a service failure, the self-blame attenuates their negative perceptions (Bendapudi and Leone 2003; Choi and Mattila 2008).

Furthermore, not only the responsibility, but also the severity of a service failure can influence the perceived inequity in that this inequity caused by the failure is perceived as particularly high in the case of a highly severe service failure (compared to a less severe failure). In addition to this argument, regulatory focus theory suggests that people who experience the threat of a loss try to avoid such loss. Such motivation to prevent a loss increases with an increasing magnitude of the loss (Higgins 1997). Betts, Wood, and Tadisina (2011) applied the regulatory focus theory to the context of service recovery arguing that a service failure represents a loss situation. Their results show that satisfaction with the service recovery is specifically low when failure severity is high. De Matos, Vargas Rossi, Teixeira Veiga, and Vieira (2009) as well as of Mattila (1999) also argue that customer satisfaction after a service recovery is lower when customers face a more severe failure.

Among the four types of non-monetary compensation examined here, the manager intervention has the highest potential to signal that the experienced failure can be prevented in the future because the manager is more likely to initiate changes and has the decision power to do so (compared to a frontline employee who might not have such decision power). As the knowledge that an experienced failure will not occur again in the future represents an important part of the service recovery in many situations (Brown 2000; Hart, Heskett, and Sasser 1990), it can be argued that specifically for the case of a highly severe failure, the manager intervention leads to the most positive customer reactions.

If the service provider is responsible for the service failure, the customer has a stronger feeling of inequity (in a negative sense) and expects to get non-monetary compensation that has a high potential to restore equity. In such a situation, customers highly appreciate the presence of staff from a higher
organizational level because such a gesture represents an assumption of responsibility (Boshoff and Leong 1998) and signals a willingness to resolve the problem (Tsai and Su 2009). Accordingly, it is likely that the intervention of the manager leads to higher satisfaction than any compensation initiated by a frontline employee (Guchait, Kim, and Nam-sivayam 2012) and all the other types of non-monetary compensation.

These arguments lead to:

H2a: If the service provider is responsible for a highly severe failure, the manager intervention leads to higher SSR than all other types of compensation.

In the case of a less severe service failure customers’ feeling of loss is less strong and thus, the need to prevent such a loss is less salient. In addition, the need to restore equity is attenuated (Roggeveen, Tsiros, and Grewal 2012). Therefore, it is likely that all types of non-monetary compensation are appropriate if service provider is responsible for a less severe failure:

H2b: If the service provider is responsible for a less severe failure, all types of non-monetary compensation are able to produce the same SSR level.

Regarding the appropriateness of the different types of compensation in the case where the customer is responsible for the service failure, the following arguments can be provided. An intervention of a manager might lead the customer to consider the manager an authority and to feel that the manager tries to influence the customer’s reaction to the service failure. As a result, the customer might show reactance because s/he might feel threatened in his/her freedom of choice (Brehm 1972) by the manager’s intervention and react with the opposite of the behavior that is to be achieved by the manager intervention, i.e. by showing a lower SSR level. Reactance is likely to occur in the particular case where the customer is responsible because Cherulink and Citrin (1974) found that reactance occurs for an internal locus of control (i.e. customer responsibility), but not for an external locus of control (i.e. restaurant responsibility). Thus, compared to other types of non-monetary compensation, the manager intervention should result in comparatively low SSR levels. If customers are responsible for a service failure, they are aware that they have caused the problem and thus do not deserve any compensation at all, independently of the severity of the failure. Therefore, for the “customer responsible” condition, an additional differentiation for failure severity would not lead to the development of hypotheses that differ from the ones presented below. These arguments lead to the following hypothesis:

H3: If the customer is responsible for the service failure, the manager intervention leads to lower SSR levels than all other types of non-monetary compensation.

These hypotheses will be tested in the empirical study presented below.

Empirical Study
Service Category, Sample, and Experimental Design. The service that we used in the empirical study was a dinner at a restaurant. We chose this service because it is characterized by both hedonic and utilitarian traits and because people go regularly out for dinner (in our sample: on average 3.78 times per month), and thus are familiar with this service category. We used scenarios to describe the dinner experience and chose waiting times that were longer than normal to manipulate the service failure. The reason for using waiting time to manipulate failure severity was that it often occurs in restaurants (Kelley, Hoffman, and Davis 1993; Lewis and McCann 2004) and can, if being too long, represent an important service failure.

The sample of the empirical study consisted of 978 Swiss respondents (58% women, 42% men). The age of the participants ranged from 15 to 73 years, the average age was 29.5 years. The study was based on a 4 (non-monetary compensation: explanation, apology, showing concern, manager intervention) × 4 (monetary compensation: gift, discount, store credit, refund) × 2 (responsibility for the failure: restaurant (not enough waiters available) vs. customer (was late)) × 2 (severity of the failure: low (waiting time of 55 minutes) vs. high (waiting time of 90 minutes)) design.

Test Scenarios. The basic scenario was: “It is Saturday evening and as you want to celebrate your partner’s birthday, you invite her/him to a fine restaurant. Afterwards it is planned to go to a concert of your favourite artist. You want to celebrate this evening in a perfect way because it is very important to you and your partner. You have reserved a table.” The additional scenario parts that were used to manipulate responsibility and severity were as follows.

Restaurant Is Responsible: “When you arrive on time and ask for your reservation, the waiter says: ‘Your table is not yet ready because we do not have enough staff today.’”

Customer Is Responsible: “On your way to the restaurant you realize that you have forgotten your concert tickets. Thus, you have to turn back home to get the tickets and you arrive much later at the restaurant than planned. When you ask for your reservation, the waiter says: ‘Your table is already taken and you will have to wait until another table is available.’”
Low (High) Failure Severity: “You will have to wait 15 (25) minutes until another table is available. Once your table is ready, the waiter informs you that you will have to wait another 20 (35) minutes to place your drink orders because other customers, who arrived before you, are served first. After you have placed your drink orders you continue to wait another 20 (30) minutes until you can place your meal order.”

The descriptions of the non-monetary compensation used for service recovery were: “Today the waiters are really overburdened because we are having much more customers than usually” (explanation, restaurant responsible). “As we told you when you made your reservation we only wait 20 minutes until we pass on the table. Saturday evenings are extremely busy at our restaurant. As you were considerably late you should have informed us to avoid such a long waiting time” (explanation, customer responsible), “we are sincerely sorry that you had to wait such a long time and we apologize for this inconvenience” (apology), “if the same happened to me I would also be angry” (showing concern), and “the waiter calls the manager, who introduces himself, and says: ‘In order to compensate you for the inconvenience …’” (manager intervention).

The descriptions of the monetary compensation used were: “…you are offered to choose either a bottle of wine or a candy box” (gift), “…you are given a 25% discount off your total bill” (25% discount), “…you are offered the same amount that you spent today for free for your next dinner at our restaurant” (store credit for future purchase), and “…we would like to pay for your dinner” (refund).

Procedure and Measures. The respondents were randomly assigned to two of the 64 groups resulting from the experimental design. Thus, each questionnaire contained two different scenarios. We combined scenarios that were as different as possible in the respective same questionnaire in order to achieve that the respondents processed and evaluated the scenarios independently of each other.

We asked the participants to go through the first scenario and put themselves in the role of the customer in the scenario. Then, they answered manipulation check questions followed by items that were intended to measure customer SSR. Afterwards, the respondents read the second scenario and completed the same scales as for the first scenario. Finally, they had to indicate how often they go out for dinner as well as to provide their age and gender. The order of the scenarios differed from respondent to respondent to counterbalance possible order effects.

In order to check whether the responsibility manipulation was successful, we used a 7-point bipolar scale ranging from $1 = “the restaurant is responsible for the service failure” to $7 = “the customer is responsible for the service failure”. In order to do a manipulation check for the severity manipulation, we measured the severity of the failure by three statements such as “I would feel really angry about the waiting time” (1 = strongly disagree, 7 = strongly agree; $\alpha = .89$).

Customer SSR was captured by three items such as “in my opinion, the complaint was treated in a satisfying way” (Alpha = .88) following the recommendations of Del Rio-Lanza, Vazquez-Casielles, and Diaz-Martin (2009). The high $\alpha$-values show that the items are appropriate to reliably measure the respective variables. Thus, for the further analyses, we used overall variable values that resulted from averaging the single items that were intended to measure the same variable.

Data Analysis and Results. The results of the manipulation check for responsibility show that the respondents clearly assigned the responsibility to the restaurant in the case of the scenario that described the restaurant responsibility and vice versa ($M_{\text{restaurant}} = 1.68$ vs. $M_{\text{customer}} = 4.78$; $t = 45.10$, $p < .001$). The results of the manipulation check for severity show that the respondents ascribed a significantly higher severity to the high severity scenario ($M = 5.37$) than to the low severity scenario ($M = 4.70$; $t = 10.25$, $p < .001$).

We used a two-step procedure for the data analysis. In the first step, we examined which combinations of monetary and non-monetary compensation generate the highest SSR (see Table 1).

The results in Table 1 basically show that the level of the monetary compensation has a significant effect on customer SSR, but the type of the non-monetary compensation does not have such an effect, and the interaction effect is not significant either. A look at the mean values shows that customer SSR is higher if they are offered a store credit for future purchases or a refund of the money spent, two types of compensation that are comparatively expensive for the service provider. This result pattern is stable across the different types of non-monetary compensation. Thus, customers clearly prefer the options that represent a higher monetary value from their perspective and this effect cannot be attenuated by using appropriate non-monetary compensation. Therefore, specifically combinations of monetary compensation that represent a higher value (such as store credit or refund) and any type of non-monetary compensation lead to high SSR levels. Thus, the results provide support for H1a, but not for H1b.

In the second step (see Table 2), we analyzed which types of non-monetary compensation lead to the highest SSR under
different responsibility and severity conditions. Note that we also looked at interaction effects of monetary and non-monetary compensation under the different conditions, but as adding the type of monetary compensation did not provide any additional insights, we deleted it from the second step of analysis to reduce complexity.

The results in Table 2 show that, if the restaurant is responsible for a less severe failure, all types of compensation lead to the same SSR level. Thus, H2b is supported. If the restaurant is responsible for a highly severe failure, the mean values suggest that the manager intervention leads to higher SSR levels than the other types of non-monetary compensation. However, only the pairwise mean value comparison between the manager intervention and showing empathy is significant. Thus, the results provide only partly support for H2a.

The mean values for the “customer responsible” condition suggest that the manager intervention leads to the lowest SSR level for both low and high severity. However, only one pairwise mean value comparison is significant, the one between the manager intervention and the apology for the condition of low severity. Thus, the data provide only partly support for H3.

<table>
<thead>
<tr>
<th>Non-monetary Compensation</th>
<th>Restaurant Is Responsible</th>
<th>Customer Is Responsible</th>
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<tr>
<td></td>
<td>Low Severity</td>
<td>High Severity</td>
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<tr>
<td>E</td>
<td>5.35</td>
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<tr>
<td>A</td>
<td>5.33</td>
<td>4.85</td>
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<tr>
<td>C</td>
<td>5.38</td>
<td>4.91</td>
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<tr>
<td>M</td>
<td>5.34</td>
<td>5.16</td>
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</tbody>
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Table 2. Interaction Effects of Non-Monetary Compensation, Responsibility for the Service Failure, and Failure Severity

Notes: E: explanation, A: apology, C: concern, M: manager intervention

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An additional interesting finding is that an apology of the service provider leads to the highest SSR in the situation where the customer is responsible for a less severe service failure. A possible explanation for this finding could be that it is difficult for customers to admit that they themselves are responsible for the service failure, even for a less severe failure. Thus, when evaluating service recovery measures, customers do not want to admit their own responsibility, which is easier for a less severe failure, and possibly also because they might see no necessity to admit it in their role as customers, and still expect the restaurant to apologize.

According to self-affirmation theory, people tend to keep a positive sense of the self-worth (Sherman and Cohen 2006). As argued by Dunn and Dahl (2012), consumers do so by shifting the problem from themselves to external sources. Therefore, receiving an apology from the service provider, which represents an admission of guilt, leads the “blamed” customer to feel his or her self-concept getting better.

**Conclusion**

The starting point of this paper was the observation that previous research did not provide results on the effectivenesst of systematic combinations of monetary and non-monetary compensations in the context of customers’ SSR as well as on conditions under which specific types of compensation are most effective. Therefore, we aimed to close this gap left by previous research by conducting a new empirical study in a restaurant context. We additionally included failure attribution and severity in the study to determine the appropriateness of different types of compensation under the conditions defined by these variables in the context of service recovery. The objective of these analyses was to identify the types of compensation that are most appropriate under specific responsibility and severity conditions in order to enable service providers to meet customers’ expectations with regard to service recovery and to thus avoid losing customers or to even engage them better than before.

The results regarding the interaction between monetary and non-monetary compensation indicate that customer SSR is higher if customers are offered a monetary compensation of higher value (e.g., store credit or refund). In this case, any type of non-monetary compensation that is combined with the monetary compensation leads to a high SSR level. In addition, no type of non-monetary compensation is able to enhance the effect of the less appreciated types of monetary compensation. Thus, in a service recovery situation, in which achieving high SSR levels is important, marketers should offer compensation of high monetary value. They should combine it with non-monetary compensation because without any measures such as an apology or an explanation, consumers are likely to feel that the service recovery is not complete. However, marketers should not believe that they can save money by offering monetary compensation of lower value in combination with non-monetary compensation.

The results regarding the appropriateness of different types of non-monetary compensation under specific responsibility and severity conditions reveal that, if the customer is responsible for the service failure, the manager intervention leads in tendency to lower SSR especially for low failure severity. A possible explanation could be that such an intervention makes the customer clearly aware of the fact that he himself is responsible for the service failure. As it is unpleasant to realize and admit this, a possibly positive effect of a service recovery effort of the restaurant is attenuated. Thus, service providers should choose types of non-monetary compensation other than the manager intervention in such a case in order to achieve the most positive customer reactions.

Another interesting finding for the “customer is responsible for a less severe failure” condition is that the apology of the service provider leads to the highest SSR level. Thus, in such a situation, the service provider should not send the manager, but instead apologize, even if it is the customer’s fault. As it might be difficult for service employees to apologize for something they did not do, they should be specifically trained on how to behave in such situations.

If the service provider is responsible for a highly severe failure, the manager intervention leads in tendency to higher SSR than other types of intangible compensation. Thus, in such cases, service providers should profit from the positive effects of the manager intervention and have the manager talk to the customer who faced the service failure.

If the service provider is responsible for a less severe service failure, all types of non-monetary compensations generate equally high SSR levels. A possible explanation for this finding could be that the customer does not expect considerable effort from the service provider because the failure is less important and is thus satisfied with all attempts of service recovery. In such a situation, the service provider can choose the type of non-monetary compensation that is most convenient from the service provider’s perspective.

To conclude, it can be recommended to carefully differentiate for the failure responsibility and severity when choosing non-monetary compensation strategies or when training employees on how to use such strategies. Such situation-specific service recovery enables marketers to achieve high SSR levels and thus to better engage customers.

As every study, this study also has some limitations. The study was conducted in a restaurant context and thus, the
results might only hold for services that are similar to restaurant services. Future research should analyze the questions examined here for other types of services. In addition, the service failure tested was excessive waiting time. Consequently, the findings might not be transferrable to other types of service failures. New studies could examine the questions analyzed here for such other types of service failures. Furthermore, future research should consider moderator variables other than the ones examined here, for example, service involvement or cultural characteristics of the service customers.

References


Drivers and Outcomes of Price Complexity: The Role of Service Type

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Keywords: price complexity, tariff preference, price simplicity, price perception, service type

EXTENDED ABSTRACT

Research Question
In this paper we describe three experiments comparing customer responses to complex prices between four services: banking, flights, health clubs, and mobile communication. Drawing on theoretical background (e.g., accuracy-effort approach) and existing research in this field, we investigate in study 1 whether consumers prefer simple tariffs over complex tariffs, given the same price. Additionally, we also consider the influencing role of service type on this relationship. In our second study we expect an effect of price ending regularity, number of price elements, and arithmetic difficulty on perceived price complexity. Further, we expect an impact of perceived price complexity on consumers’ tariff preference towards simple tariffs. In study 3 we propose that consumers are willing to pay more for simple tariffs, given the same offering. Again, we expect the service type to influence consumers’ willingness to pay for simplicity.

Method and Data
To test our hypotheses, we conduct three scenario experiments. Using data from two student samples (study 1, n = 604; study 3, n = 209) and one representative sample of the German population (study 2, n = 548), recruited through an online panel provider, we randomly assigned participants to the experimental cells in all experiments.

Study 1 examines the effect of objective price complexity (four levels) on tariff preference for simplicity concerning four services resulting in a 4 × 4 between-subjects design.

In study 2, we manipulated on the one hand price endings (even vs. irregular), number of price elements (2 vs. 6), and difficulty of arithmetic operations (low vs. high) as a manipulation for objective price complexity and on the other hand the four different services. We used a mixed design, with service type as within-subjects factor and tariffs’ price complexity design as between-subjects factor. Service order was randomized.

To test our hypotheses in study 3, we manipulated the price of the complex designed tariff (similar price, 10% less, 20% less, 30% less for the complex tariff) in the choice situation between the simple vs. the complex tariff across all services. We also used on open question to measure the consumers’ willingness to pay for simplicity.

Summary of Findings
Results of study 1 indicate a consumers’ preference for simple tariffs, given the same price. Moreover, results show a significant effect of objective price complexity level and a significant effect of service type on preference for simplicity. In addition, the resulting interaction effect is highly significant. Linking the concept of utilitarian (e.g., brokerage, flight service) versus hedonic (e.g., health club, mobile communication) motives of service consumption (e.g., Chandon, Wansink, and Laurent 2000) to the preference for simple tariffs, results indicate that consumers with hedonic motives are interested in avoiding a prolonged process of evaluating prices. Hence they prefer simpler tariffs more strongly than customers of utilitarian services.

Based on the data of study 2, we find that price endings have only a significant effect on the consumer’s perception of price complexity for health clubs and banking. The number of price elements has a significant impact on perceived price complexity for all services. In addition, results suggest an effect of arithmetic difficulty on perceived price complexity for health clubs, flights, and banking. Furthermore, we find...
support for our hypothesis that perceived price complexity has an effect on consumers’ preference towards simple tariffs for all services.

Results of the open question to measure consumers’ willingness to pay for simplicity in study 3 provide evidence for consumers’ willingness to pay a premium for simplicity, whereas this willingness is significantly higher for mobile communication compared to other services.

Key Contribution
The overarching contribution of this paper is that we seek to understand the effect of service type with regard to drivers and outcomes of price complexity perceptions. Previous research has either looked at price complexity in a single industry (e.g., the mobile phone industry in Homburg, Totzek, and Krämer 2013 or retail financial markets in Carlin 2009) or data was aggregated from multiple industries without analyzing potential differences (e.g., Bambauer and Gierl 2008; Bambauer-Sachse and Mangold 2009; Bambauer-Sachse and Mangold 2010). However, we expect that the type of service is likely to influence price processing. In particular, we compare four service industries: health clubs, flights, mobile communication, and banking services.

Against this backdrop, our paper makes three specific contributions to the literature. (1) In our first study we analyze how the type of service affects the link between price complexity and preferences for simplicity at similar prices. (2) In our second study we extend previous research by comparing three drivers of price complexity: price endings, number of price elements, and difficulty of arithmetic operations. (3) In our third study we seek to understand how service type affects the willingness to pay for simplicity by letting customers compare complex tariffs to simpler tariffs that come at a higher price.

References are available upon request.
Engaging Customers in Pricing—External and Internal Reference Prices in a Pay-What-You-Want Field Experiment

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Keywords: pay what you want, external reference prices, internal reference prices, field experiments, service marketing

EXTEMPED ABSTRACT

Research Question
Pay What You Want (PWYW) is a participative pricing mechanism in which a seller gives control over setting the price of a product (which may be a good or a service) to the buyer. The PWYW concept has become popular in online (e.g. music and video game downloads) and offline industries (restaurants, cafés, hotels, museums).

There are several variables that may influence the prices paid by consumers in a PWYW paying environment, such as fairness, satisfaction, price consciousness, and income. Because consumers evaluate prices against anchors, it is obvious that reference prices (either internal or external) will also be relevant for consumers’ PWYW payments. Companies can influence consumers’ price perception, judgment, and PWYW pricing behavior by managing external reference prices (ERPs). ERPs observed in PWYW practice and field experiments are the regular price of a product, the break-even price (both company-related), the average payment by prior customers and the best customer price of prior customers (both demand side-related). At least two questions, however, remain unanswered in the literature: Which ERP is most beneficial to companies? How do ERPs interlock with internal reference prices (IRPs) to form consumers’ PWYW payments? We address these research questions in our study.

Method and Data
We conducted a field experiment in a zoo near to a major city in Germany. We tested five treatments of ERP information in a between-subject design: 1) no ERP (control treatment), 2) the regular price, 3) the break-even price, 4) the average payment of the previous period, and 5) the best customer price of the previous period. Each ERP information was printed on one of five different questionnaires, respectively, that were randomly assigned to customers showing up at the entrance to the zoo. N = 9,990 visitors participated in our study.

Kolmogorov-Smirnov-Lilliefors normality tests (for the whole sample and treatment subsamples), jumps in the PWYW frequency distribution at even amounts, and considerable skewness indicate that “PWYW price” is a non-normally distributed variable. To avoid an inflation of Type I error (α), nonparametric ANOVAs are used, which are based on multiple pairwise comparisons of means. We conduct both a confirmatory analysis (with the Holm procedure) and an exploratory analysis (with the step-up procedure by Benjamini & Hochberg) using Mann-Whitney U tests.

Summary of Findings
We show that customers pay most on average if the break-even price is provided as an ERP. The break-even price triggers a “lower bound” payment effect that forces consumers to pay more than consumers who get informed about the regular price (even if the regular price exhibits the same price level). In contrast to recent work in the literature, we find that customers who do not receive any ERP information, pay the lowest amounts (on average) of all treatments.

In the case of company-related ERPs (regular price, break-even price), customers pay more if the ERP is perceived to be helpful. This result reverses in the case of the demand side-related best customer price. While company-related ERPs may provide “serious hints for payments”, the best

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customer price may indicate the “degree of financial success” of the PWYW campaign. Hence, some customers (perceiving the best customer price to be helpful) try to balance a successful campaign by paying little. Furthermore, while customers pay less if the regular price drawn from memory (as an IRP) is available, they pay more if this available IRP is also helpful to them.

**Key Contributions**

The paper contributes to the literature on reference prices and PWYW pricing in at least three ways: First, our research extends the existing literature by introducing the concept of reference prices’ *helpfulness*. We show its impact in a PWYW context, as it explains more variance in the data than the well-established concept of *availability*. This holds both for ERPs and IRPs, respectively. A reference price is referred to as helpful if the consumer considers its information to be relevant (by exploring the semantics), and if it reduces the required cognitive effort of the consumer’s price decision (by providing a numerical anchor).

Second, we identify the most beneficial ERP in a PWYW context. It is the “break-even price”, which has several advantages: Customers perceive it to be helpful to decide on price. Also, it is most profitable to the company in the short-term, and it avoids strengthening the customers’ reference price knowledge which may yield to declining PWYW payments in the long-run. Third, we contribute methodologically to the PWYW literature by analyzing PWYW prices with non-parametric statistical methods (multiple pairwise comparisons) due to the unambiguous evidence that “PWYW price” is a non-normal distributed variable.

*References are available upon request.*
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The “Rise and Fall” of Charles Schwab: Explaining the Positive and Negative Effects of Dynamic Capabilities Using the Service-Dominant Logic

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Keywords: dynamic capabilities, resource-based view, service dominant logic

EXTENDED ABSTRACT

Research Question
How can firms transform their key resources in fast changing business environments, recognizing that resources are enduring, complex and difficult to change? What are the consequences of being insufficiently adaptive?

Method and Data
We illustrate our framework through a longitudinal case study of Schwab’s retail operations transformation over seventeen years that includes its extended rise in the retail brokerage business followed by a rapid decline.

Summary of Findings
We make a distinction between two types of capabilities - operational and dynamic - and show the different role that each type plays in creating a competitive advantage in service dominant logic. Second, we explain the process through which dynamic capabilities lead to the creation of a competitive advantage. Our framework adds the concept of strategic flexibility advantage, along with the more traditional notions of cost advantage and customer value advantage. More specifically, we find that two distinct dynamic capabilities - architectural capabilities and absorptive capabilities - lead to the creation of a strategic flexibility advantage when they are appropriately aligned.

Key Contributions
We incorporate strategic flexibility advantage as a mediator that explains the direct impact of dynamic capabilities on performance in service-dominant logic. Possession of dynamic capabilities does not guarantee either strategic flexibility or superior organizational performance. The creation of a strategic flexibility advantage relies on the fit between the knowledge absorbed from the environment and the nature of architectural capabilities currently in place. We explain that two distinct dynamic capabilities—architectural capabilities and absorptive capabilities—lead to the creation of a strategic flexibility advantage when they are appropriately aligned.

References are available upon request.

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Determinants of Cross-Channel Integration Strategy: Evidence from the U.S. Retail Sector

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Keywords: retail channel strategy, multi-channel retailing, cross-channel integration, determinants

EXTENDED ABSTRACT

Research Question
Retailers often follow a stage-adopt model, gradually shifting from silo to full integration of their different channels. Despite increased attention, theoretical and empirical knowledge of cross-channel integration strategy remains limited and offers few insights to help top managers in retail to make the right decision in integrating their different channels at the right level. Two particular problems exist with the previous literature. First, the majority of studies either are descriptive (Zhang et al. 2010) or draw on a wide range of determinants of cross-channel integration strategy. This resulting lack of a comprehensive theoretical base to explain the degree of integration of cross-channel strategy makes it difficult to integrate findings from different studies into a coherent body of knowledge. Second, Most studies adopt limited dimensions (Oh, Teo, and Sambamurthy 2012; Schramm-Klein and Morschett 2006) or simply aggregate these various dimensions to reflect the degree of integration of cross-channel strategy (Pentina and Hasty 2009; Steinfield, Adelaar, and Liu 2005), which makes it difficult to distinguish the relative importance of each dimension. In this article, we address these two problems. We develop and empirically assess the degree of integration of the cross-channel strategy, as well as its determinants.

Method and Data
In this study, we investigate the determinants of cross-channel strategy in 91 U.S.-based retail firms over a four-year period, from 2008 to 2011 inclusive. We adopt the qualitative method of grounded theory to develop a coding schema for analyzing the level of cross-channel integration strategy. We used the reoprob program developed by Frechette (2001) to carry out the random-effects ordered probit model estimation to identify the drivers of firms’ cross-channel integration strategies, which is based on the panel data from 2008-2011. Furthermore, we are interested in how the relative impacts of different drivers evolve over time. For this purpose, we conducted an additional analysis, separately running two ordered probit regressions for the years 2008 and 2011.

Summary of Findings
From the whole model from 2008 to 2011 year, we observed that the variables of competitive action, net-enablement age are positively and significantly related to the cross-channel level. Furthermore, we observed that firm size and retailer’s banner strategy were negatively significantly and related to cross-channel integration level. The relationship between exclusive brand strategy and cross-channel integration is not significant, according to the regression model. The Herfindahl index, which represents competitive intensity, is negatively related to the cross-channel level. However, this negative relationship is also not significant.

From the model for the years of 2008 and 2011, we observe that the variable of industry competition action is always significantly and positively related to the cross-channel integration strategy, although its impact decreases over time. According to the results of the model for 2008, industry competition action is the strongest predictor of cross-channel integration strategy. However, it is no longer the most important in explaining cross-channel integration strategy in 2011, even though its coefficient remains positive and significant. By contrast, the variables that represent the firm’s capabilities (i.e., exclusive brand, multiple banner and multi-
format) become stronger predictors of cross-channel integration strategy in the regression model for 2011.

**Key Contributions**
Our study makes three contributions to knowledge in this increasingly important domain. First, we integrate the institution-, resource- and industry-based views into a cohesive theoretical model of the determinants of cross-channel integration strategy. We suggest that industrial factors have less of an impact, but that the institutional factor has a strongly determining effect. Our findings also present empirical evidence that the significance of the factors on firms’ adoption of a cross-channel integration strategy varies with the stage of the technology. Second, we refine the concept of the cross-channel integration strategy and the measures of its degree. In contrast with previous studies, our measurement fully identifies the relative importance of each dimension to the degree of cross-channel integration. Third, our study provides retailers with guidelines to support their strategic decision on the level of cross-channel integration.

References are available upon request.

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Keywords: business performance, channel strategy, multichannel management, retailing

EXTENDED ABSTRACT

Research Question
It is not clear whether selling products through multiple channels is a promising strategy. Multichannel retailers are often expected to be more successful than single-channel firms (Ansari, Mela, and Neslin 2008), but research results are inconsistent. Whereas some studies report positive effects of using multiple channels on firm performance (e.g., Geyskens, Gielens, and Dekimpe 2002), others find no significant effects (Lee and Grewal 2004) or even negative effects (Pentina, Pelton, and Hasty 2009). This is in line with real life examples: Some single-channel retailers outperform multichannel competitors (e.g., Amazon.com), many retailers have problems with implementing multichannel strategies (e.g., JC Penney), and others went out of business after having failed to implement a multichannel strategy (e.g., Borders). On these grounds, it seems crucial to better understand the mechanisms and conditions in which channel strategies lead to higher firm performance, rather than saying that a multichannel strategy in general is more or less successful.

Summary of Findings
Above and beyond differentiating between single- and multichannel strategies as such, we distinguish between multichannel strategies which either combine similar (substitutive) or distinct (complementary) channels and find that both can be reasonable strategies. We theoretically elaborate mechanisms which facilitate or impede firm success when implementing multichannel strategies, with specific mechanisms being more probable to occur in certain conditions. Considering facilitating mechanisms on the demand side, multichannel strategies can increase customer loyalty, acquisition, and customer profitability. On the supply side, economies of scale and scope can be achieved. Impeding mechanisms are brand dilution, cannibalization, and customer switching on the demand side, and channel-related costs and coordination costs on the supply side.

We propose a comprehensive contingency framework which demonstrates when multichannel strategies are recommendable and use strategic triangle theory to identify moderators related to the company, competitors, and customers. We find that implementing multichannel strategies, especially complementary channels, is recommendable when retailers sell experience goods (instead of search goods), pursue a differentiation strategy (instead of cost leadership), and have a strong brand and dynamic capabilities. Further, multichannel strategies are more promising when only few or all competitors provide multiple channels, channel-related competitive intensity is low, the market is instable, and customers purchase the products frequently.

Key Contributions
Our study contributes to extant research in three ways: First, we consider channel strategies in a generalizable manner by distinguishing between single and multiple channels and two types of multichannel strategies (i.e., substitutive or complementary). Current findings are often related to the addition of particular channels and no study considers how these channels are interrelated. Firms, however, are faced with more
complexity than “only” adding one specific channel, and it is important to understand how to optimize channel strategies.

Second, we identify mechanisms of a multichannel strategy that facilitate or impede business performance. Although some studies discuss advantages and disadvantages of Internet additions, we are not aware of any comprehensive overview of mechanisms that lead to multichannel success or failure. Such an overview can be a basis for future research and help managers to identify critical success factors.

Third, we review the literature on multichannel management, strategic management, and performance research to develop a model on the link between channel strategy and firm success. Due to contradictory findings, we are less interested in main effects of channel strategies, but rather believe that contingencies matter. Drawing on strategic triangle theory (Ohmae 1991), we identify relevant moderators for multichannel success that have not been researched yet.

References are available upon request.
Unique Theories, Moderators, and Outcomes of Cognitive and Affective Identification

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Keywords: cognitive identification, affective identification, commitment, salience

EXTENDED ABSTRACT

Research Question
Recent research acknowledges that identification is comprised of cognitive and affective dimensions yet most research is limited to the cognitive component (Lam 2012). In addition, little to no research specifies whether the two dimensions result in separate consumer-based outcomes. We attempt to clarify this ambiguity by focusing on the relevant self-motives for each dimension. In accord with recent theory (Johnson, Morgeson, and Hekman 2012; Lane and Scott 2007), each identification dimension is linked to a separate self-motive (i.e. uncertainty reduction and self-enhancement) and a separate aspect of a person’s self (i.e. self-concept and self-esteem). As a result, cognitive and affective identification are evidenced by the current research to: 1) conform to different theories, 2) result in separate outcomes and mediators, and 3) change based on different moderators. In other words, capitalizing off of cognitive and affective identification requires marketers to engage different marketing strategies.

Method and Data
Two studies were undertaken to test different aspects of the proposed framework. Study 1 tests the overall framework including the roles of affective commitment and identity salience as mediators between cognitive and affective identification and their resulting outcomes including repatronage and money expenditure. Study 1 is a two wave cross-sectional survey. The second part that focuses on shopping behaviors was administered two weeks after the first part that focuses on the psychological constructs. A total of 804 customer-company relationships are examined in the first wave and 142 are examined in the second wave. Study 2 is also a cross sectional survey but it focuses on moderators of the relationship between cognitive identification and identity salience as well as affective identification and commitment. A total of 514 respondents from an online panel are used to assess a total of six moderators.

Summary of Findings
Study 1 supports the proposed framework. The effect of cognitive identification on repatronage behavior is fully mediated by identity salience and the effect of affective identification on total money expenditure is fully mediated by commitment. One unexpected finding is that cognitive identification has an effect on commitment over and above that of affective identification. As a result, the effect of cognitive identification on patronage behavior is also mediated by commitment.

Study 2 further supports the proposed framework by evidencing how the effects of cognitive and affective identification on their mediators is influenced by separate moderators. The effect of cognitive identification on identity salience is moderated by identity enhancers such as a consumer’s self-concept clarity, an organization’s distinctiveness, and the extent an organization provides identity synergy to a consumer. In contrast, the effect of affective identification on commitment is moderated by relationship stabilizers such as an individual’s level of identity knowledge about an organization, the amount of trust an individual has in an organization, and the degree of attachment anxiety in an individual.

Key Contributions
Cognitive and affective identification requires a different mindset in order to maximize revenues from current cus-
tomers. For cognitive identification, marketers must focus on binding the organization to the consumer’s self-concept. This binding goes beyond creating a personality for an organization in the hopes of being attractive to a certain market segment. Because individuals have complex self-concepts with multiple identities, organizations must represent and enable these multiple identities. As an example, a zoo was found to enable identities of a volunteer, friend, religious person, and animal lover (Fombelle, Jarvis, Ward, and Ostrom 2011).

For affective identification, marketers must focus on the positivity of the organization and ensuring consumers’ that the self-enhancement properties of the organization will persist into the future. Thus, marketers seeking to capitalize on affective identification in customers need to increase customers’ knowledge of the organization’s identity and their trust in the organization. The self-perception of knowledge can be increased by informing customers about different aspects of the organization or by touting the entirety of an organization is represented in a certain phrase or image.

References are available upon request.
Social-Cue Relevant Product Features and Consumption: The Mediating Role of Brand Communities

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Keywords: consumption, brand community, social signs, social identity, product features

EXTENDED ABSTRACT

Extant research has often focused on product purchase (Jacobson & Aaker, 1987; Tellis, Yin, & Niraj, 2009), assuming that these measures of product adoption are synonymous with consumption. However, product purchase and product consumption represent different stages of a consumer’s experiences with a product (Holbrook & Hirschman, 1982), and for some classes of goods, the two do not occur simultaneously. While the influences of product features and brand communities on purchase have been identified, consumption may be governed by different factors.

Social-cue relevant product features have the potential to provide social benefits through communicating “signs” that provide signals for specific social norms or expectations (Goffman, 1959). Signs that communicate appropriate social behavior, and those that enhance an individual consumer’s social status (Goffman, 1959) are especially important. Both signs provide consumers with key information that aids their enactment of the appropriate role in their consumption of the product. The presence of brand communities, “based on a structured set of social relationships among admirers of a brand (Muniz & O’Guinn, 2001),” suggests that social interactions around a product yield product benefits that are not the direct result of an increase in a product’s functional utility.

Research Question

Social-cue relevant product features serve as signs that promote consumption of the product by facilitating the socially-constructed consumption experience, thus enhancing self-esteem and reinforcing future social behavior (Goffman, 1959), suggesting that products that include social-cue relevant features that signal (a) social norms or (b) social status will be associated with higher levels of product consumption compared to those products that do not include those features.

The influence of brand communities takes time to develop, as social communities evolve and expand. Thus, brand community influences should be more pronounced in consumption environments where the likelihood of interaction increases as the product is consumed over time. Thus, it is expected that higher levels of brand community activity will be associated with higher levels of consumption.

However, to the degree that product features that serve as signs facilitate brand communities, these social communities mediate the relationship between features and consumption. Such product features should increase post-purchase consumption because they facilitate the growth of brand communities that themselves provide benefits to the consumer over repeated consumption. Thus, brand community activity will mediate the relationship between (a) social norm signaling product features or (b) social status signaling product features and the level of consumption.

Method and Data

Data was collected from the industry leader in online computer game sales, over the course of a month. Collected at the product level, data included consumption information (consumers playing the game), a number of measures of brand community activity, product quality, and two different social-
cue relevant product features, as well as a number of covariates including time on market, and nine game genres. OLS Regression was conducted on the hypothesized relationships. The proposed mediation was tested utilizing the methodology established by Baron & Kenny’s (1986) test of mediation.

**Summary of Findings**

Initial results supported the hypotheses that product-specific social norm sign features and social status sign features have a positive impact on consumption. Contrary to the findings from the product purchase context, product quality appeared to have no additional influence on product consumption beyond that already accounted for from purchase. Further, brand community activity has a primary influence on product consumption not previously established in product purchase. In addition to the direct influence of brand communities on consumption, it was found that brand community activity partially mediated the relationship between product features that signal social norms and consumption, and fully mediated the relationship between product features that signal social status and consumption.

**Key Contributions**

The results of this study suggest that socially-related product features and brand communities each play critical roles in post-purchase consumption. Social-cue relevant product features influence the level of product consumption through brand communities. These product features increase brand community activity and provide consumers the opportunity to manage their social identity, consumer-brand identification, and increase status, in addition to directly increasing consumption in the case of social status sign features.

Supplementing the finding that brand communities have little effect on product adoption (Gruner, Homburg, & Lukas, 2013; Thompson & Sinha, 2008), the results in this study indicate that brand communities play both an important direct and mediating role in post-purchase consumption. This provides evidence that the drivers of purchase behavior may differ markedly from those for consumption when purchase and consumption are not simultaneous.

*References are available upon request.*
A Conceptual Framework of Customer Multichannel Behavior in a Social Multichannel Environment

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Keywords: Twitter, Facebook, social media, multichannel management

EXTENDED ABSTRACT

In today’s competitive environment, companies provide customers with new channels by which to interact and communicate with the company (information channels) and to make a purchase (distribution channels). The rapidly increasing use of social media (such as Facebook and Twitter) has attracted companies’ interest in experiencing new ways to connect with customers. However, the increasing complexity in managing and integrating multiple channels create new challenges for companies. The existing literature on multichannel management has mainly focused on customers’ use of two channels, although multichannel behavior is even more complex (Heintz-Spahn, 2013). In addition, literature investigating information channels is rather scarce (Dholakia et al., 2010).

Research Question
This research aims at investigating customer multichannel behavior in a complex multichannel environment, that encompasses also the use of social media such as Facebook and Twitter to contact the company. The focus is on Customer Initiated Contacts (CIC) to look for company’s information.

Method and Data
The research is based on qualitative interviews of customers of a major European telecoms operator who have used Twitter and Facebook to contact the company.

Summary of Findings
The research finds that Twitter and Facebook users display a different behavior. In addition, customers’ goals for their multichannel behavior are critical elements of analysis to explain and understand such behaviors.

Key Contributions
This research contributes to the emerging field of research in customer multichannel behavior by analyzing a complex multichannel environment that includes also social media, such as Twitter and Facebook, to contact the company.

References are available upon request.

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Marketing's Transformation of Big Data into Strategic Insights and Business Performance: A Qualitative Approach

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Keywords: Big Data, grounded theory, wisdom hierarchy, marketing analytics

EXTENDED ABSTRACT

Research Question
The shift to customer-centric strategies and the resulting increase in customer data provide an opportunity for marketing to expand its impact on overall corporate strategy. Firms have access to a greater volume and variety of data than ever before from sources such as customers, transactions, social media, and other stakeholders, in addition to a need for more proactive and real time analysis and decision making (Schroeck et al. 2012). The term Big Data captures this large increase in data availability and advanced analytics. However, marketing leaders struggle with exactly what the term means and if and how Big Data should be implemented to improve overall business performance. To address this dynamic, we examine the following research questions: How do managers define Big Data? What factors determine firms' marketing analytics capabilities and needs? What are the specific transition factors that enable firms to implement a Big Data strategy?

Method and Data
To explore these questions, we employed a grounded theory approach. Since Big Data is a large and evolving concept consisting of a number of diverse perspectives, this approach allowed us to collect insights from a variety of different viewpoints and build theory through an iterative process of data collection and analysis (Glaser and Strauss 1967).

We collected data through a series of interviews with marketing managers and industry consultants for theory and construct development. We relied on convenience sampling to identify potential interviewees and used the data gathered from informants to better define the research questions and develop a conceptual model. A protocol document was created to guide the interview process and ensure the consistent coverage of relevant topics during the interviews. The protocol was refined throughout the interview process based on previous responses.

Summary of Findings
Using the wisdom hierarchy from the MIS literature as the theoretical foundation, we developed a data driven decision making hierarchy that consists of four distinct decision types: Highest Paid Person's Opinion (HIPPO), Historical, Inquiry, and Predictive. At the bottom end of the hierarchy, HIPPO decision making, firms incorporate minimal data into decision making, however, as firms incorporate information, knowledge and wisdom into the decision making process they arrive at the highest level of the hierarchy, Predictive decision making.

Based on the data driven decision making hierarchy, we next identified a series of hierarchy factors that determine where firms fall within the hierarchy and the various activities that a firm must undertake in order to progress to a more advance decision making stage. The hierarchy factors include external components such as firm size and age, the market environment and the level of competition, and internal factors such as organizational structure, structural alignment, inter-departmental dynamics, and organizational commitment. Through a card sorting exercise, we then identified four transition factors that enable firms to evolve from one level of data driven decision making to the next. These four factors...
are data integration, analytics, capabilities and resources, and organization and strategy.

**Key Contributions**
This study contributes to the marketing literature by taking a complete view of Big Data and its role in marketing strategy and firm performance. The contributions are as follows. First, by developing a data driven decision hierarchy, we provide a unique model of how firms vary in their use of data and marketing analytics for decision making. We identify distinct characteristics of the data and tools used at each level. Second, we detail several factors that determine a firm’s ability to incorporate advanced marketing analytics. The popularity of the term Big Data in the business press has many firms exploring Big Data strategies, but incorporating such a strategy may not make sense in terms of need or capabilities. Finally, we specify transition factors that enable a firm to incorporate a higher level of data and marketing analytic capabilities. The combination of data, analytics, organization, and resources all influence the time and resources necessary to incorporate a Big Data strategy.

*References are available upon request.*
Do They Appreciate, Ignore, or Dislike What Marketing Has Created? Investors’ Stock Price Reaction to the Reporting of Marketing Assets

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**Keywords:** marketing assets, balance sheet reporting, disclosure, event study, investors’ stock price reaction

**EXTENDED ABSTRACT**

Investors’ stock price reactions are taken as signals by top managers to evaluate the favourability of their strategic decisions and they learn from these reactions and adjust their decision making accordingly (Campello and Graham 2013; Galeotti and Schiantarelli 1994; Goyal and Yamada 2004). If marketing wants to understand its strategic importance in the firm, which a number of marketing studies (e.g., Day and Montgomery 1999; Lukas, Whitwell, and Doyle 2005; Varadarajan and Jayachandran 1999) see at risk, it is important to understand how stock prices react to outcomes of firms’ marketing investments, i.e. marketing assets such as brands, customer relationships, and marketing license agreements.

It should be alarming to the marketing discipline that the few existing empirical studies (Fornell et al. 2006; Iitner and Larcker 1998; Iitner, Larcker, and Taylor 2009; Ivanov, Joseph, and Wintoki 2013), which all investigate stock price reactions to news on changes in firms’ customer satisfaction ratings published by the American Customer Satisfaction Index (ACSI), by the majority find no general stock price reaction. These findings should be alarming as they may imply that investors do not readily see the economic benefits of improvements in customer satisfaction or, more grave, in marketing assets in general (as satisfied customers are arguably one of the most important marketing assets).

**Research Question**

Given the importance of the issue and the mixed empirical evidence outlined above, this study aims to recast the research on investors’ stock price reactions to marketing asset news. To do this, stock price reactions to firms’ reporting of marketing asset values on their balance sheets are investigated. The aim is to find out whether investors react positively, not at all, or negatively to such reporting.

Focussing on investor-directed communication of firms (as opposed to third parties such as the ACSI) ensures that the release of marketing asset information is a highly salient event for investors. High salience of the source is important, as investors can only react to information that they are aware of. Balance sheets are particularly in investors’ focus as they contain important information about firms’ current state and performance. Also, this study investigates investors’ reactions to reports on a diverse set of marketing assets. Focussing simultaneously on many different marketing assets (instead of one in particular) helps to ensure that the results are transferable to marketing assets in general and are not subject to specificities of single marketing assets.

**Method and Data**

This study builds on a novel dataset, which comprises 306 balance sheets of Australian publicly listed companies published between 1990 and 2005. Before the introduction of new accounting standards (IFRS) in 2005, Australian publicly listed companies were allowed to include on their balance sheets a range of marketing assets, such as brands and customer bases, irrespective of whether these assets were acquired (this is also allowed in influential accounting standards such as IFRS and US-GAAP) or self-created (this is not allowed in IFRS and US-GAAP). This conducive environment for marketing asset reporting makes the Australian...
context particularly interesting for this study. Nevertheless, as marketing asset reporting is also possible under IFRS and US-GAAP, the findings almost certainly can be transferred to these contexts as well.

The event study methodology (e.g., Fama et al. 1969; MacKinlay 1997) is employed to isolate over a short event window stock price returns that can be attributed to the release of the balance sheets in the sample. Then, a multivariate regression analysis is used to isolate the part of stock price returns that is marketing asset related (by controlling for effects of a range of accounting measures as well as year- and industry-specific effects). Following Ivanov, Joseph, and Wintoki (2013), investor expectations regarding the reported marketing asset value are modelled with an autoregressive model to isolate the ‘surprise’ component of (or unexpected change in) the reported marketing asset value.

**Summary of Findings**

The findings of this study indicate that investors do react to unexpected changes in marketing asset values reported on balance sheets. The results show that more positive unexpected changes in marketing asset values from one year to the other are significantly (p < .05) associated with more positive stock price returns to the balance sheet release.

This result is found after controlling for effects of a broad array of control variables related to firms’ levels of and unexpected changes in profitability, revenue, assets, liabilities, and financial leverage as well as related to year- and industry-specific effects. Also, the finding is stable against the exclusion of single observations and entire parts (10%) of the dataset.

**Key Contributions**

This is the first study that can demonstrate that investors react to new marketing asset information other than customer satisfaction scores released by the American Customer Satisfaction Index (ACSI). Hence, this study supports the notion that investors do not ignore news about marketing assets (which was of concern given mixed findings regarding stock price reactions to ACSI scores) but factor-in such information into stock prices instantly. As the analysis reveals a statistically significant positive association between unexpected changes in marketing asset values and stock price returns, investors seem to appreciate marketing asset improvements (and dislike deteriorations).

As a very important practical implication, this study calls managers attention to the fact that shareholder value creation with marketing assets is a two-step process. It is not sufficient to solely create and nurture marketing assets, but improvements in these assets also need to be communicated to financial markets. The findings of this study indicate that reported (unexpected) improvements in marketing assets can create shareholder value. Conversely, non-reported (unexpected) improvements compromise shareholder value. Therefore, this study makes a strong case for a more extensive marketing asset reporting by firms that are improving on these assets.

*References are available upon request.*
Marketing Investment Selection and Effectiveness in Growth-Oriented Private Firms: Source of Capital and Market-Based Assets as Contingent Variables

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Keywords: investment, marketing activities, market-based assets, capital structure, marketing effectiveness

EXTENDED ABSTRACT

Research Question
“Marketing investments” have attracted increasing attention in the marketing literature recently. However, despite the increasing interest in this topic, several aspects of marketing investments remain underresearched. Firstly, the selection and effectiveness of selected marketing investments in terms of goal attainment have not received much attention (cf. Kahn and Myers 2005). Second, studies have largely ignored the roles that sources of financing and market-based assets (e.g., customer relationships or brand equity; Srivastava, Fahey and Christensen 2001) play in influencing the investments and/or their performance outcomes. Third, firms where marketing investments potentially play a highly strategic role—growth-oriented private firms not listed on the stock market (cf. Asker, Farre-Mensa and Ljungqvist 2012; Eisenmann 2006)—have been understudied when it comes to marketing investments. Against this backdrop, the present study addresses these research gaps by investigating the following research questions:

1. How do configurations of the source of funding and existing strategic factors such as market-based assets affect the selection of marketing investments in growth-oriented private firms?

2. What configurations of marketing investments, sources of funding, and strategic factors such as market-based assets are effective in attaining growth?

Method and Data
As apparent in the above research questions, we adopt a configurational research approach focusing on the combinations of a number of contingency factors (e.g., Fiss 2007; Ragin 2008) and their outcomes. In examining the research questions, we utilize (a) in-depth survey data and (b) objective data on financial performance measures of 200 growth-oriented and internationalizing private firms, analyzed through regression analysis as well as a novel configurational method—fuzzy-set qualitative comparative analysis (fsQCA) (cf. Fiss 2007; Ragin 2008).

When building our survey instrument for investment in marketing activities, we built on the framework of Srivastava, Shervani and Fahey (1999) that defines marketing phenomena as embedded in three core business processes including product development management (PDM), supply chain management (SCM) and customer relationship management (CRM) processes. From a List of potential Investment Targets (41 items in total), we asked in which two activities a firm had invested most funds from a specific capital injection the firm had received prior to global recession. Regarding market-based assets, factor analysis provides the empirical basis for assessing the structure of market-based assets and creating composite measures of market-based asset structure for further analysis (cf. Hair et al. 2010, p. 99).

Summary of Findings
In terms of first research question, statistically significant (at .05 level) interaction effects from stepwise logistic regression provide initial evidence that configurations of contingent variables explain the selection of marketing investments in growth-oriented private firms. The results reveal, for example, that firms with high share of entrepreneur’s own money in the capital injection and no product/service on offer invest
more likely in CRM than firms with high share of entrepreneur’s own money and product/service on offer.

The results regarding the second research question provide initial evidence that effective money spending depends not only on source and purpose (Sheth and Sisodia 2002) but also on strategic factors such as market-based asset structure of a firm. Specifically, regarding PDM investment the results suggest that the investment-outcome relationship should not be examined in isolation (cf. Erickson and Jacobson 1992; Eusebio, Andreu and Belbeze 2007). The relationship is clearly conditional on firm-specific factors such as asset structure and source of capital allocated as a PDM investment. Results also show that CRM spending as such does not have positive impact on profitability (Palmatier, Gopalakrishna and Houston 2006). Effectiveness of CRM investment clearly depends on the aforementioned firm-specific contingencies.

**Key Contributions**

Although the assertion that marketing activities create financial value is well accepted, marketing practitioners historically have found it difficult to measure and communicate to other functional executives and top management the value created by investments in marketing activities. Prior studies that assess the effectiveness of marketing investment typically have addressed the issue by examining simple, isolated relationships between CRM related activities and firm performance, but relatively little has been said about how combinations of firm-level factors influence investment in marketing activities. It is this gap we have addressed by empirically examining how combinations of firm-level factors influence various types of marketing investments. As such, the current research enthusiastically answers to the call of Luo (2008) for a contingency theory of the marketing–finance interface. Specific to this paper is also that it answers to the concerns of Srivastava, Shervani and Fahey (1998) by extending and broadening theories of marketing to include developments in finance literature, and by explicitly incorporating market-based assets as an input to marketing investment selection that influences financial performance measures.

References are available upon request.
Board of Marketers: The Impact of Board-Level Marketing Experience on Firm Performance

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EXTENDED ABSTRACT

Research Question
The role of marketing in the organization and its influence on strategic decision-making is a persisting question among marketing scholars. Despite the interest in marketing at the strategic level of the firm, there has yet to be an investigation into whether and under what conditions marketers at the very top of the firm (i.e., on the board of directors) may impact the firm’s performance. This research investigates how, and under what environmental conditions, marketing experience on the board of directors can impact the firm’s financial performance. We argue that marketing experience provides unique expertise relative to other functional backgrounds more commonly found on boards (e.g., finance, accounting, law, etc.) and we present an environmental contingency model in which a firm’s competitive environment determines whether board-level marketing experience positively or negatively impacts firm performance.

Method and Data
The Securities and Exchange Commission requires every publicly traded U.S. company to file a form DEF 14A ("proxy statement") prior to the annual shareholder vote. Since a key shareholder right is to elect the board of directors, each nominated board member is listed in the proxy statement along with relevant information necessary to make a voting decision, including the prospective board member’s prior functional experience, company experience, and titles. We manually extracted all board member biographies for every firm consistently listed in the S&P 1500 for the four-year period from 2007 through 2010 and content-analyzed them for evidence of executive-level marketing experience. This yielded 44,072 board member biographies across 1,165 firms. All other data related to boards of directors (i.e., income, age, gender, stock ownership, external board positions) were obtained from the RiskMetrics database. Firm-level and industry-level financial data were drawn from the Compustat database.

Summary of Findings
We find that under conditions of low demand growth and high demand instability (high market uncertainty) marketing experience on the board exerts a positive impact on firm performance. However, under conditions of high demand growth and stable demand (low market uncertainty), marketing experience actually has a negative impact on firm performance. We contend that high market uncertainty requires demand generation skills, which marketers uniquely bring to a company. With only 1.7% of all board members having marketing experience, these individuals bring unique expertise to boards, which are often replete with monitoring-focused experience (e.g., finance/accounting, legal, etc.). Marketers can uniquely contribute at the most strategic level of the firm by bringing knowledge, skills, and experience related to demand generation activities when those capabilities are in the greatest need.

Key Contribution
Our findings of such a low presence of marketing experienced executives on boards (1.7%) should be surprising to marketing scholars and executives alike. Prior research indicates the value that marketing and marketers operationally contribute to firm performance, but those at the very top who lead the firm’s overall strategic direction and resource allocation do not believe that marketing experience at the board level is important. Board of director members have stated that marketing experience is of little import at the most strategic level of the firm (National Association of Corporate Directors 2011), and the paucity of marketers on boards

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reflects this belief. As upper echelons theory suggests, the firm is a reflection of its top leaders, and this research explains the conditions under which marketing experience at the board level increases firm performance. These findings illustrate that when the firm faces high market uncertainty, performance can be enhanced by adding marketing experience at the board level. This is significant for marketing scholars as they explore the mechanisms through which marketing expertise impacts corporate strategy and firm performance, for CMOs as they manage their careers, and for board nominating committees and voting shareholders as they identify and select board members.

References are available upon request.
Which Price Is Best? The Impact of Pricing on Consumer Decision-Making and Evaluations of Premium Private Labeled Brands

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Keywords: pricing, private labeled brands, product evaluation, retailing

EXTENDED ABSTRACT

Research Question
Many retailers have differentiated their private label portfolio in the last years. Highly intense competition, changing customer needs, and the low return on sales in growing sales areas characterize the food retail sector. One option to position oneself in this environment offers the creation of a premium private label portfolio (Ailawadi et al. 2008).

From a scientific perspective, with a focus on normative decision theory, the question arises which product attributes (e.g., price, taste, packaging) are relevant for consumers’ with regard to the evaluation and the purchase of premium private labeled products or brands. For example, consumers often conclude that a certain price of a product implies a certain quality of that product. Therefore, price setting is vital for achieving the goals pursued with the introduction of premium private labels (Rao 2005). To investigate several relationships in the context of the evaluation of premium private labels, we conducted an experimental study. Within this study, the price of the premium private label was manipulated and the caused effects on the valuation of the premium private label compared to a traditional private label and a premium brand were measured.

Method and Data
We conducted an experiment (N = 120, between subject design) to study the effects of adding a premium private labeled product to a choice set of two competing products (traditional private label and premium brand). We systematically manipulate the pricing of the premium private labeled product to investigate the effects on consumer decision-making as well as the consumer’s product evaluation. The impact of the price manipulation of the premium private label on the evaluation of the two competing products was also analyzed.

We considered three brands/products from the category fruit spreads (strawberry flavour). For manipulating the perception of the relation between price and quality, we used the official retail price as well as a higher price (price adjustment towards the premium brand) and a lower price (price adjustment towards the private label) for the price manipulation of the premium private labeled product in our experimental design. Furthermore, we considered a control group, where the participants evaluate the premium brand with the standard private label. We used the results of this comparison to determine the expectation values for the brands decision. The evaluation of the products was measured by using a standardized questionnaire.

Summary of Findings
In two of three experimental groups, the new option (premium private labeled brand) was preferred most by the participants of our study. In all experimental conditions, the expectation value for the selection of the traditional private label is lower than in the control group. In the experimental group with the price adjustment of the premium private label close to the premium brand, the difference from the expected value is the highest.

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Equally surprising are the results in the experimental group with the price adjustment of the premium private label in the direction of the traditional private label. Even here are substantial changes in the expected values for the traditional private label and the premium brand when compared to the control group. Considering the findings in the experimental condition, where the official retail price is specified for the premium private label, it shows also a change in the expected values for the traditional private label, as well as for the premium brand. The highest expected value is determined in this situation for the premium private label. Interestingly, in this situation the premium brand loses the largest proportion compared to experimental groups (price adjustment to premium label and adjustment to private label).

**Key Contributions**

Overall, the findings indicate that the pricing is a sensitive component of a successful brand management of premium private labels, which has a significant effect on the selection decision of consumers. This concerns not only the decision to purchase or not purchase a premium private label, but it also influences the evaluation of other product characteristics. Thus, from the perspective of a retailer, it seems to be that it is of crucial relevance to communicate the high quality of their premium private label based on individual product characteristics according to the potential positive effect on consumer’s decision making for premium private labeled brands.

*References are available upon request.*
Combining Pro-social Incentives with Price Discounts

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EXTENDED ABSTRACT

Firms have begun comingling price discounts and pro-social incentives. Yet, the effect of mingling them is not well understood. Study 1 in a randomized field experiment with over 11,700 consumers suggests that pro-social incentives with higher discounts lead to fewer sales than lower discounts, since high discounts can potentially crowd out consumers’ warm-glow feelings. Study 2 replicates this with another field experiment with a separate sample of over 11,600 consumers. Study 2 also shows that pro-social incentives with any discounts generates more sales than without them. Study 3’s lab study shows that a warm-glow feeling is the underlying mechanism.

References are available upon request.
Product Line Length Strategy and Performance in Fast-Moving Consumer Goods

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Keywords: competitive strategy, product assortment, product line length, product proliferation, fast-moving consumer goods

EXTENDED ABSTRACT

Research Question
Product line length is one of the key elements of the marketing mix as it has a far higher impact on sales than either advertising or discounting. Companies deploy different product line length strategies: some focus on a few products with broad appeal, whereas others leverage variety as an important part of their offering. This study investigates the conditions under which each of these product line length strategies is optimal in fast-moving consumer goods.

Method and Data
This study proposes a matrix-based framework built by discretizing data derived from consumer and retail panels according to the strategic fit paradigm. This framework depicts performance as a function of strategy, contingent on environment and capability. Performance has two possible states reflecting a company’s market share development within a product category: growth or decline. Strategy has two possible states, blockbuster or scattershot, reflecting whether a company builds market share by, respectively, focusing on few products with broad appeal or leveraging variety as an important part of the offering. Given the discrete nature of the framework, this study uses logistic regression to identify the drivers of environment fit and capability level, and chi-square to test the main hypotheses. The dataset used in the empirical analysis contains five years of quarterly data for 29 fast-moving consumer goods product categories in 2,000 stores and 6,000 households in the US.

Summary of Findings
The following normative proposition summarizes this study’s main findings. Companies with a low capability level within their competitive environment are better off deploying strategies fitting their environment rather than contrarian strategies, as they are more likely to achieve market share growth. Companies with a high capability level within their competitive environment are better off deploying contrarian strategies rather than strategies fitting their environment, as they are more likely to achieve higher market share growth. The drivers of environment fit include: penetration, frequency of purchase, value per purchase, growth, variety per household, concentration, proliferation, private label share, and innovativeness. In a given environment, the higher (lower) the level of the first four drivers and the lower (higher) the level of the last five ones, the higher the odds of growth for companies deploying the blockbuster (scattershot) strategy. The drivers of capability level include innovativeness, brand strength, market position, and size. Companies deploying the blockbuster strategy in a scattershot-fitting environment are more likely to succeed when powered by higher levels of innovativeness and/or lower levels of size, whereas those deploying the scattershot strategy in a blockbuster-fitting environment are more likely to succeed when powered by higher levels of brand strength, higher levels of innovativeness, and/or lower levels of market position.

Key Contributions
This study expands the understanding of product line length strategy and offers the possible seed of a novel conceptual

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approach to the topic. Its main contributions include: (1) deployment of the strategic fit paradigm to manage conceptual complexity in product line length strategy, thus structuring the issue into a clear framework enabling cross-study comparability; (2) development of a discretization approach to manage operational complexity in product line length strategy, thus creating customizable discrete sets for key constructs; (3) operationalization of product line length strategy as product line concentration, thus enabling a sharper focus on variety as a tool to build market share; and (4) generation of concrete insight with robust multi-category validation into the drivers of strategic fit for product line length in fast-moving consumer goods.

References are available upon request.
Understanding the Relationships Between Loyalty Program Rewards and Loyalty Among Premium Customers

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ABSTRACT
Research indicates that focusing on premium customers in a loyalty program is the only way to maximize returns, but previous studies included all levels of members so results may have been diffused. This study of 1,097 premium members reveals how this segment values different LP rewards and the relationships to the loyalty outcome.

Keywords: loyalty programs, loyalty program rewards, consumer loyalty, premium customers

Introduction
Loyalty programs (LPs) are designed to cultivate consumer loyalty by rewarding purchase behavior and have become one of the most commonly-used marketing tools for many companies and industries. From grocery stores to airlines to casinos, many companies with LPs are legitimately questioning whether the growing program costs are justified by revenue results. The reality is that most consumers belong to multiple loyalty programs so any sustained competitive advantage is nullified, especially in competitive markets where the programs are most needed to maintain and grow market share.

With the proliferation of LPs, many industries are trying to determine if the programs have become so similar in their incentives that they no longer offer a sustained competitive advantage and, in essence, cancel each other out leading to a zero-sum situation (Liu & Yang, 2009). If, as some studies suggest, consumers have come to expect the free benefits of LPs, then the programs have become simply a cost of doing business (Ferguson & Hlavinka, 2007).

While some companies have terminated their loyalty programs, many others are re-evaluating the structure of their programs since the costs cannot always be justified by the results. The findings of some studies indicate that companies should downsize mass-appeal programs so they can focus on their most profitable customers in allocating marketing resources (Hallberg, 2002).

Understanding the relationship between a loyalty program’s components and how and why the relational outcome is achieved is the broad purpose of this study. It specifically explores the antecedents of loyalty in the context of the service industry, focusing exclusively on premium customers since that is the direction in which many businesses are moving.

Literature Review and Background
Program Rewards
In the most basic sense, rewards must be either intangible or tangible. In the context of an LP, intangible rewards are the social and prestige benefits that are usually associated with the premium customer segment in a tiered program. Prestige rewards are inherently exclusive since it is not economically prudent or operationally practical to offer preferential benefits to all customers (Lacey, Suh, & Morgan, 2007). This selectivity helps control expenses and increases potential return by focusing on the relatively small group of high-end customers who, when emotionally bonded, are worth 10 to 15 times as much as lower-level customers (Hallberg, 2004).

Tangible rewards are the material rewards offered by a program and include benefits such as discounts, free gifts or cash rebates. These are the most common LP reward, the most costly, and are the easiest for competitors to duplicate. Tangible rewards can be sub-categorized as tiered rewards or core rewards. Tiered rewards are usually based on spending bands

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that segment customers according to purchase behavior so that the heaviest users receive the most valuable rewards.

Core rewards are offered to all members as an incentive to join the program. These rewards are designed to grow a company’s database by offering added value to the consumer. As program membership grows, the costs for these core rewards can become astronomical, yet research has shown that these types of basic rewards do not generate loyalty (Whyte, 2004).

The ideal business model for an LP is one that offers the right mix of rewards to attract and keep a firm’s best customers, does not over-reward unprofitable customers, and balances costs with financial performance.

**Perceived Benefit Value**

It is postulated that not all segments of customers hold the same perceived benefit value for each category of reward. To understand this value relationship, we first need to explore how the targeted tier of customers values the benefits, and how this leads to feelings and behavior associated with loyalty.

Relationship marketing assigns a fundamental role to perceived value in the explanation of customer loyalty behavior (Fiol, Alcaniz, Tena, & Garcia, 2009). The classical view conceives perceived value as a construct configured by two parts: one of benefits received and another of sacrifices made by the customer (Dodds, Monroe, & Grewal, 1991). A more complex approach defines perceived value as a multidimensional construct that recognizes new theories in consumer attitudes (Sweeney & Soutar, 2001).

Value discrimination results from firm activities that award select customers with elevated social status recognition and/or enhanced products and services above and beyond what is normally offered to customers. Programs that target specific customers or segments in order to reward loyalty will require even greater value proposition differentials among customers.

**Mediating the Path to Loyalty**

One study of the antecedents of loyalty depicts a linear path from satisfaction, to trust, to commitment, and results in loyalty (Bowden, 2009). A fourth mediator, gratitude, has been theorized to be an important antecedent that works in conjunction with trust and commitment but has a separate effect (Palmatier, Jarvis, Bechkoff, & Kardes, 2009).

**Consumer Loyalty**

The proposition is that if a loyalty program’s members have a high perceived value of the rewards, this will lead to feelings that are the antecedents of consumer loyalty. While there is a plethora of loyalty theories, the one that has withstood the test of time is the conceptualization of loyalty as a bi-dimensional construct comprised of attitudinal and behavioral elements that was popularized by Dick and Basu (1994). Behavioral loyalty refers to purchase behavior repeated over time while attitudinal loyalty is more complex and represents an emotional link between the customer and the company.

**Hypotheses**

The primary goal of this research is to identify and measure the relationships between a loyalty program’s perceived benefit values for premium customers, and the performance outcome of consumer loyalty. The path begins with the program rewards and how premium consumers perceive the value of each category of reward; the higher the level of perceived benefit value, the greater the feelings will be of satisfaction, trust, commitment and gratitude, which are the theorized antecedents to loyalty.

**Formulation of Hypotheses**

There are 12 main hypotheses: three DVs, four mediators, and two IVs. Following is a discussion of the key theories that are the foundation of each hypothesis.

**Prestige Rewards**. Tiered LPs are designed to capitalize on individuals’ desire to be recognized and feel superior to others. This relates to social comparison theory, in which people have a drive to evaluate themselves through comparisons with others (Festinger, 1954). The top tier of an LP can only look down, so this viewpoint serves to elevate their self-esteem. Premium customers want to be respected for their considerable financial contributions to the firm, they have achieved premium status, and they desire to be recognized for their efforts. Since intangible prestige rewards are designed to create both attitudinal and behavioral loyalty, it is hypothesized that they will achieve both.

H1. There is a positive relationship between the perceived benefit value of prestige rewards and attitudinal loyalty among premium customers.

H2. There is a positive relationship between the perceived benefit value of prestige rewards and behavioral loyalty.

**Tiered Rewards**. The group of premium customers is expected to have a positive behavioral response to tiered rewards that are based on spending patterns, but these rewards are not theorized to generate attitudinal loyalty. LPs are a long-term relationship commitment so the customers’ attitudes must also be won over for there to be true loyalty (Yi & Jeon, 2003). Customers may be exhibiting strong purchase behavior only until they achieve the program reward but have no commitment to future transactions (Baloglu, 2002).
**H3.** There is a negative relationship between the perceived benefit value of tiered rewards and attitudinal loyalty among premium customers.

**H4.** There is a positive relationship between the perceived benefit value of tiered rewards and behavioral loyalty among premium customers.

**Core Rewards.** Core rewards are hypothesized to be of relatively low value to the individual consumer. Companies offer these core rewards to every member regardless of purchase history so the value must be kept low so that costs don’t exceed revenues. One of the main customer criticisms of LPs is that rewards prove to be of little value (Stauss, Schmidt, & Schoeler, 2005). If there is no significant differentiation between core rewards of different LPs, and these rewards have a low perceived and actual value, then it is hypothesized that this category of reward will generate low levels of both attitudinal and behavioral loyalty.

**H5:** There is a negative relationship between core program benefits and increased attitudinal loyalty among premium customers.

**H6:** There is a negative relationship between core program benefits and increased behavioral loyalty among premium customers.

**Valuation of Each Reward Type.** Since only prestige rewards are theorized to create both attitudinal and behavioral loyalty, the following hypotheses are proposed:

**H7:** Prestige rewards will produce a stronger attitudinal loyalty than tiered rewards or core rewards among premium customers.

**H8:** Prestige rewards will produce a stronger behavioral loyalty than tiered rewards or core rewards among premium customers.

**Role of Mediators.** The model for this study includes four mediators that are antecedents of loyalty — satisfaction, trust, commitment and gratitude. These variables are all theorized to mediate the relationship between the perceived benefit value of LP rewards and the loyalty outcome.

**H9 (a-f)-H12 (a-f):** Satisfaction/trust/commitment/gratitude mediates the relationship between prestige/tiered/core rewards and attitudinal/behavioral loyalty.

**Research Methodology**

This non-experimental, quantitative study explores the relationships between the perceived benefit value a premium customer has for an LP’s rewards, and the performance outcome of loyalty. The study measures the perceived benefit value of three different reward categories in an LP’s premium customer segment. These value measurements were used to determine which rewards are most effective in creating attitudinal and behavioral loyalty, as mediated by satisfaction, trust, commitment and gratitude. Loyalty is operationalized as a bi-dimensional construct that encompasses both behavioral and attitudinal aspects.

**Survey Sample**

Four U.S. casino resorts with tiered LPs provided the sample of premium customers (N=1,097) with a response rate of 43%. The survey instrument was developed following interviews with casino management and pre-tests for face and content validity that were administered first to casino staff, then to a pilot group of premium customers.

**Effect Size**

The α for the test of this study’s model was set at .05. To achieve power of .80 and a small effect size ($f^2=0.02$), a sample size of at least 550 is required to detect a significant model ($F(3, 546) = 2.62$).

**Scales**

Previously validated scales were reviewed to determine which could best be adapted with the least amount of change for this study. Modifications were made so that the verbiage was relevant to the gaming industry rather than the original industry such as airline or department store. All scales showed good internal consistency, with alphas ranging from .84 to .91.

**Data Analysis and Results**

Tests of normality were conducted on the three categories of program rewards; the four loyalty antecedents (satisfaction, trust, commitment and gratitude); and the two loyalty constructs (behavioral loyalty and attitudinal loyalty and provided assurance that there were no major violations of the assumption of a normal distribution of values.

The first six hypotheses were tested with simple multiple regression, including the control variables of age and gender along with the hypothesized predictor. Hypotheses 7 and 8 deal with predictions that some reward categories will be more strongly related to certain loyalties than others so these were tested using a standard Z-score test for differences in regression coefficients. Baron and Kenny’s (1986) four-step method was used to test for partial mediation in hypotheses 9-12.

**Summary of Hypotheses Testing**

The first two hypotheses posited that prestige rewards would be positively related to both attitudinal and behavioral loy-
altery (H1, H2). These hypotheses were supported, which validates previous research indicating that status-enhancing rewards lead to both attitudinal and behavioral loyalty.

The next two hypotheses (H3, H4) posited that tiered rewards would have a negative relationship to attitudinal loyalty, but a positive one with behavioral loyalty. The hypothesis that tiered rewards would have a negative relationship with attitudinal loyalty (H3) was not supported, which indicates premium consumers place a practical value on this type of reward. The hypothesis that tiered rewards would have a positive relationship with behavioral loyalty was supported, which reaffirms past studies.

Hypotheses 5 and 6 posited that core rewards would have a negative relationship with both attitudinal (H5) and behavioral loyalty (H6). These hypotheses were not supported. The fact that core rewards had a positive, not negative, relationship with both loyalty outcomes points to the conclusion that premium consumers are guided by practicality. Even low-cost rewards have a value that is positively related to both attitudinal and behavioral loyalty.

Hypotheses 7 and 8 posited that prestige rewards would have a stronger positive relationship than tiered or core rewards to attitudinal loyalty (H7) and to behavioral loyalty (H8). Both of these hypotheses were partially supported in that prestige rewards did not rank significantly higher than tiered rewards but they were significantly higher than core rewards. Again, this finding indicates that consumers have come to expect the rewards that they receive as LP members, and this expectation is woven into the feelings of loyalty.

Hypotheses 9 through 12 posited that satisfaction (H9), trust (H10), commitment (H11), and gratitude (H12) all serve as mediators between the perceived value of the rewards and the loyalty outcome. The mediation effect was nearly the same for each construct, and accounted for approximately half (.44) of the direct effect of the predictor on the criterion.

Discussion
The key finding of this study is that intangible, ego-enhancing loyalty program rewards have at least as much value as the more costly, tangible rewards given to premium customers. Prestige and tiered rewards have approximately the same positive relationship to both attitudinal and behavioral loyalty, and are significantly more important than core rewards in achieving loyalty outcomes.

Overall, the results of this study do not represent good news for companies with loyalty programs. Previous research has postulated that reward programs no longer offer a competitive advantage and have simply become a cost of doing business (Ferguson & Hlavinka, 2007). If this is true, then companies may be faced with a long and expensive road ahead since the most profitable tier of customer seems unwilling to give up any of the free benefits that they’ve been conditioned to expect.

Looked at another way, however, this study could be good news to marketing practitioners. Prestige rewards are as important in generating loyalty as tiered rewards, and are more likely than core rewards to generate loyalty. Only prestige rewards are a soft cost to companies, while the vast majority of program dollars are spent on tiered and core rewards. Overall LP costs can be reduced by reallocating the mix of soft- and hard-cost rewards to premium customers, and it can be done without decreasing the overall value that these customers have for the program.

Limitations and Future Study
Despite its large sample size, this study could be limited in generalizability from the gaming industry to other types of businesses. The relatively high age of respondents (avg. = 72.5) and lack of ethnic diversity also could mask important differences that could be revealed by further studies.

References


Part K
Marketing Theory

Track Chairs
Nick Lee, Aston University
Niladri Syam, University of Houston

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Assessing the Influence of Influential Papers

Martin Eisend, European University Viadrina, Germany

Donald R. Lehmann, Columbia University

**Keywords:** impact factor, primary and secondary citations, knowledge dissemination, research performance assessment, bibliometrics

**EXTENDED ABSTRACT**

**Research Question**
Citations have become a common instrument for research evaluation, resourcing, recruitment, and promotion. Nevertheless, citations have been criticized as an insufficient indicator of academic performance, because they can hardly be compared across disciplines; they are driven by intellectual influence and the reputation of authors, schools, or journals rather than by academic quality and contribution; they sometimes reflect critique instead of acceptance of ideas; and they are sometimes used for strategic reasons (e.g., to improve the impact factor of journals). The current study's main contribution is to provide a new influence measure which better captures the dissemination of knowledge. The measure takes into account the fact that successful papers not only receive more direct citations, but also lead to papers that in turn are influential and hence cited themselves. The proposed measure also (imperfectly) accounts for how prominent a citation is in the bibliography in terms of the percent it is of the total number of references as a proxy for a paper's importance/influence. In sum, the new influence measure provides a more complete assessment of the long-term research contributions of an article or scholar within and across the boundaries of a discipline.

**Method and Data**
We examine four types of influential papers in the fields of Marketing and Management: meta-analyses (83 papers), reviews (24 papers), seminal papers (13 papers), and award-winning papers (82 paper) in the area of Marketing and Management. We compute primary citations to the original paper (published before 1996) for fourteen years after publication of the original paper using the SSCI. In addition to annual (primary) citations, we collected secondary citations, that is, citations to the papers (primary citations) that cited the original influential paper through 2010.

To compute the influence of a paper, we assume that the influence of a paper on one that cites is the inverse of the number of references in the bibliography:

\[
IF_1 = \frac{1}{B_n}, \text{ where } B_n = \text{the number of references in paper } n.
\]

The impact factor of a secondary citation is

\[
IF_2 = \frac{1}{B_n B_m},
\]

where \( B_m \) is the number of references in secondary paper \( m \).

We compute the total influence factor for each paper as the sum of first and second generation impact factors:

\[
IF_{\text{sum}} = \sum \frac{1}{B_n} + \sum \sum \frac{1}{B_n B_m}.
\]

**Summary of Findings**
Award-winning papers receive the highest number of primary citations within fourteen years, 106, while seminal papers receive the highest number of secondary citations within fourteen years (3873) and the highest number of primary citations per year (6.73) over their entire life cycle. These findings indicate that patterns in the dissemination of knowledge are not fully captured by traditional citation measures as used in prior studies, because they conclude that award-winning articles generate the highest number of citations.

The correlations between average primary citations per year and average secondary citations per year are positive: More
influential papers not only receive more citations, but are also cited by papers that are more successful in terms of the citations they receive.

The proposed influence factor after two generations is highest for seminal papers, followed by award-winning papers, meta-analyses and literature reviews. The larger impact of seminal papers is due to their wide dissemination of knowledge via secondary citations, i.e. they really did generate a stream of research. The results also demonstrate that third generation impact tends toward zero.

While positive, the correlation between the traditional SSCI impact factor and the new influence measure is relatively small, suggesting that the new measure captures additional/different information.

**Key Contributions**
This paper suggests a new influence measure better captures the pattern of the dissemination of knowledge than traditional citation measures. The measure provides several advantages by taking into account criticisms of the use of primary citations as performance indicators in academia. First, including secondary citations helps capture knowledge dissemination across disciplinary boundaries because it takes time for knowledge to be transferred across disciplines. Second, the new influence measure reduces the probability that citations reflect only intellectual influence within a small academic community and that papers are cited primarily because of the author’s reputation. Third, as for biases due to citation practices, some journals try to drive up primary citations to articles by citing papers in their editorials or in related conference proceedings. Since editorials and conference proceedings usually receive a low number of citations, the second generation impact of articles would therefore be lower, even if primary citations indicate high impact. Further, the new influence measure helps reduce the effect of coercive citations. Additional citations in the bibliography increase the number of references in the reference list and thereby reduce the proposed influence measure because the measure uses the inverse of the length of the bibliography as a weighting factor.

References are available upon request.
Rethinking Customer Centricity: An Exploratory Study in Food Marketing

Gary Ottley, Bentley University

Keywords: customer centricity, food marketing, consumer demands, consumer well-being, psychological tension

EXTENDED ABSTRACT

Research Question
In response to recent calls in the marketing literature for updated and improved conceptualization of accepted marketing constructs, this research explores the actual, lived meaning of “customer-centric marketing”. Despite its name, customer-centric marketing in theory and in practice is (ironically) very firm-centric: its theoretical base is in resource allocation, manifested as supply chain alignment in practice. Its basic philosophy is that maximizing the efficiency and effectiveness of firm supply chain decisions results in an improved ability to understand and satisfy customer demands – and ultimately, in superior financial results.

This preliminary research poses the following question: how do those formally charged with carrying out customer-centric marketing strategies (i.e., marketing managers) actually experience and operationalize this theoretical concept? It does so in the context of food manufacturing companies, which are well-suited to an analysis of the customer-centric concept: industrialized and developing societies alike increasingly depend on corporations to meet its food and nutrition needs. Food marketing presents a conundrum to the customer-centric concept: if a firm is too successful at marketing its food products by being “customer-centric” and aligning internal resources to give people what they want and say they need, it can exploit consumer vulnerabilities and contribute to unhealthy consumption habits.

Method and Data
As it sought to re-examine a familiar concept from the point of view of those entrusted with operationalizing it, this study used depth interviews as the data collection method. The intent was to be as emergent as possible: to focus on how managers actually experienced trying to be “customer-centric” in their day-to-day responsibilities – and as such, to test the validity of its accepted theoretical treatment. The interviews were semi-structured around four or five major exploratory themes, were each about an hour long, and began with the general prompt ‘What does being customer-centric mean at [company]?’ Interviewees were all senior marketing managers (i.e., members of the top management/executive team) of medium-sized, growing companies, each involved in the manufacture and sale of food products for sale to restaurants, supermarket chains, and consumers. All interviews were conducted, recorded, transcribed, and coded by the researcher. Coding focused on how informants regarded the idea of customer centricity, its economic implications within the firm, the role of the marketing function in guiding customer-centric actions of other firm functions, consumer attitudes to food, and the firm’s moral responsibilities to its customers (including whether the informants felt that it had any).

Summary of Findings
The data provided evidence of an alternative, reconceptualized interpretation of what it actually means to be customer-centric. In stark contrast to the theoretical treatment of the concept, the data indicated that customer centricity is less about the advantages accruing to the firm as a result of a consumer-focused strategy, and more about the actual customer – what is in his/her best interest (defined differently by the three informants to date). Ideographic analysis suggests a continuum along three dimensions – the roles of the consumer, the marketer, and the firm – and along which customer centricity can be understood and managed. The continuum extends from addressing consumer wants in line with a firm’s profit objectives (the extant view of customer centricity) to a position where consumer welfare issues above and beyond the profit goals of the firm become paramount.

Cross-case analysis identified apparent psychological tensions in the execution of customer-centric marketing strategies, which strike at the heart of managers’ perceived jobs and roles and cause conflicts that must be negotiated and

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balanced. Two core tensions (each with two strategies for reconciling them) were revealed: being firm (profit)-driven vs. customer-driven; and managing customer desires vs. their well-being.

**Key Contributions**

This study makes two important contributions to theory and ongoing practice. First, it takes a fresh look at the established and “law-like” customer-centric concept by explicitly including consumer health and well-being in its consideration, and by incorporating the voice of those charged with carrying out customer-centric marketing activities. In so doing, it prompts reconsideration of a concept which marketers and marketing academics alike have come to take for granted. The actual, lived meaning of the term is multidimensional, and anything but universal.

Second, it offers a framework for considering how firms who embark upon a customer-centric path treat and resolve the inevitable tensions that arise from balancing the needs of multiple stakeholders. Being customer-centric often – and in certain instances, primarily – means advocating for consumers best interests, and going against what consumers know or say that they need. This research raises the question “what does it mean to have the customer’s best interest at heart?” when developing strategy designed to influence consumer behavior. As such, it suggests value in exploring concretely the theoretical implications of the reconceptualization on customer well-being, marketing ethics, trust in marketing, impacts on brand/cultural communities, and the practical and financial implications of being truly customer-centric.

*References are available upon request.*
Stakeholder Marketing: Theoretical Foundations and Consequences for Marketing Capabilities

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Keywords: marketing theory, stakeholder marketing, multiplicity, capabilities

EXTENDED ABSTRACT

Research Question
Stakeholder marketing is defined as “activities within a system of social institutions and processes for facilitating and maintaining value through exchange relationships with multiple stakeholders” (Hult et al. 2011, p. 57). It focuses on co-creation in network relationships rather than dyadic relationships and acknowledges the potential of indirect creation of value (Frow and Payne 2011; Hult et al. 2011). Stakeholder marketing recognizes that any individual stakeholder relationships may be influenced by relationships with other stakeholders and that the whole network of stakeholders creates value (Gummesson 2008). However, most literature has a employed a ‘hub-and-spokes’ perspective when taking stakeholders into account, in which an organization (‘the hub’) maintains dyadic relationships with separate stakeholder groups (‘the spokes’). The traditional hub-and-spokes approach does not fully reflect the problems that marketing managers experience in a complex environment of interrelated stakeholders. This conceptual paper deals with the question how the theoretical foundations of stakeholder marketing are different from traditional marketing. We present a revised theoretical perspective on the marketing discipline and contrast it with the prevailing perspective on marketing and show why the revised perspective better fits the current reality.

Summary of Findings
Using multiplicity theory (Bergson 1910, Deleuze 1988), we argue that the core of stakeholder marketing consists of viewing stakeholder environments as continuous multiplicities. When taking a discrete multiplicity perspective, a valid way to understand a stakeholder environment is to sequentially focus on the elements within the multiplicity as if they are independent of each other. When taking a continuous multiplicity perspective stakeholder interests are considered interrelated and addressed simultaneously, customer value perception does not always take primacy and value is co-created with multiple stakeholders. This fundamentally different perspective explains three transitions in marketing practice: (1) exchange becomes complex rather than dyadic, (2) tensions between stakeholder interests become explicit rather than implicit, and (3) control over marketing activities becomes dispersed among stakeholders rather than being centralized. Each transition requires a new marketing capability: (1) systems thinking, which is the capability of understanding the whole stakeholder value system, (2) paradoxical thinking, which is the capability to accept, reflect on, and learn from the tension between stakeholder interests, and (3) democratic thinking, which is the capability to understand when and how to share control over marketing decisions with a multitude of stakeholders.

Key Contributions
This paper makes three key contributions. First this paper describes a theoretical perspective on marketing that provides a better understanding of the nature of value creation in complex stakeholder environments. Second, we respond to Day’s (2011) call for the identification of “open marketing” capabilities in network organizations. We explain how three transitions in marketing practice require organizations to develop new marketing capabilities. Third, we explain

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how disparate phenomena in marketing literature can be understood as consequences of a major and underlying shift in perspective. More specifically, by proposing the concept of continuous multiplicity as the core of stakeholder marketing, we offer a common point of departure for disparate streams of literature within marketing such as value co-creation (Vargo and Lusch 2008), marketing systems (Layton 2007), and social responsibility (Maignan and Ferrell 2004). In doing so, we offer a theoretical foundation for several emerging notions in recent marketing literature.

References are available upon request.
A Resource-Based View of Stakeholder Marketing

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Keywords: stakeholder marketing, stakeholder view, resource-based view, marketing theory, marketing strategy

EXTENDED ABSTRACT

Research Question
Creating and exchanging offerings of value for different stakeholders has become a core element of marketing. Despite the growing acceptance of the stakeholder view among marketing academics, stakeholder marketing – defined as “activities within a system of social institutions and processes for facilitating and maintaining value through exchange relationships with multiple stakeholders” (Hult et al. 2011, p. 57) – is still in its infancy. Seeking to encourage further research in this stream, the current study examines whether the resource-based view (RBV) of the firm can be applied to stakeholder marketing and, if so, how stakeholder marketing can benefit from a resource-based perspective.

According to the RBV, a firm’s resources are tangible and intangible assets and capabilities that enable the firm to develop core competencies (e.g., Day 1994; Hunt and Morgan 1995) that may lead to a sustainable competitive advantage if the resources are valuable, rare, inimitable, and non substitutable (Barney 1991). Arguing that non substitutability is merely a form of inimitability, Barney (1997) later replaced this fourth resource criterion with organizational embeddedness of a resource and, in turn, the VRIN framework with the VRIO framework, emphasizing the importance of a firm to be organized in such a way that it can exploit the resource.

Summary of Findings
A thorough review of previous research revealed that despite extensive literature on the RBV and an increasing number of studies that apply the RBV to the marketing discipline (e.g., Zhou, Yim, and Tse 2005), to the stakeholder view (e.g., Coff 1999), and to specific stakeholders (e.g., employees, suppliers, community), no prior research has drawn upon the RBV to inform work on stakeholder marketing.

Based on a critical analysis of the RBV and the stakeholder view, we suggest that the RBV of the firm can be applied to stakeholder marketing on both a broad, general level and a narrow, individual level. The distinction is based on whether one considers a strategic resource to be either the overall network or sum of all stakeholders and stakeholder relationships (broad) or whether one sees a possible strategic resource in every single stakeholder and each individual stakeholder relationship (narrow). The relevance of the RBV for stakeholder marketing finds additional support by the growing consensus about the particular impact of human and intangible (rather than tangible) resources on firm performance (e.g., Crook et al. 2008) in today’s competitive marketplace, which further increases the value of stakeholders and stakeholder relationships as influential strategic resources.

Key Contributions
While the review of prior research and the application of the RBV to stakeholder marketing have proven useful, the paper’s key contributions lie in the advancement of this emerging research stream through the development of a set of research questions that we align with five major themes for future research integrating the RBV and stakeholder marketing.

First, we point out the explanatory power inherent in stakeholder relationships and their potential to help explain more generic processes (e.g., the impact of strategic resources on performance gains). Second, we address a variety of critical measurement issues regarding stakeholder marketing (e.g., the effect of the number of stakeholder relationships on firm performance). Third, we encourage researchers to examine the impact of a firm’s internal structures and/or organizational capabilities on the acquisition and maintenance of stakeholder relationships. Fourth, further research should...
investigate whether and to what extent established and well-maintained stakeholder relationships help firms cope with unexpected regulatory changes and other *external forces*. Finally, future studies should examine the *balancing act of* managing stakeholder relationships to help firms simultaneously maximize economic value for stakeholders with conflicting interests or optimize the balance between the quality and quantity of stakeholder relationships.

*References are available upon request.*
Retrobranding: Selling the Past

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ABSTRACT
Brand revitalization and retrobranding are two distinct concepts. The latter preserves the association between an iconic brand and the past using a discontinued link to a specific historical period with the aim of creating feelings of nostalgia, while ensuring the brand remains authentic. In retrobranding, the past is desirable in itself.

Keywords: retromarketing, retrobranding, brand revitalization, past, nostalgia

Introduction
Consumption of the past has become a common experience. Many product categories, including those that usually focus on innovation or creativity, have been affected by the proliferation of so-called retro products, i.e., products that consumers associate with the past. Among these categories, cars (New Beetle, PT Cruiser, Mini, etc.) and popular music (“The Wall” tour by Roger Waters, an ex-member of Pink Floyd, remastered Beatles recordings, etc.) are prominent symbols, although there seems to be no limit to the retro trend (clothing, sports shoes, domestic appliances, food products...). Retromarketing, which I define as the management of a product associated with the past, allows consumers to live or relive a recent, idealized, yet updated past on a daily basis (e.g. Brown 1999, 2001). So, for example, owners of the Volkswagen New Beetle can experience the best of the past (utopia, carefree attitude, etc.) alongside the best of the present (comfort, safety, reliability, etc.) (Brown, Kozinets, and Sherry 2003b).

Most retro products that are of interest to researchers and practitioners are cases of retrobranding (Brown, Kozinets, and Sherry 2003a, 2003b), a particular case within retromarketing where a brand associated with the past has been relaunched. It should be noted that these concepts have still not been clearly defined. Specifically, retrobranding is often confused with the well-known concept of brand revitalization. For example, an article in Marketing News entitled “Believe in Yesterday” has the following subtitle: “Retro marketing is all the rage. Leverage your brand’s history to strengthen your bond with consumers and your position in the marketplace” (Sullivan 2009). Among the examples discussed, two are from the same company: The “Refresh Everything” campaign launched in January 2009, which presents drinkers of Pepsi-Cola from different generations, and the “Pepsi-Cola Throwback” cola launched in April 2009 with packaging similar to that used by the brand in the 1970s and which contains sugar (rather than corn syrup). In the article, retrobranding is synonymous with using the brand’s history to create links with consumers. The author believes that rekindling favorable brand associations forged in the past and using visual elements linked to a bygone era can provide security and comfort to consumers anxious about the present and the future. However, this type of strategy needs to ensure that the brand doesn’t get stuck in the past or become outdated.

As with other articles in professional journals that deal with retromarketing, retrobranding or retro trends, Sullivan’s article (2009) analyses the relaunch of past products, packaging, advertising, jingles or slogans using well-known concepts of brand revitalization or brand management over time (e.g. Keller 2013). However, the two articles above are examples of two different strategies. When PepsiCo launched their “Refresh Everything” campaign, it based itself on the past to demonstrate contemporary relevance without remaining associated with that past. In other words, the company managed its brand using conventional methods. This is standard marketing practice. Nevertheless, when PepsiCo launched “Pepsi-Cola Throwback”, the company offered a product that was permanently associated with the past, albeit adapted to modern consumer tastes. This was retromarketing.

A greater concern is the current amalgamation of retrobranding and brand revitalization within the scientific literature. Brown, Kozinets and Sherry (2003b, p. 20) define retro-
branding as “the revival or relaunch of a product or service brand from a prior historical period, which is usually but not always updated to contemporary standards of performance, functioning or taste.” Unfortunately, this definition does not clearly separate retrobranding from brand revitalization. Although both strategies take a brand from the past and revitalize or relaunch it, there is a fundamental difference between them: brand revitalization brings the brand into the present, while retrobranding conserves the association with the past.

The aim of this article is to differentiate brand revitalization from retrobranding. In the first section I will discuss the basic difference between the two concepts, as introduced above. In the second section I will discuss other differences: historical reference (brand history vs. a specific period in history); link to the past (continuous vs. discontinuous); perceptual challenge (credibility vs. authenticity); typical brands (declining brands vs. iconic brands from the past) and targeted emotion (none vs. nostalgia). Finally, in the third section I will show that the past is desirable in itself, as it is the raison d’être of retrobranding.

Moving into the Present or Maintaining the Association with the Past

The existing amalgamation of retrobranding and brand revitalization is probably due to the fact that the two concepts have at least two key points in common. The first of these is that the starting point for the two strategies is a brand that is associated with the past by consumers and that needs to be revitalized or relaunched. The second is that repositioning or reinforcing a positioning is at the heart of brand revitalization (Berry 1988; Ewing, Fowlds, and Shepherd 1995), as well as retrobranding. For the latter, a product often needs to be updated to meet modern consumer tastes (Brown 2001; Cattaneo and Guerini 2012), although it remains associated with the past. For example, the modern Mini car has gone from a positioning based on price to a positioning based on manufacturing quality, while maintaining the fun, sporty image held by its ancestor (Simms and Trott 2007). Kiss went from being an explosive, subversive rock band to an essentially family entertainment show (Blackwell and Stephan 2004). Given this, an initial analysis of brand revitalization and retrobranding would suggest that they are similar concepts. However in-depth analysis reveals that this is not the case.

Firstly, and above all else, the basic principles are at least different, if not complete opposites. Brand revitalization brings the brand into the present while retrobranding keeps, or occasionally reinforces, association with the past. By refreshing traditional sources of brand equity and creating new ones (Keller 2013), brand revitalization can transform perceptions of an outdated brand from the past, into a contemporary brand. Even if the brand’s heritage is highlighted, this, along with traditions, serves to link the past, the present and the future (Wiedmann et al. 2011). A brand that needs to be revitalized should, once the process is finished, be perceived as a classic, with timeless attributes such as pleasure (e.g., Coca-Cola), sturdiness (e.g., Levi’s), or beauty (e.g., Chanel).

Retrobranding, on the other hand, consists of relaunching a brand from the past while keeping the brand itself along with some of the product’s main attributes explicitly associated with a historical era (Brown, Kozinets, and Sherry 2003b). For example, the Volkswagen New Beetle launched in 1998 is associated with attributes of the 1960s using the slogan “Less flower. More power.” More obviously, the various Beatles recordings and iconographic documents released in the 2000s are also associated with the 1960s, despite the use of modern technology. Thus, while brand revitalization may make use of the past, using brand heritage, retrobranding necessarily uses the past, referencing it explicitly and using it as a key element of positioning. By creating a permanent association with the past, retrobranding and retromarketing are moving away from traditional marketing ideas of product management, which typically offer consumers a continuous stream of “new and improved” products. Retromarketing offers products that are “as good as always” (Brown 2001).

It is possible to roughly define retrobranding as a specific type of brand revitalization, where the brand remains associated with the past. I have previously presented retrobranding as a specific type of retromarketing where a brand from the past is relaunched. Thus retrobranding could be seen as both a specific type of brand revitalization and a specific type of retromarketing, or even as brand revitalization within a retromarketing approach (see Table 1). If the brand is perceived as being current by consumers, and as long as it wants to be seen as such, standard marketing tools are being applied. If the brand is perceived as belonging to the past when it should be in the present, brand revitalization is underway (e.g., Burberry). Retrobranding occurs when the brand is perceived as belonging to the past and when this association with the past is to be kept (e.g., Volkswagen “Beetle”). Finally, retromarketing occurs when a new product is launched with a new brand that wants to be associated with the past (e.g., Chrysler “PT Cruiser”). In this latter case, the idea is not to maintain an association with the past as the new product does not reference any particular product from the past. Rather, an association to a historical period with favorable connotations is being created (the 1920s for the PT Cruiser). The differences between these various concepts are summarized in Table 1.
It should be noted that neither standard marketing nor retrobranding involves “temporal work”: these strategies consist of conserving or reinforcing an association considered favorable with either the present (standard marketing) or the past (retrobranding). In contrast, brand revitalization and retromarketing both require temporal work: modernizing a brand (brand revitalization) or, in reverse, associating a brand or product with the past (retromarketing). A strategic choice to include the past as a central element of the brand’s positioning is required to move from standard marketing or brand revitalization to retromarketing or retrobranding. Although it is possible to view retrobranding as a specific type of brand revitalization, I do not believe that the former should be considered an extension of the latter. The next section will discuss several other elements that differentiate the two strategies (see Table 2).

### Other Differences Between Brand Revitalization and Retrobranding

As discussed above, the first difference between brand revitalization and retrobranding is that the former aims to modernize brands while the latter aims to keep the brand’s association with the past. The second difference is the historical reference used: brand history or history in general. During brand revitalization, a brand’s history may or may not be referenced to show that the brand is relevant in the present day. While all long-standing brands can make use of their brand heritage, only a few actually do use it as a central tenet of their positioning (Urde, Greyser, and Balmer 2007). However, all brands engaged in retrobranding align themselves with a specific historical period in order to provide added value. For example, the New Beetle or Mini, as well as many major rock bands, associate their brands with the idealism and socio-cultural effervescence of the 1960s and 1970s and benefit from this association. In this way, history itself becomes a more important source of market value (Peñaloza 2000) than any brand history. Whereas brand revitalization makes the past relevant to today and tomorrow (Urde, Greyser, and Balmer 2007), retrobranding does not need to as the past is relevant in itself.

The third difference relates to the link to the past. A brand undergoing revitalization needs to have a continuous link to its past. In fact, many revitalized brands maintain a market presence (Wansink and Huffman 2001); even if their communication activity has slowed, product distribution has not stopped. Therefore, although the product may have been relegated to a detrimental place within the retail world, it does not necessarily require a reintroduction to the market as such (Huffman and Kahn 1998). Furthermore, if there has been a period of market absence, this will not be highlighted. Continuity is one of the most important aspects of a brand’s heritage (Wiedmann et al. 2011). In contrast, retrobranding benefits from interruptions as the brand or product is partially frozen in the past. Any temporary absence from the market is desirable and even necessary, as it reinforces the brand’s association with a bygone era. Moreover, an absence can create expectations among fans (e.g., Star Wars, Mini, ABBA). Retro brands do not offer the stability or continuity of classic brands, but rather a desired return to the past.

The fourth difference between brand revitalization and retrobranding is what I call the perceptual challenge. By offering updated products from the past, retrobranding mixes the past with the present and is unavoidably characterized by the paradox. Although this paradox is desirable in retrobranding (Brown, Kozinets, and Sherry 2003b), it could affect the
brand’s perceived authenticity (Rose and Wood 2005), a particularly sought-after quality for consumers (Beverland and Farrelly 2010; Rose and Wood 2005). The original anachronism paradox is both a strength and a weakness for retrobranding. In contrast, if it is there at all, the issue of authenticity is only peripheral to brand revitalization. The perceptual challenge here is that of credibility. The revitalized brand is trying to be relevant in the present, often for new market segments. Before their revitalization, there were doubts about whether the Old Spice or Mountain Dew brands could be seen as cool, or Burberry and Lacoste as trendy by young people (see Keller 2013). It is therefore not surprising that credibility is the second most important tenet of brand heritage (Wiedmann et al. 2011).

The fifth difference is that the typical brands for each of the two strategies are different. Typical brands for revitalization are usually in or at risk of decline (Keller 2013; Light and Kiddon 2009; Thomas and Kohli 2009), while typical brands for retrobranding are iconic brands from a period in the past (Brown, Kozinets, and Sherry Jr. 2003b). For the latter, although the brand may have suffered some decline, this would have occurred long ago and would no longer be a significant issue. More importantly, decline is not the impetus for retrobranding. Brands involved are usually dormant or semi-dormant (before their relaunch), for example Star Wars, Volkswagen Beetle (Brown, Kozinets, and Sherry 2003b), or Quisp cereal (Brown, Kozinets, and Sherry 2003a). As a result, success factors for brand revitalization are significantly different to those for retrobranding. Based on the relaunch of 84 brands, Wansink (1997) and Wansink and Huffman (2001) defined five characteristics for successfully revitalized brands. For their part, Brown, Kozinets and Sherry (2003a, 2003b) have suggested six characteristics that a brand should have before it is suitable for retrobranding (see appendix).

There is only one clear link between the two characteristic groups: the “long-held heritage” of brand revitalization corresponds to the “evocativeness” of retrobranding. Links between the other elements are more or less direct. Although the “under-advertised and under-promoted” element of brand revitalization is compatible with that of “dormancy” in retrobranding, the element of “wide distribution” is opposed by the same element of “dormancy”. In addition, brands suitable for retrobranding have two key characteristics of their own: “iconicity” and “utopianism”. It does seem that classic cases of retrobranding clearly meet at least one of these two characteristics (e.g. New Beetle, Star Wars, Quisp cereal [see Brown, Kozinets, and Sherry 2003a, 2003b]), while classic cases of revitalization (e.g., Burberry, Lacoste or Mountain Dew (see Keller 2013)) do not. In fact, many cases of retrobranding target the 1960s and 1970s: two decades renowned for being iconic and utopian in themselves.

The sixth and final difference is targeted emotion. Brand revitalization does not target any particular emotion in consumers while retrobranding clearly aims to create nostalgia. By definition, evoking the past is likely to provoke feelings of nostalgia. This is particularly true of references to the 1960s and 1970s, even for young people, as it is not necessary to have lived through an era to feel nostalgia for it (Holbrook and Schindler 1991). It has now been clearly established that provoking feelings of nostalgia has positive effects on consumer responses (e.g. Muehling and Pascal 2011; Schindler and Holbrook 2003). Nostalgia is therefore not a side effect of retrobranding; it is a targeted emotion. In contrast, nostalgia serves no purpose in brand revitalization and can even be harmful. Nostalgia is defined as “a complex emotion that involves past-oriented cognition and a mixed-affective signature... One often views the memory through rose-tinted glasses, misses that time or person, longs for it, and may even wish to return to the past” (Hepper et al. 2012). It would therefore be counter-productive to provoke an emotion that values the past when the aim is to free the brand from that past.

The Past: Desirable in Itself

The idea behind retrobranding and retromarketing is that the association between a product or brand and the past is beneficial. This implies that the past is desirable in itself. The association with a recent and idealized past is permanent, in contrast to simply using the past in an advertising campaign, and fairly explicit, using one or more product attributes. Some historical eras have a specific attraction: particularly the 1960s and 1970s as these were the years during which baby boomers were young and the two decades are associated with a lost idealism. Regardless of any specific period, the past in general has characteristics that make it desirable for consumers and marketing managers. I have identified five characteristics: the past is different, familiar, inaccessible, a source of meaning and freely interpretable. These will be discussed in the following section.

Firstly, the past is different to the present. This is expressed eloquently in the famous first sentence of L.P. Hartley’s novel (1953), The Go-Between: “The past is a foreign country: they do things differently there.” The past offers a striking contrast to the present and can be desired, such as a need for otherness (Belk, Ger, and Askegaard 2003) that is sometimes linked to dissatisfaction with the present (Lowenthal 1985). The journey towards this otherness can be provided by institutions such as historical sites, which “succeed because of their inherent mystery, the fact that objects are inscrutable yet strangely compelling” (Brown, Hirschman, and Maclaran 2000). Alternatively, consumers can organize their own journey through time, for example by recreating events around the 19th century fur trade in America’s Rocky
Mountains (Belk and Costa 1998). The explosion of retro products that has occurred since the 1990s allows consumers to live this journey on a daily basis: the past is available on the mass market. It is, however, possible to travel and to escape towards the future as well as the past (Belk, Ger, and Askegaard 2003). So, why is the past more desirable than the future?

Secondly, while different, the past remains familiar. For example, “diners” are the ultimate retro retail business and are so familiar to Americans they have become a popular cultural symbol (Hirschman 2006). Thus, from an identity and existential perspective, the past is more useful than the future for individuals. Managing the relationship with their own past through possessions allows consumers to manage their identity (Belk 1991). Nostalgia, as an emotion provoked by the past, allows consumers to reduce existential fears (e.g., Routledge et al. 2011) and brands associated with the past improve consumers’ mood (Orth and Gal 2012). In contrast, the future is increasingly distressing in a world surrounded by unprecedented demographic and ecological problems. Therefore the paradox of the past is that it is both different and familiar, which makes it particularly appealing.

Thirdly, the past is, by definition, inaccessible. It should be noted that distance and inaccessibility increase consumer desire (Belk, Ger, and Askegaard 2003). Retro products make the inaccessible seem accessible, although only as a simulation. This inaccessibility has become increasingly obvious as more retro products have become available. For example, once the excitement of rediscovery has worn off, the experience of playing retro video games quickly become disappointing (Molesworth 2009). Someone attending a Rolling Stones concert or driving a Volkswagen New Beetle in the 2000s, having previously experienced these during the 1970s, could become brutally aware that the past can never be truly recreated. Nevertheless, the success of retro products shows that this is not a deal breaker. The accessibility of an inaccessible past can construct an invigorating paradox, similar to the paradoxical tension between past and present as highlighted by Brown, Kozinets and Sherry (2003b).

Fourthly, the past is a source of meaning. History itself has become a source of market value as it provides a rich reservoir of meaning (Peñaloza 2000). Any marketing manager can associate a product or brand with a period in history, a public good full of ideas and values. From this perspective, retrobranding sponsors the past. History plays the same role as charities, cultural or sporting events or celebrities in the sponsored role, but is free to use. Moreover, while some periods from the past are sacrosanct (Belk, Wallendorf, and Sherry 1989), this has not stopped the past from becoming a commodity (Goulding 2000). For example, since the mid-1990s, while popular music from the 1960s and 1970s has been outrageously exploited in the West, South Africa has seen the return of highly meaningful anti-apartheid music (Drewett 2008).

Finally, the past can be freely interpreted. It can be idealized or stereotyped in a postmodern world where history, origin and context have been abandoned (Firat and Venkatesh 1995), and where creativity consists of recombining historical elements (Brown 1995). Cinema, for example, is made up of traditional genres that allow consumers to travel through time: historical and biographical films, as well as westerns, mysteries or epic dramas in which the plot is usually fiction but where the action takes place in the past. However, “nostalgia films” (Jameson 1991) such as American Graffiti or Grease only aim to represent a certain idea of the past, and are cultural stereotypes rather than historical fact. In advertising, for example, the stereotypical manly man who drinks spirits, smokes cigars and corresponds to the masculine model of rebellion (Holt and Thompson 2004) is used to promote spirit brands such as Canadian Club Whisky. In this situation, past behaviors are reinterpreted as “cool” although today they could be considered irresponsible and immature.

Conclusion

Using the past to revitalize or relaunch a brand is not synonymous with retrobranding. Two strategies can be defined. The first consists of bringing a currently declining brand into the present, possibly using a continuous link with the brand’s history, while ensuring it remains credible. This is the traditional concept of brand revitalization. The second consists of preserving the association of an iconic brand with the past, using a discontinued link to a specific historical period, with the aim of creating feelings of nostalgia, while ensuring the brand remains authentic. This is the relatively new concept of retrobranding. Since markets evolve quickly, most brands will have been, or will have to be, traditionally revitalized. In other words, they will have to be made relevant to today. This is a timeless managerial process that is universal and applicable to all brands. By contrast, retrobranding is only applicable to certain brands and is based on a current social trend, in this case an interest in the recent past. However, regardless of the historical reference period, the past is desirable in itself as it is different from the present while remaining familiar. It is inaccessible and a source of meaning but still freely interpretable.

What is striking for those who observe marketing practices (e.g., Sullivan 2009), is probably the lack of inhibition in using the past shown by marketing managers. The “retro revolution” that has occurred since the 1990s contradicts the progressive logic that has underpinned marketing practices for decades (Brown 2001). This should not, however, be
construed as a sign of desperation or lack of creativity (Brown 1999). Retromarketing and retrobranding are being used to meet the needs of consumers. They are good marketing practice. Despite this, and despite all that has been written on the subject (e.g. Brown 1999; Brown 2001; Brown, Kozinets, and Sherry 2003b; Brown and Sherry 2003), these concepts have not yet found their place among the traditional marketing strategies. Specifically, retrobranding is not yet considered to be an independent concept, separate from brand revitalization. For example, Keller (2013), in developing his chapter on the management of brands over time, mentions brand reinforcement, brand revitalization and adjusting brand portfolios. Only one mention of retrobranding is made, and this is presented as a synonym of “retro-advertising” (p. 454) and is only applied to the use of the past in the creation of advertising materials. It can only be hoped that retrobranding will soon find its true place among common marketing concepts.

Appendix. Characteristics of Successfully Revitalized Brands and Characteristics of Brands That Qualify for Retrobranding

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<thead>
<tr>
<th>Characteristics of Successfully Revitalized Brands</th>
<th>Explanation</th>
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<tr>
<td>Moderate to premium-priced</td>
<td>The brand has never been heavily discounted.</td>
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<tr>
<td>Under-advertised and under-promoted</td>
<td>The brand is perceived as a “quiet” brand, but latent loyalty exists.</td>
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<tr>
<td>Wide distribution</td>
<td>The brand has always been able to maintain some shelf presence, so it does not have to fight with stores to be reintroduced.</td>
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<tr>
<td>Long-held heritage</td>
<td>There are vivid memories associated with the brand within at least a small core market segment.</td>
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<tr>
<td>A distinct point-of-differentiation</td>
<td>The branded product has unique points of differentiation that set it apart from the competition.</td>
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<table>
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<tr>
<th>Characteristics of Brands That Qualify for Retrobranding</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dormancy</td>
<td>Although it may lie dormant in the collective memory, the brand must still exist as a brand story. How ever, it should be relatively undisturbed by recent marketing attention.</td>
</tr>
<tr>
<td>Iconicity</td>
<td>The brand must have a vital essence; it has to have existed as an important icon during a specific developmental stage for a particular generation or cohort.</td>
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<tr>
<td>Evocativeness</td>
<td>The brand must be capable of evoking vivid yet relevant associations for specific consumers.</td>
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<tr>
<td>Utopianism</td>
<td>The brand must be capable of conjuring a utopian vision: engendering a longing for an idealized past or community.</td>
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<tr>
<td>Solidarity</td>
<td>The brand must inspire solidarity and a sense of belonging to a community.</td>
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<tr>
<td>Perfectibility</td>
<td>The brand should be amenable to both technological and symbolic updates so as to ensure its perpetual relevance to consumers, who constantly revise their own identities.</td>
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References


Visual Brand Language: A Metaphorical Approach to Integrative Marketing

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ABSTRACT
Visual brand language is an emergent phenomenon in branding. An integrated approach in creating brand identity is needed. To better investigate issues relevant to the perceptual presence of a brand, the author suggests a framework predominantly grounded in conceptual metaphor theory, branding, and design theory.

Keywords: integrative marketing, visual information processing, conceptual metaphor theory

Introduction
Visual brand language uses design elements in branding to communicate a firm’s identity (Bhattacharya 2008). Research on metaphors in marketing is not only fragmented (Scott 1994), but also fails to acknowledge the fundamental premise that metaphorical thought is nonverbal (Lakoff and Johnson 1980). Conceptual metaphor theory (CMT) offers a way to abstract concepts of brand identity that can be harnessed to structure visual brand communications. Although visual brand language has been successful in marketing and advertising, academicians have been slow to research this phenomenon. Fragmentation of research on this topic has been due to a narrow focus on a specific consumer response to a single marketing strategy rather than a global focus situated in conceptual meaning and its transfer. Design as a tool in branding offers not just an aesthetic pitch to elicit attention (Bloch 1995); it offers a platform for visual branding to connect to the core of a firm’s identity. A firm’s identity manifests itself in its product line, organization attributes, employees, advertising, and symbols (Aaker 1996). As a consumer interfaces with aspects of a firm, the interaction results in the consumer updating his or her evaluation of the firm. On any given day, an average American consumer comes across 5,000 brands (Johnson 2009). Brand communication is not just motivated to sell; it is geared to maintain brand perception amidst competition, reinforce promises of performance, and be positioned to accommodate a host of requirements that reinforce identity branding.

Although interaction with a brand can be superficial, (e.g. being exposed to a brand on a billboard off the highway), literature suggests that marketers focus on making engaging and meaningful relationships with consumers (Batra, Ahuvia, and Bagozzi 2012). Consequently, regardless of the medium, the impression that the firm imprints on a consumer is critical. Marketers employ designers to create visual material that is situation-specific (Cagan and Vogel 2002). However, when it comes to expressing the identity of a firm, what is essential is a communication strategy that is true to the firm’s core (Schmitt and Simonson 1997). Firms such as Starbucks, Wal-Mart, and BMW have adopted visual branding strategies that are reflected in product design, visual communication, and advertising. Such approaches have been useful in developing a strong identity among a core group of loyal followers (Fournier and Avery 2011). However, far from being an exemplar in their strategic implementation, such strategies are often irrelevant to larger audiences. This tends to be a problem as marketing communication is not just intended to sustain the interest of long-term followers but is also useful in identity branding that impacts nonusers.

Every company has core concepts of its identity (Aaker 2011). A firm’s identity signals to the consumer what the firm stands for, what its employee culture is, and, even more importantly, what the firm delivers to the consumers. Hence, it is no surprise that clearly reinforcing the identity of a brand in a consumer’s mind has a proven success record. However, the experience of a brand does not end with branded identity. Take Apple for example. The experience of the brand does not end with the logo that signals its identity. The logo is only a trigger that symbolizes the company,
enticing the consumer to explore more about the brand. Apple’s line of products, visual content on its website, images used in advertising that relate to the experience of the brand, and even its signature showrooms all contribute to the experience of the brand (Schmitt, Zarantonello, and Brakus 2009). But how do firms adopt an integrated approach to maintaining a cohesive brand presence? Furthermore, is there a way a firm can integrate its positioning strategy to communicate its presence in a competitive landscape?

In this paper, I suggest that adopting an approach based on CMT might prove to be an effective strategy in firm positioning. The theory allows brand communication to be based on a consumer’s emotional responses to the experiences of everyday concepts. I make the case that consumers understand complex experiences as concepts, that (1) are useful in the way visual and spatial information in product or packaging is comprehended; (2) consumers use to make associations with services; (3) can be used as brand representatives in extensions; and finally, (4) are accessible when comprehending symbolic representations (e.g., logo) and advertising imagery. This framework is informative not just to a firm’s branding efforts but also in terms of understanding concepts that originate in different consumer contexts that are not controlled by the firm.

This paper is organized to first elaborate on metaphor and the pitfalls in marketing literature, which fail to adopt the view that metaphoric language is nonverbal. Then the opportunities offered by CMT and how these opportunities communicate a brand’s core identity are presented. Design principles used in visual graphics are highlighted to inform possible mechanisms at play as abstract brand concepts. While some research propositions are offered to be tested empirically, the list is by no means exhaustive and is intended to give the reader a feel for the potential of the framework proposed in this paper. The underlying motivation of presenting conceptual metaphor is to highlight transferability inherent between the message of a firm’s communication and the consumer. Concepts that are both in and out of the control of a firm’s and a consumer’s realm are listed, and finally, the merits of using CMT in research on visual branding is explored.

An Integrative Approach

Metaphor. Metaphors constitute an important part of everyday communication. They aid in our learning as consumers and are a critical facilitator of knowledge transfer (Lakoff and Johnson 1980; Ortony et al. 1978). The intrigue in metaphors stems from the fact that metaphors transform existing knowledge into new ways of interpreting information. While past experiences and knowledge tend to be the basis of our view of the world, metaphors help us to comprehend present experiences and contextualize information in a way that is meaningful to existing knowledge (Billow 1977).

Aristotle provided an original definition of metaphors in the Poetics that may be briefly summarized as that which gives a thing a name that belongs to something else (Butcher 1917). Three entities important in knowledge transfer are the object of substitution (thing) that is based on its resemblance to the other (something else), and further, its contextual similarity as we perceive it (Billow 1977). The fundamental premise of metaphor is the dual nature of physical experience (i.e. real and abstract) that allows for knowledge transfer from one domain to another (Asch 1955). Although metaphors have been largely limited to language (Billow 1977), our experiences and the way we think and encode information in memory is largely nonverbal (Kosslyn et al. 1990). In fact, the way we interpret everyday experiences is also in terms of metaphors (Lakoff and Johnson 1980).

Metaphor is not new to Marketing. Metaphor as rhetoric is used for slogans, brand names, and visual imagery that encompass literal symbolic meaning (Bremer and Lee 1997). Situated in visual or pictorial rhetoric, the role of metaphor has been evaluated with respect to complexity and ambiguity of metaphor (Phillips and McQuarrie 2004), when metaphor is presented indirectly (McQuarrie and Phillips 2005), when metaphors are used in advertising to persuade consumers based on an argument (Jeong 2008), and to encompass cultural variations (Proctor, Proctor, and Papa-solomou 2005). The issue with such visual representation of metaphor is that the images used in advertising are literal reflections of reality, which stands contrary to conceptualization of metaphor (Scott 1994). This is because they represent literal translations of concepts that run contrary to the definition of conceptual metaphors. Further, researchers indicate that the very nature of verbal metaphors has cognitive origins similar to nonverbal metaphors (Forceville 2002).

Marketing literature employs theories of nonverbal information processing in a number of contexts. Visual aesthetics consistently contribute to a brand’s success criteria as noted in industry (Lafley and Charan 2008) and academia (Bloch 1995). Visual aesthetics have been studied in the marketing literature to understand ways in which firms create products and brands, design packaging, place products in a store, and brand a store environment. Although the way in which we use the visual medium to influence others in the arts has been studied since antiquity, visual information processing as a scientific stream of research and in the context of associative learning has more recent underpinnings (Paivio 1969). MacInnis and Prices (1987) laid the groundwork for contemporary application of visual information processing.
in marketing, and visual aesthetics in marketing have been studied under specific areas, such as visual versus verbal processing (Childers et al. 1984, 1985); beauty is good (Dion, Berscheid, and Walster 1973; Griffin and Langlois 2006); prototypicality (Halberstadt and Rhodes 2000); schema congruity (Meyers-Levy and Tybout 1989); and mere exposure effect (Zanjonc, 1968). Meyers-Levy and Peracchio (1992) investigated the effect of visual and verbal integration in advertising, and its effect has been known to impact diverse variables, including product desirability and evaluations. Hence, an integrative theory of conceptual metaphor as it relates to other theories of visual branding, such as schema theory, prototype theory, and conceptual fluency to name a few, is essential.

**Conceptual Metaphor Theory.** CMT is based on the premise that metaphor is a fundamental aspect of knowledge construction and everyday thought (Lakoff and Johnson 1980). Gibbs (2011) noted that the metaphor in CMT primarily relates to metaphor with implicit target domains. This means that terms used in the metaphorical concepts must make sense and have meaning to consumers regardless of whether they are exposed to concepts during the branding process. This ensures that meaning transfer, which is a fundamental property of metaphor, is possible. Despite the origin of the term metaphor in linguistics, it must be noted that the realm of metaphor in CMT is in thought and not in language (Reddy 1979). Hence, visual mapping of concepts can be successfully transferred using visual branding strategies.

Visual brand language means communicating to the consumer through visual means. The domain of visual brand language can be product design, logo design, package design, images, imagery in advertising, branded interiors, sales and service personnel in branded attire, and any other form of visual communication that represents a brand. The representation of the brand in various forms contributes to knowledge construction of the firm. The philosopher Kant (1781) originally coined the term *schematism* to describe the abstraction of objects perceived through the senses. The term *schema* is used to describe organized information on a given concept. In general, schemas are frameworks to represent the world (Piaget 1959). Piaget (1959) developed this concept further and proposed that knowledge structures are either responses, held as images or codes, or complex thought. In context, conceptual metaphors are abstract representations of transferable thought concepts (Gibbs 2011). The role of image formation is central to understanding transferability in conceptual metaphors. Historically, art and visual aesthetics of form have been expressed using the building blocks of drawing, such as scale, size, shape, texture, and color (Tversky 2002; White 2011). The unique aspect of drawing is that it reflects conceptualizations and not perceptions of reality (Tversky 2002). Organizing principles of gestalt such as symmetry, balance, contrast, repetition, proportion, harmony, repetition, movement, and others (Boeree 2000) that combine visual elements schematically represent relationships that can be reflective of concepts in the real world. Individuals are thought to be naturally inclined to find good gestalt more appealing than bad gestalt, and it is in this distinction that the valence of emotion is woven into evaluative judgments on visual branding. Thus, it is no surprise that regions of the brain involved in experiencing emotion and goal setting show activation when viewing art, which uses these fundamental concepts of composition (Cupchik et al. 2009). Hence, the first proposition that this paper makes is

**P1:** Visual brand language has the potential to elicit positive or negative responses such as those akin to aesthetic responses as seen in art.

**Communication Channels of a Firm.** Brand as organization and brand personalities reflect the core of a firm as concepts to be communicated to the consumer. The firm’s value or culture, people, and programs all forms the basis organizational identity (Aaker 1996). Organization associations are different from product associations, and the two identities exist independent of the other in the minds of the consumer (Goldberg and Hartwick 1990). Examples of these associations include community orientation, perceived quality, and innovation. Brand personalities are described using demographics, lifestyle, or human personality traits (Schouten and McAlexander 1995). User imagery that consists of people using the brand or of idealized users is the most common technique in communicating brand personality (Plummer 2000). Hence, while companies do own organization identity, we see that the way they communicate this identity in advertising or media presence uses the same principles as symbolic communication.

Symbolic communication by firms is inherent in branding, in products that they offer, and in the way that consumers can relate to the brand (Swartz 1983). Product is the most accessible aspect of a firm’s offering. The three main aspects of product design that are also used to communicate to the consumer are aesthetics, ergonomics, and functionality (Mueller and Story 2002). Product design adopts variations in form, texture, materials, and color in a way that offers qualitative variations adhering to trends, design aesthetic, or style (Ching 2010). Meaning encoded in qualitative variation depends not just on the knowledge of the designer or the consumer who uses the product; it also depends on normative culture of society at large (Bloch 1995; Jones 1991; McCracken 1986). The platform of design of new products offers firms a vehicle to encode conceptual metaphors of
aesthetics, ergonomics, functionality, and also the firm’s identity (McCormack, Cagan, and Vogel 2004). On the same lines, semantics of visual and spatial information of form translate into meaningful associations that consumers make with regard to a company’s brand. Hence, associations that conceptual metaphors make do not just reflect the implicit personality or traits of a brand; they are symbolic and relevant to the external category in which the brand is situated. This is especially relevant in the context of mimicry in the marketplace that relies heavily on the prototypical form as its identity (e.g. coke bottle, BMW grill design, etc.)

When it comes to specific categories, prototypes are summary representations of members of a category in memory (Hintzman 1986). Take Heinz ketchup for example. Consumers implicitly make associations of the bottle form with the brand. Prototypes enjoy increased consumer desirability, as they are fluent in form. However, when aided by mimicry, research indicates mixed consumer responses. Prototype theory would suggest that a category leader could be thought of as similar to a greater number of brands in its category and hence seen as central to the category (Carpenter and Nakamoto 1989). Hence, when form is used to represent the central theme of a category, mimicry would increase the desirability of the category leader.

P2: Consumers would be more receptive to the category leader in the presence of mimicry.

Communicating concepts using product form is efficient and consumers use heuristic in the way that they interpret product form. Take package form that is tailored and molded to be aesthetically pleasing, for example. Although research in general indicates that product form that is more aesthetically appealing is preferred in general (Bloch 1996; Townsend, Montoya, and Calantone 2011), the metaphorical representation of aesthetics as represented in the package could transfer into performance inferences that consumers make in specific categories promoting the concept of beauty. Hence, where form metaphorically connects the benefit of product usage to the category, we would find consumers using metaphors as aids to heuristic thinking in consumption preferences.

P3: Conceptual matches between a member of a category and the functional proposition of the category will increase desirability of the category member.

Consumer knowledge of a brand evolves based on marketplace information. Consumers assign known brands to specific hierarchies of quality and liking. The marketplace position of a brand, hence, is not just determined by annual revenues of the brand but holds a distinct position in the minds of the consumer (Aaker 2011). Using metaphors to reinforce brand position has the potential to influence consumption preferences.

P4: Visual and spatial representation of concepts in visual branding will reinforce brand positioning that is based on the individual brand.

Beliefs and expectations are known to bias perception and the experience of stimuli (Deighton 1984). Prior beliefs that are either core beliefs grounded in active thought or dispositional beliefs could be activated in the presence of visual stimuli. This forms an evaluative basis against which a consumer would base judgments and purchase decisions. Visual information that reinforces core beliefs about a brand would be experienced differently than visual information incongruent to the beliefs held about the brand.

P5: Visual brand language that is reflective of a consumer’s worldview and belief is desired more than concepts that are incongruent to prior beliefs.

CMT identifies creative instantiation and polysemy that are valuable to the branding literature. Creative instantiation uses metaphor to create new knowledge (Gibbs 2011). The fundamental premise of metaphorical thinking is that concepts are rooted in everyday experience. Hence, the same concept that has both emotional and rational relevance will be interpreted differently, and consumers will respond based on the situation that most likely represents the original encoding of the concept. Polysemy in conceptual metaphors is the ability of concepts with a given meaning to take on additional related meanings (Lakoff 1987). The basis of polysomic reasoning is that experiences cause humans to use multifaceted concepts. Polysemy allows the creation of brand identity in a way that is not tied to narrow definitions of brand traits or personalities, but forces firms to identify multiplicities of concepts. This allows a brand to be relevant while asserting its identity in a given context.

P6: Concepts rooted in a consumer’s emotional response to visual branding will be more effective than semantic associations of the brand.

Other concepts based on human experience of entities in the world that are not rooted in emotion include concepts of weight, pull, push, and time and are linear in their conceptualization. In contrast, newer concepts that are introduced in consumer space such as eco-friendly, frugal and savvy will be perceptual in their manifestation.

P7: Newer concepts that consumers learn will be perceptual knowledge based on associative learning.
Although the list of propositions in this article is far from exhaustive, it offers a starting point to think of metaphoric usage of visual information in ways that conceptually communicate a brand’s identity. Known metaphorical terms identified in the conceptual-visual transfer and possible visual branding opportunities are listed in Table 1.

Managerial Implication. By unifying branding strategies conceptually, the framework highlighted in this paper raises several useful managerial implications. The framework suggests that visual metaphors of branding offer an integrative view of offerings by the firm. In doing so, managers are forced to evaluate the core value proposition of the firm that makes it unique in comparison to competitors. Having a clear brand presence with a unified message and communication strategy is a key component of creating strong brands. By highlighting the techniques used to design visual brand identity, this paper offers managers insight into opportunities to capitalize on during brand creation. If managers are clear about their firm’s personality and product or service offerings, the vernacular of design of marketing communications, advertising, product, services, and identity branding will be presented in a thematically cohesive fashion.

Research Implications. The conceptual framework laid out in this paper suggests a wider range of research possibilities. Given the scarcity of research reported in the consumer behavior and marketing literature, there is a tremendous opportunity for theory building and empirical testing. The propositions laid out in this paper are purposefully general. Each one of the propositions could be evaluated and tested through empirical research. In addition to the basic research suggested by the framework and propositions, there is a need for research into two very critical aspects of metaphor in branding. Given that marketing integrates new media and technology and adheres to consumer trends, marketing practices engage in a mode of constant creation of new knowledge. Studying these trends from a conceptual metaphor lens would offer a comprehensive and integrative approach to brand knowledge. Also of interest in this area would be the consequences of polysemous visual metaphors (concepts with multiple related meanings) (Gibbs 2011). Given the need for research to illuminate multiplicities or different perceived brand implications on consumers, this area of research remains unexplored. Multiplicity by definition is a complex structure without a prior definition (Deleuze and Guattari 1987; Parr 2005). It can either be numerically extensive or continuously intensive in nature and defines concepts in both space and time. Any contact that the intensive state has with other concepts changes it (Parr 2005). Hence, conceptual metaphor captures Proust’s (2006) adage of being, “real without being actual and ideal without being abstract,” (p. 96) which is useful in understanding an integrative approach in branding. Future research should also evaluate the interplay of conceptual metaphors on core versus extended identities that polysemous branding entails.

Table 1. Metaphoric Transfer on Attitude

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<th>Report</th>
<th>Conceptual and Visual-Spatial Link</th>
<th>Branding Opportunity</th>
</tr>
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<tbody>
<tr>
<td>Miles, Nind, &amp; Macrae (2010)</td>
<td>Past is backward/future is forward</td>
<td>BPS wholesome, old-fashioned; brand identity related to retro goods or antiques; baby boomer consumer</td>
</tr>
<tr>
<td>Bruner &amp; Goodman (1947)</td>
<td>Significance is size</td>
<td>Large-scale product; large-sized products</td>
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<tr>
<td>Jostmann, Lakens, &amp; Schubert (2009)</td>
<td>Significance is weight</td>
<td>Heavy products; large-sized products; symbolic of importance</td>
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<tr>
<td>Zhong &amp; Leonardielli (2008)</td>
<td>Social exclusion is physical coldness</td>
<td>Simple, minimalist product design; gray and white color tones</td>
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<tr>
<td>Meier &amp; Robinson (2004)</td>
<td>Good is up/bad is down</td>
<td>BPS sincerity, down-to-earth (incongruity); placed on top of product assortment; logo position</td>
</tr>
<tr>
<td>Casasanto (2009)</td>
<td>Good is right (or left)/bad is left (or right)</td>
<td>Logo location; product on shelf; website location</td>
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<tr>
<td>Wilson &amp; Ross (2001)</td>
<td>Personal improvement when success is spatially close</td>
<td>Brands of success are positioned close; depiction of enhancement brands</td>
</tr>
<tr>
<td>Meier, Robinson, Crawford, &amp; Ahlvers (2007)</td>
<td>Good is bright/bad is dark</td>
<td>BPS sincerity, cheerful; conceptual fit of product tone (coffee, chocolate, soda, milk) to health benefits</td>
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<td>Boroditsky &amp; Ramscar (2002)</td>
<td>Time moves toward the self if the ego is primed</td>
<td>Congruity of time-related products and self-enhancement products</td>
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Table 1. Continued

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<tr>
<td>Read, Cesa, Jones, &amp; Collins (1990)</td>
<td>Freedom is privacy</td>
<td>Online branding; airplane and other regulations</td>
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<td>Landau, Sullivan, &amp; Greenberg (2009)</td>
<td>Nations are bodies</td>
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<td>Schubert (2005)</td>
<td>Powerful is up, powerless is down</td>
<td>Dominant brands, status brands, power drinks</td>
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<td>Deng &amp; Kahn (2009)</td>
<td>Down and right are heavier than up and left</td>
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<td>Elder &amp; Krishna (2004)</td>
<td>Dominant hand use simulation is easy to visualize</td>
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<td>Fettermann, Robinson, Gordon, &amp; Elliot (2012)</td>
<td>Red is fury</td>
<td>Aggressive brands; arousal</td>
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<td>Boyatzis &amp; Varghese (1994)</td>
<td>Green is associated with forests, trees, and nature</td>
<td>Eco-friendly brands; good brands; green products</td>
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<td>Chae &amp; Hoegg (2013)</td>
<td>Past is left and future is right (culture dependent)</td>
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<td>Hemphill (1996)</td>
<td>Blue is associated with positive emotions</td>
<td>Evaluative judgments of brand logo in the color blue</td>
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<tr>
<td>Tapia (2003)</td>
<td>Lack of symmetry correlates to aesthetic response</td>
<td>Logos, spokesmen that are symmetrical vs. asymmetrical</td>
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*BPS (Brand Personality Scale: The Big Five)

References


Mere Exposure as a Signal: Company Objectives and Research Propositions

Kristin Scott, Minnesota State University, Mankato

Keywords: mere exposure, signaling theory, product placement, conceptual framework

EXTENDED ABSTRACT

Research Question
As companies spend more and more money on product placement, what do they hope to gain from it? The current research attempts to answer this question by combing two divergent literature streams: mere exposure and signaling theory and proposing that this type of contact with the product is an example of mere exposure used as a signal by companies in presenting themselves to the consumer. Mere exposure is the act of bringing a stimulus into perception and after being exposed to a new stimulus, a person’s liking for that stimulus increases. Signaling theory suggests that companies use signals to inform consumers about their product (e.g. price, warranties, advertising). Firms send signals that increase the chance that the consumer will come into contact with the product, therefore gaining awareness. This contact could subsequently enhance the consumer’s attitude toward the product (i.e. the mere exposure effect). Therefore, when a consumer has been exposed to a product, logo, or company name, their liking toward it should increase. This stimulus will usually be presented in a non-informational, non-advertising context to reduce cognitive responses and potential responsive barriers. This type of signal occurs in product placement along with other types of mere exposure (e.g. billboards, t-shirts, banner advertising).

Summary of Findings
To develop this theoretical framework, 18 research propositions categorized into three sections are proposed. The first section describes and classifies mere exposure as a signal. The second and third sections provide company objectives that can be broadly categorized as either gaining perception or enhancing attitude. Gaining perception can be further categorized as awareness, recognition, accessibility, reminder, or association objectives. When attempting to enhance attitudes, companies may use familiarity, credibility, quality, reputation, or popularity as an objective. Using mere exposure as a signal would be very beneficial for a firm trying to obtain perception as well as an enhancement of attitude toward the product and/or company.

Key Contributions
Although there has been substantial research in both the signaling and mere exposure literature, mere exposure has not been identified as a type of signal. This paper attempts to make this connection and provide a context from the company’s perspective. In addition, it provides a conceptual framework of the objectives of this relationship on which propositions are derived and can be empirically tested. Combining these two divergent literature streams provides a new perspective on how companies can communicate with consumers: companies may send a signal to consumers using mere exposure. This non-informational, non-advertising context will provide valuable information to consumers which should increase purchase intentions. If the proposed propositions do hold in subsequent testing, managers may be advised to use mere exposure to obtain these desired objectives. Boundary conditions would also have to be investigated to find where these results hold (e.g. type of product). If mere exposure is able to deliver the proposed objectives, it would provide an unobtrusive way to get to the consumer and also offer a cheaper, easier vehicle for obtaining certain results.

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References are available upon request.
Part L
Sales and Customer Relationship Management

Track Chairs
Adam Rapp, University of Alabama
Doug Chung, Harvard University

From Pricing to Sales Controls: Using CRM to Better Understand Customer and Salesperson Motivations
Performance Effects of Sales Controls: A Comparison of Alternative Conceptualizations
   Nikolaos G. Panagopoulos, Catherine M. Johnson, David L. Mothersbaugh
Price Sensing in Discount Negotiations—How Salespeople Acquire and Utilize Information About the Importance Customers Attach to Price
   Jan Wieseke, Sascha Alavi, Jan Helge Guba
The Conventional and Social Information-Based Chain of Price Enforcement in Salesperson–Customer Negotiations
   Jan Wieseke, Sascha Alavi
The Impact of Product Recalls on Customer Acquisition and Customer Retention in the U.S. Automobile Industry
   Florian Stahl, Mark Heitmann, Lucas Beck

Towards Enhancing Value Co-creation: Understanding Frontline Service and Salesperson Emotional Intelligence, Innovation, and Behavior
How Does Supervisor Knowledge Shape Positive Salesperson Behaviors? Salesperson Knowledge as a Linking Mechanism
Revisiting the Role of Emotional Intelligence in Salesperson Relational Behavior and Performance
   Selma Kadić-Maglajlić, Irena Vida, Claude Obadia
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Making Value Co-creation a Reality—Exploring the Co-creative Value Processes in Customer-Salesperson Interaction
   Jasmin Baumann, Kenneth Le Meunier-FitzHugh, Leslie Le Meunier-FitzHugh
Performance Effects of Sales Controls: A Comparison of Alternative Conceptualizations

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Catherine M. Johnson, University of Alabama
David L. Mothersbaugh, University of Alabama

Keywords: sales controls, salesperson, performance, measurement, formative/reflective indicators

EXTENDED ABSTRACT

Research Question
There are two notable research streams that have appeared in the conceptualization and measurement of sales controls. The first builds off of the work of Anderson and Oliver (1987), and the second builds off of Jaworski (1988). These two approaches differ in a number of ways and may not be used interchangeably; hence, the results which are gleaned from the use of one approach are not necessarily commensurate with the results which would be elicited through the use of the other. Moreover, it is not apparent whether one approach is superior to the other in terms of measurement qualities or explanatory power. As such, sales researchers often face the dilemma of which conceptualization they should employ in their research and whether this choice has an impact on the results. This study seeks to (1) understand whether and how the two approaches overlap with each other, (2) to examine the extent of similarity in conceptualizations and in the impact of each on sales performance using the same sample, (3) to empirically test nonlinear effects of behavioral/process sales controls on customer-focused sales performance, and (4) to examine the effects of sales controls on objective, time-lagged performance data at the firm level.

Method and Data
Survey data from a sample of 165 senior sales executives in a variety of B2B industries and sales contexts was matched to objective firm financial performance data at the time of the survey and one year later from two secondary sources. The second-order structure of the Oliver and Anderson (1994) control index (O&A) was assessed by using the repeated indicator approach (Lohmöller 1989) in partial least squares (PLS). The index was then constructed by weighted multiplication of the individual first-order dimensions with the standardized PLS weights (Reinartz, Krafft, and Hoyer 2004). Reflective measures in the Jaworski and colleagues conceptualization (J&C; Jaworski and MacInnis 1989; Jaworski, Stathakopoulos, and Krishnan 1993) were assessed for validity and reliability. The quadratic terms for process control were constructed using the orthogonalizing approach (Little, Bovaird, and Widaman 2006). Next, a hierarchical model approach in PLS was employed (Chin, Marcolin, and Newsted 2003) by fitting models of increasing complexity to test hypotheses (linear-only effects model, hypothesized model with quadratics, and final model to test for the presence of omitted relationships). We employed several procedural and statistical remedies to alleviate concerns for common method variance (CMV) bias (Podsakoff et al. 2003) as well as Frenzen et al.’s. (2010) procedure to rule out the possibility of endogeneity bias.

Summary of Findings
Results showed that both conceptualizations’ measurement instruments have validity issues with at least one of their dimensions. Results show that while there is some positive overlap between the two conceptualizations, there are also significant differences in the ways that outcome-based and behavior-based controls (under the O&A conceptualization) relate to each of the control dimensions under the J&C conceptualization.

We found evidence for a positive relationship between both sales control conceptualizations and behavioral performance.
with effect sizes being larger for the O&A index. Customer relationship performance was influenced by both control system conceptualizations. There is no significant relationship between output control and salesperson behavioral performance. While behavioral control exerts a linear, positive influence on customer relationship performance, there was a curvilinear effect of process control on customer relationship performance. The effects of process control on outcome performance are fully mediated by behavioral and customer relationship performance, whereas the O&A index was found to exert a direct, negative influence on outcome performance. Output control has a positive, direct effect on outcome performance. The effects of cultural control on outcome performance are fully mediated by behavioral performance.

Key Contributions
This study constitutes the first simultaneous empirical examination of the influence of the two control conceptualizations on performance using the same sample. As such, we are able to provide a comparison of the two conceptualizations relative not only to each other, but also relative to objective firm performance outcomes. While extant literature has tended to treat the two conceptualizations as interchangeable, this study shows that there are significant differences among the dimensions of each conceptualization with the other as well as differential effects across both on performance outcome variables. This is extremely important to researchers in the sales control system field who should, in the future, be cautious in equating the O&A scale with the J&C scales.

This is also the first empirical demonstration of a curvilinear effect (in an inverted-U shape) of process controls on customer relationship performance. Also, the finding that both formal and informal controls relate to firm performance is important since previous studies have paid immensely less attention to informal types of control. Finally, our findings present significant managerial implications regarding the types of performance outcomes which may be elicited in a sales force under various types of managerial controls.

References are available upon request.
Price Sensing in Discount Negotiations—How Salespeople Acquire and Utilize Information About the Importance Customers Attach to Price

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Sascha Alavi, University of Bochum
Jan Helge Guba, University of Bochum

Keywords: price negotiations, perceptual accuracy, price importance, negotiation strategies, negotiation performance

EXTENDED ABSTRACT

Research Question
One important possibility for price discrimination in personal selling situations is to allow customers to negotiate for discounts (Clopton 1984). The negotiation should lead to increased profits from the company’s point of view if the salesperson is able to identify the importance of the selling price for the individual customer. We refer to this ability of identifying the importance the customer attaches to price as price sensing.

Even though negotiation research acknowledges the importance of gathering information about the customer in sales encounters (e.g. Neale and Bazerman 1983), to date there has been no study which systematically investigates on which cues salespersons rely when building perceptions about their customers’ price importance and how this information can be utilized in negotiations. Our study addresses this research void and poses two important questions: 1) How much and under what conditions does price sensing improve negotiation performance? 2) Which factors improve a salesperson’s price sensing performance?

Concerning research question 1, we hypothesize and test the effects of price sensing on the negotiated discount and on the customer’s purchase intention in a discount negotiation. The salesperson’s perceived pressure to perform and customer orientation are included into the model as moderators. In the second part of our study we hypothesize and test effects of customer- and salesperson-specific cues salespersons take into account when performing price sensing.

Method and Data
In order to answer our research questions we conducted an empirical investigation in the automobile retailing context. Our study comprises data on 540 real-life salesperson-customer interactions. Thereby, we overcome concerns of external validity which have been raised concerning laboratory settings in negotiation studies (Evans and Beltramini 1987; Zetik and Stuhlmaccher 2002).

Data were obtained from salespersons and their customers after sales conversations with help of questionnaires. After about 30 weeks of data collection 540 salesperson-customer interactions were obtained. 171 salespersons and 540 customers were surveyed, with a mean of 3.16 interactions recorded per salesperson, ranging between one and ten interactions.

The data structure of the study comprises two levels – the interaction level of the sales encounter and the salesperson level. As each salesperson has interacted with more than one customer several customers are nested into salesperson clus-
ters. Therefore, we conducted our analysis using multi-level path analyses, which take into account that individuals within a particular group may be more similar to each other than to individuals in other groups (Hofmann 1997).

Summary of Findings
We found strong support for the hypothesized effects of price sensing on negotiation outcomes. The more accurate a salesperson's price sensing the lower is the negotiated discount. This effect increases with a higher pressure to perform perceived by the salesperson. The effect of price sensing on purchase intention depends on the salesperson's customer orientation. While the effect is not significant on average, high customer orientation increases and low customer orientation decreases purchase intention.

To investigate on which cues salespersons rely when forming perceptions about the importance their customers attach to price, we developed a set of potential price sensing cues which can be categorized into customer-specific and salesperson-specific cues. Customer-specific cues are customer characteristics the salesperson perceives during the negotiation encounter and takes them into account to form a perception of the importance the customer attaches to price. Our results provided evidence that the customer-specific cues age, gender, product knowledge, and relationship length distort the salesperson's perceptions. Salespeople underestimate the importance female, older, and well-known customers attach to price, whereas a high degree of product knowledge of the customer leads to an overestimation of price importance. A valid cue, in turn, is the number of reference quotes the customer has obtained in advance of the encounter. A further underestimation is caused by the perception that the own store's prices are high (salesperson-specific cue).

Key Contributions
The results of our study provide important implications for marketing research and practice. We address the lack of research on the process of gathering and using price-related information during sales interactions and thereby contribute to sales and negotiation literature. By showing that salespersons are subject to cognitive heuristics based on different cues when making judgments about customer preferences, our study adds a new perspective to these fields of research, which have mainly focused on the outcomes of accurate perceptions to date (e.g. Sharma and Lambert 1994). Our findings provide a starting point for further research which could try to identify conditions which promote or reduce the use of these heuristics. Moreover, we introduce a new concept to literature which helps salespersons to be more successful in price negotiations.

Practitioners may profit from our results because being aware of perceptual biases when assessing the importance their customers attach to price will help salespersons to avoid these biases in future. An important strength of our approach is that we identify cues which distort the salespersons perceptions and lead to over- or underestimations considering price importance ratings. These findings may provide starting points for salesperson trainings.

References are available upon request.
The Conventional and Social Information-Based Chain of Price Enforcement in Salesperson–Customer Negotiations

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Sascha Alavi, University of Bochum

Keywords: price negotiations, price enforcement, discounts, customer loyalty, sales management

EXTENDED ABSTRACT

Research Question
The dominant view in marketing literature understands price enforcement in negotiations as an influence chain which links (1) financial incentives to enforce prices, (2) salespersons’ effort in price negotiations and (3) ultimately price enforcement success (i.e. discount minimization). However, this conventional chain of price enforcement does neither account for salespersons’ price cognitions nor for the social work environment and it focuses exclusively on extrinsic motivation. These limitations are serious as intrinsic motivation and social influences might take a substantial role in price enforcement. In response to these neglects, we propose an alternative chain based on social information processing theory. This chain focuses on intrinsic motivation and comprises a cascade of influence from managers’ and coworkers’ price adequacy perception → salespersons’ price adequacy perception → value communication → price enforcement success and customer loyalty. Thus, we aim to examine whether the proposed alternative price enforcement logic holds and compare its effectiveness to the conventional price enforcement approach. In particular, we investigate whether the alternative chain alleviates the negotiators’ dilemma (price enforcement effort increases price enforcement success, but damages the relationship to the customer) which is linked to the conventional chain.

Method and Data
To empirically verify the alternative and the conventional chain of price enforcement, we conducted a study in an automotive retail setting (Study 1) and a cross-industry validation study (Study 2). For both studies we generated a large-scale, multiple source data set that matches customer and salesperson responses and includes objective observer and manager data as well as objective company records. Specifically, Study 1 includes 422 salesperson–customer interactions and Study 2 comprises 213 salesperson–customer interactions. We have created this data set, complementing the salesperson–customer responses with manager data and objective observer data to verify the reliability and validity of our variable measurements.

Customers and salespersons were matched by code-numbers linking salesperson and customer-salesperson interaction level. The data collection in total spanned eight weeks and comprised 29 car dealerships (cross-industry sample: 14 stores). On average 3.35 interactions were recorded per salesperson, ranging between 1 and 16 interactions per salesperson (cross-industry sample: 2.6 interactions ranging between 1 and 14 interactions).

To account for the nested data structure we employ a multilevel approach which allows the simultaneous processing of data from multiple levels. Specifically, we estimate a two-level model using Mplus 7 and a full information maximum likelihood estimator.

Summary of Findings
Our data analysis supports our conceptualization of the conventional and alternative chain of price enforcement and reveals two major insights that extend marketing research. First, we introduce salespersons’ price adequacy perception to the sales and marketing literature and find that it indirectly

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increases price enforcement success and customer loyalty. Thus, we illustrate that salespersons’ price cognitions constitute an essential factor in price enforcement in salesperson–customer interactions. Interestingly, salespersons’ price adequacy perception are strongly influenced by coworkers, but only marginally affected by sales managers’ price adequacy perceptions. Second, extending prior research, we find that the alternative chain resolves the price enforcement–loyalty dilemma. Unlike the conventional chain which increases price enforcement success at the expense of customer loyalty, the alternative chain improves both outcomes jointly. However, at this point it seems important to us to warrant a note: we are far from suggesting that the alternative chain might replace the conventional chain. We think and our results underline that the conventional chain is a powerful instrument to achieve price enforcement success. Rather, we suggest that the alternative chain should complement the conventional chain as the synergy between both chains maximizes price enforcement success.

**Key Contributions**

By conceptualizing and verifying an alternative chain of price enforcement, we add insight to the marketing and negotiation literature in several ways: First, we complement the conventional price enforcement chain which is based on reward and punishment (and thus on extrinsic motivation) with an alternative, social information, intrinsic motivation based path. The social information processing approach extends prior research, since “the social dimension of negotiation became minimized and marginalized” (Kramer and Messick 1995, p. vii). This new perspective provides a more comprehensive understanding of price negotiations and price enforcement. Second, as recently called for by Krafft et al. (2012), the alternative chain provides a solution to the dilemma that salesperson effort in negotiations improves price enforcement but damages the customer–salesperson relationship. Third, we add to the price negotiation literature by considering managers’ and coworkers’ price-related influence as well as salesperson price cognitions which have been largely excluded from previous work. Fourth, so far research on price negotiations primarily involves laboratory experiments (Perdue and Summers 1991). The study at hand employs field data to establish a high degree of external validity.

*References are available upon request.*
The Impact of Product Recalls on Customer Acquisition and Customer Retention in the U.S. Automobile Industry

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Lucas Beck, University of St. Gallen, Switzerland

Keywords: product-harm crisis, product recalls, customer acquisition, customer retention

EXTENDED ABSTRACT

Research Question
In recent years, product-harm crises in general and product recalls in particular increased dramatically (Chen, Ganesan, & Liu, 2009; Rupp, 2001). Product-harm crises frequently result in product recalls, in which the concerned companies have to restore the recalled products from all distribution channels and from end customers or have at least to repair the damaged component. In this paper our objective is to understand in more detail how product recalls affect sales, to analyze the impact of product recalls on customer acquisition as well as customer retention and to illustrate implications for customer management.

Past research has shown how product recalls affect the stock prices of the brand or company and its competitors (e.g. Hoffer, Pruitt, & Reilly, 1988; Jarrell & Peltzman, 1985; Chu, Lin, & Prather, 2005), and discussed various aspects such as the impact of severity, the affected attributes of the recall, good reputation and the initiator of the recall (e.g. Rhee & Haunschild, 2006; Rupp, 2004; Rupp, 2001a). However, the impact of product recalls on customer management and especially on customer retention and customer acquisition, two main components of customer lifetime value (CLV), has to the best of our best knowledge not been discussed in academic research so far. Thus, our research investigates whether affected customers respond differently to a product recall than non-affected customers.

Method and Data
For the purpose of calculating the impact of product recalls on the two terms of customer behavior, customer acquisition and customer retention, we avail oneself of the U.S. automobile industry. We chose the automobile industry not only because of its great economic importance and being a major sector of the U.S. economy (Kalaignanam, Kushwaha, & Eilert, 2013; Borah & Tellis, 2013), but also because of supplemental reasons like the strong customer involvement in the purchase process (Lambert-Pandraut, Laurent, & Lapersonne, 2005). The large number of recalled cars and their high frequency of recalls allow us longitudinally examining the impact of recalls on customer behavior. We analyze the effect of automobile recalls on the level of automobile brands (e.g. Chrysler, Honda), and not models (e.g. Voyager, Accord).

We distinguish between NHSTA Recalls and Recalls in News Media as explanatory variables in our empirical analysis. The NHSTA Recalls data are provided by the National Highway and Traffic Safety Administration (NHTSA).1 For each brand in our customer switching data, we added the number of all corresponding safety recall announcements in U.S. newspapers and magazines (Recalls in News Media) in each year between 1999 and 2008.

We analyze the relation between product recalls and customer acquisition and customer retention on actual purchase data of the U.S. automobile market. The data are provided by the Power Information Network (PIN), a division of J.D. Power (www.jdpower.com). PIN allocates sales transactions of used and new automobiles from participating dealers. The

1Downloaded from nhtsa.gov on June 30th, 2011.

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information about the traded-in and actually purchased automobiles let us determine if a customer is a switching or a retaining person.

Further we control for Customer-Based Brand Perception and Advertising: Because of the known influence on customer acquisition and customer retention (Van Heerde et al., 2007; Ailawadi, Lehmann, & Neslin, 2003; Klein & Dawar, 2004), we consider two dimensions of customer-based brand perception as explanatory variables. We use the measurement of brand perception provided by the Young & Rubicam Brand-Asset Valuator that captures many aspects of customers’ mind-set with respect to a brand (Mizik & Jacobson, 2008). Young & Rubicam is a major global advertising company and collects annual data for more than 20,000 brands of 44 countries worldwide by surveying more than 230,000 respondents (Schuiling & Kapferer, 2004). Young & Rubicam’s brand perception is a combination of brand’s growth potential, brand strength, and the current power of the brand, brand stature. Additionally, we consider in our analysis the yearly U.S advertising spending of each brand provided by TNS Media.

To model the impact of recalls on customer retention and customer acquisition we employ a market share attraction model (for detailed specifications of market share attraction models, see e.g. Cooper & Nakanishi, 1988). Market share models are logically consistent and can be applied to aggregate brand-demand level. To test the impact of recalls on customer acquisition and customer retention, we specify an attraction model that captures the competitive structure by simultaneously estimating the impact of recalls of a brand and of all its competitors on brand ability of customer retention and customer acquisition. Additionally, we use unconditional acquisition and retention rates because of the logically consistence in the sense that acquisition and retention rates satisfy range (between zero and one) and sum (summing to one across brands) constraints.

Summary of Findings
Our empirical analysis provides several findings. First of all, our study shows support for differently interpreting product recalls based on using a product of an affected or another brand. While customer acquisition is significantly negative affected by both the number of recalls published in news media and the number of severe recall campaigns previous customers reduce their purchase intention after recalls not at all. As consequence customer retention is not influenced by recalls not even by severe damaged products. Hence these customers may not interpret recalls as quality gap or experience with the product respectively with the brand in general and other aspects like satisfaction and commitment to the brand counterbalance the negative information. These findings on real data confirm the perceptions of the influence of customers’ prior characteristics, which are predominantly, gained using experimental approaches (Dawar & Pillutla, 2000; Ahluwalia et al., 2000; de Matos & Rossi, 2007). Recalls of cars with light damage neither lead to changed acquisition nor retention rates. A combination of various reasons may explain the inexistent effect. Though a recall of cars with light damage is a sign of a quality problem, it may increase customers’ awareness of the affected product, or the recall may be interpreted by the customers as a signal to maintain product’s quality on the manufacturer-side (Berger, Sorensen, & Rasmussen, 2010; Haunschild & Rhee, 2004).

In line with previous research our analysis show that advertising is a dominant marketing variable to influence own customers as well as to lure customers of competitors (Erickson, 1985; Little, 1979; Assmus, Farley, & Lehmann, 1984), and especially effective during and after negative publicity such as product recalls (Cleeren et al., 2013; Rubel et al., 2011).

References are available upon request.
How Does Supervisor Knowledge Shape Positive Salesperson Behaviors? 
Salesperson Knowledge as a Linking Mechanism

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Keywords: supervisory knowledge, salesperson knowledge, working smart, working hard, knowledge-based view of the firm

EXTENDED ABSTRACT

Research Question
Salespeople operate in an information-rich environment. The knowledge-based view of the firm (KBVF) suggests managing information yields positive outcomes. While research indicates salesperson knowledge drives behavior, how does sales leader knowledge impact salesperson behavior? The KBVF suggests sustainable competitive advantage results from managing market knowledge. Salespeople working with customers add to the firm’s knowledge management systems. When salespeople use customer information, they are likely to work smarter and achieve stronger outcomes. Knowing market data drives understanding of customer needs and propels representatives to work harder for customers. Thus, salesperson knowledge should drive working hard and smart.

So, how does the sales supervisor help salespeople make sense of information and shape individual-level sales behavior? Engaging in participative decision-making appears to impact propensity to work smarter. However, supervisory information control activities do not drive stronger salesperson effort. Consequently, how the supervisor’s role and knowledge shapes salesperson outcomes is unclear.

We addresses this gap by examining the mediating role of salesperson knowledge (customer knowledge and role clarity) in explaining how supervisory knowledge (supervisory participation and information control) shape important positive salesperson behaviors (working harder and working smarter). In the process, we clarify the process through which supervisory knowledge shapes positive salesperson outcomes.

Method and Data
We collected data from four Korean companies (travel, telecommunications) where salespeople conduct lead-generation, discoveries and presentations (both B2B and B2C). In Korea, new salespersons work “inside” until they are familiar with the company operations (one to two years). Our sample includes 210 “outside,” experienced salespeople (249 responded of 350 approached for a 71% response rate; 39 surveys were incomplete).

Results support invariance in variances and covariances across the two groups, factorial structures, and inter-construct correlations. Invariance tests conducted via SEM supports invariance in the factorial structure and the factor variance-covariance matrix. Path coefficients were invariant across both industries, allowing hypothesis testing using a pooled data set. Measurement testing was positive with significant standardized item factor loadings (convergent validity).

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validity); average variance extracted exceeded 0.50 and the average variance extracted was greater than the squared correlations between constructs (discriminant validity). Composite reliability varies from .75 to .82. Hypothesis testing was performed using SEM in EQS with the maximum likelihood estimation method. We tested the mediation effects comparing two models: the model without the salesperson knowledge variables, and the model with the salesperson knowledge variables as mediators. We tested the mediation effects of the mediating variables and tested their combined mediation effect.

**Summary of Findings**


**Key Contributions**

Supervisor knowledge inputs (SUPPART; INFOCONT) improve salesperson behaviors (HARD; SMART) via enhancement of salesperson knowledge (CUSTKNOW; CLARITY). When both CUSTKNOW and CLARITY are included, all direct effects become insignificant and indirect paths remain significant, indicating customer knowledge and role clarity fully mediate the process of transferring supervisory knowledge to salesperson behavior. To the best of our knowledge, this is the first study that illuminates this knowledge mediation process.

The mediation effect of role clarity between supervisory knowledge and customer knowledge can be explained by the internalization of supervisory knowledge by the salespeople. When salespeople understand supervisor expectations and sales goals, their role is clearer and they can determine what customer knowledge is needed. We extend the literature by indicating that supervisory knowledge enhances customer knowledge through role clarity. Our findings support and explain the non-significant relationship between information control and working hard in the literature by differentiating the effects of supervisory participation and information control on working hard.

References are available upon request.
Revisiting the Role of Emotional Intelligence in Salesperson Relational Behavior and Performance

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EXTENDED ABSTRACT

Cognizance of the role of emotions in personal selling is important given that the sales process is conceived as a buyer-seller relationship with inherently strong emotional facets (Prentice and King 2013). Existing empirical work on the determinants of sales performance has been condemned for taking an overly narrow focus on cognitive rather than emotional predictors (Kidwell et al. 2007). While the role of emotional intelligence has been widely studied in the fields of management and organizational psychology, the sales literature began to delve into this construct merely a decade ago and yield inconsistent results with respect to the role of emotional intelligence in salesperson relational behavior and its direct and indirect effects on sales outcomes.

Systematic review of the sales literature reveals some evidence of the direct positive effect of emotional intelligence (EI) as a trainable skill on sales performance (e.g., Kidwell et al. 2011; Lassk and Shepherd 2013; Rozell, Pettijohn and Parker 2006). Other studies, on the other hand, advocate a more complex structure of EI effects in the sales context by indicating that EI takes one (or more) of the following roles: (a) EI moderates the strength of the relationship between some aspects of salesperson relational behavior and performance (Kidwell et al. 2007; Kidwell et al. 2011); (b) EI directly affects selling behaviors (Pettijohn, Rozell and Newman 2010); or (c) EI influences sales performance through the mediating effect of relational behavior (Lassk and Shepherd 2013). While it has been widely accepted in the sales literature that various forms of salesperson relational behavior such as relationship selling, adaptive selling and customer-oriented selling affect sales performance (e.g., Borg and Johnston 2013), there is a dearth of studies providing consistent explanations of the EI role in both salesperson relational behavior and sales performance (e.g., Deeter-Schmelz and Sojka 2003; Ingram et al. 2005). For example, in one of the most comprehensive studies of EI in marketing exchanges, Kidwell et al. (2011) call for research to yield further insights into emotional intelligence’s direct relationship to salespersons relational behavior, and its indirect relationship to performance. Similarly, Kim (2007) underlines that future research “should show what direct and indirect paths exist between relational behavior and performance and provide a fine-grained and realistic understanding of the way relational exchange works” (p. 1132).

Our study responds to this line of calls in that it attempts to address these issues by exploring the complex linkages among EI, salespersons relational behavior and sales performance. Drawing on the conceptual work of Plank and Reid (1994), who developed a behavior-oriented framework of sales performance, we posit that EI affects sales performance through salesperson relational behavior as a mediator variable. Using survey data from salespersons in various industrial sectors and structural equations modeling, we find that the entire positive influence of EI on sales performance is channeled through two focal types of selling behaviors in the personal selling literature, i.e., adaptive selling and customer orientation.

The contributions of the present study can be assessed from theoretical and practical points of view. From a theoretical perspective, the study represents a systematic attempt to supplement the sales performance literature by offering insights into the workings of EI and examining its direct and indirect effects through adaptive selling and customer orientation as mediator variables. This paper offers practical contributions that add to the existing body of knowledge on sales person-
nel selection and the future of sales trainings (Lassk et al., 2012; Little, 2012), arguing in favor of incorporating EI trainings into sales-related training activities. The findings also offer empirically based insights for individual sales professionals who wonder what they could change within themselves to be more productive in their everyday lives.

References


Beyond the Call of Duty: Does Frontline Employees’ Innovative Behavior Matter at the Service Encounter?

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Keywords: innovative work behavior, customer satisfaction, customer loyalty

EXTENDED ABSTRACT

Research Questions

Frontline service employees (FLEs), or “service workers who personally interact with customers in retail and service encounters” (Sirianni et al. 2009, p. 966), are important representatives of the firm. The conventional wisdom among practitioners and academics alike suggests that FLEs are pivotal for satisfying customers (Di Mascio 2010). Yet behaviors that go beyond set duties, such as innovative work behavior, remain largely ignored in this research field. Part of the reason may be that many firms insist that FLEs follow scripts, without leaving space for flexibility or innovativeness in the service encounter.

However, FLEs might display innovative work behavior and transform them into uses during the service encounter (Janssen 2003) because of their particular position (Coelho and Augusto 2010; Coelho, Augusto, and Lages 2011). That is, “frontline service employees also often hold unstructured jobs, frequently facing customers with quite different needs, implying that they need to be innovative” (Coelho and Augusto 2010, p. 426). Because customer requirements continuously change, FLEs also must always “seek innovative solutions to dynamic customer needs” (Coelho et al. 2010, p. 1348). Considering that FLEs are the central firm representatives for many customers (Brady and Cronin 2001; Di Mascio 2010; Zeithaml et al. 2009), their innovative work behavior might enhance the firm’s image (De Jong and Vermeulen 2003; Selden and MacMillan 2006) and effectively satisfy customers (Di Mascio 2010; Wang and Netemeyer 2004). According to this logic, firms’ efforts to satisfy customers must be supported by FLEs who exhibit innovative behaviors (Cadwallader et al. 2010; Lievens and Moenaert 2000).

Despite FLEs are important representatives of the firm in the eyes of the customers and must be innovative in response to heterogeneous customer requirements, prior research has remained silent about whether their innovative work behaviors matter at the service encounter. This research addresses this gap by relying on a model of work role performance and the confirmation–disconfirmation (C-D) paradigm to argue that FLEs’ innovative work behavior affects customer loyalty through a different mechanism than customer-oriented behavior. Results from dyadic data collected from 127 FLEs and their customers reveal that FLEs’ innovative work behavior positively affects customer loyalty only through the mediating construct of customer delight, whereas customer-oriented behaviors affect customer loyalty only through customer satisfaction. Furthermore, the relationships grow stronger with disproportionate customer expectations, whereas ambiguous customer expectations weaken the innovative behavior–customer satisfaction relationship. We attempt to fill this important gap by addressing two research questions:

1. Are FLEs’ innovative work behaviors during service encounters an important means to increase customer loyalty?

2. How do customer-related social stressors affect the relationship between FLEs’ innovative work behaviors and customer delight as transmitter of the innovative behavior-loyalty relationship?

Framework

As outcome variable, we examine customer loyalty, defined as “a customer’s intention to repeatedly repurchase products from the same company” (Stock and Zacharias 2013, p. 1348).
There are two underlying pathways linking FLE behavior to customer loyalty. First, customer-oriented behavior is supposed to affect customer loyalty through the mediating construct of customer satisfaction, defined as customers’ evaluations of the FLE, responsible for them and the degree to which he or she fulfills their expectations (Stock 2011). In addition, we argue for another pathway, leading to customer loyalty – the pathway over FLEs’ innovative work behavior and customer delight, which is defined as positive emotional response to surprising service encounters (Berman 2005; Kwong and Yan 2002). This is in response to increased switching of even satisfied customers, “practitioners have suggested that merely attaining satisfaction may be insufficient, and that going beyond customer satisfaction to ‘customer delight’ is required” (Arnold et al. 2005, p. 1133). Thus, our study framework also incorporates customer delight by the FLE, which is defined as positive emotional response to surprising service encounters (Berman 2005; Kwong and Yan 2002).

**Method and Data**

All multi-items measures used seven-point Likert scales, anchored at “strongly disagree” and “strongly agree”. We conducted a confirmatory factor analysis for all multi-item measures. This research examines the relationships by relying on a model of work role performance and the confirmation–disconfirmation (C-D) paradigm to argue that FLEs’ innovative work behavior increases customer satisfaction. The empirical test of the theoretical framework relies on dyadic data, collected from almost FLEs and their customers, based on a multi-level SEM.

**Summary of Findings**

The findings reveal that FLEs’ customer-oriented behavior affect customer loyalty only through customer satisfaction. In contrast, innovative work behavior positively affects customer loyalty, only through the mediating construct of customer delight. Furthermore, the effects of customer-oriented behavior and innovative work behavior are moderated by disproportionate and ambiguous customer expectations.

**Key Contributions**

This study reveals to which extent FLEs’ innovative work behaviors during service encounters are an important means to increase customer loyalty. Moreover, it sheds light on how customer-related social stressors affect the relationship between FLEs’ innovative work behaviors and customer delight as transmitter of the innovative behavior-loyalty relationship.

*References are available upon request.*
Making Value Co-creation a Reality—Exploring the Co-creative Value Processes in Customer–Salesperson Interaction

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Keywords: value co-creation, buyer-seller interaction, relationship marketing, customer value, service-dominant logic

EXTENDED ABSTRACT

Research Question
Despite the prominence of value co-creation on the marketing research agenda, the concept has not yet been rigorously analyzed (Grönroos and Voima 2013) and the processes involved in its implementation remain unclear (Vargo et al. 2008). Most existing frameworks are abstract in their conceptualization and require exploration and refinement in practice (e.g. Ballantyne and Varey 2006; Hilton et al. 2012). In particular the function of salespeople in the co-creation of value and the consequences the co-creative process entails for them still need to be clarified (Haas et al. 2012; Terho et al. 2012). To address these gaps, we set out to explore how the co-creation of value is engendered in transactional and relational customer–salesperson interaction in B2C service industries.

Method and Data
In this inductive qualitative study, semi-structured interviews with both customers and salespeople of service providers from one industry have been conducted to capture the perspectives of both parties involved in the interaction. The participating service providers (five from different European countries and one from the US) have been recruited via convenience and snowball sampling. Theoretical saturation was reached after 18 salespeople and 13 customers were interviewed face-to-face or via telephone, which is in accordance with the notion that 20–60 knowledgeable individuals are sufficient to gain understanding of any specific experience (Bernard and Ryan 2009). The data sets were triangulated and analyzed employing qualitative content analysis, a systematic classification process of identifying themes or patterns to achieve a condensed portrayal of a phenomenon by distilling considerable amounts of text into inductively emerging contextual categories (Elo and Kyngäs 2008; Hsieh and Shannon 2005).

Summary of Findings
The interaction between customer and salesperson is the nucleus of value co-creation, which is enabled through the former’s disclosure of their value-generating processes and the latter’s engagement in these. Based on the three previously identified co-creative enablers of communicating, relating and knowing (Ballantyne and Varey 2006), we establish that the co-creation of value is engendered by a sense of mutual commitment, dialog, common goals and shared interests. This co-creative interaction results in the mutual realization of episode value in successful discrete transactions, or episode and relationship value in relational exchanges for the benefit of both customer and salesperson.

Key Contributions
Our study offers insight into the processes and drivers involved when value is co-created in service interaction, thus refining and concretizing existing frameworks (e.g. Ballantyne and Varey 2006; Hilton et al. 2012) to facilitate the implementation of value co-creation in practice. We examine which variables engender the co-creation of value and which dimensions of value are realized in customer-
salesperson interaction, thereby building on the work of Biggemann and Buttle (2012) and Corsaro and Snehota (2010) and addressing calls for research investigating the actual elements involved in co-creation (Vargo et al. 2008). We further provide evidence for the notion of *mutual* rather than unidirectional value creation in a B2C setting by identifying the direct consequences of value co-creation for the seller as well as the customer. Consequently, we demonstrate that through jointly generating value for the customer, the two parties also co-create value for the salesperson (and thus the service provider). Our findings are integrated into a conceptual model and a set of propositions that consider the actual processes involved in value co-creation at the interpersonal level and can serve as a basis for future research.

*References are available upon request.*
Part M
Social Responsibility and Sustainability

Track Chairs
Aronte Bennett, Villanova University
Daniel Korschun, Drexel University

Consumer-Oriented Perspectives on Sustainability

Sustainable Marketing: Implications of an Emerging Producer/Consumer Shared Stewardship Paradigm
Steven H. Dahlquist, Crina Tarasi

Self-Regulation of Sustainable Consumption by Anticipated Emotions
Marleen C. Onwezen, Jos Bartels, Gerrit Antonides

Exploring the Meaning of the Economic Dimension of Sustainability: An Empirical Study Measuring Consumers’ Consciousness for Sustainable Consumption
Mathias Peyer, Barbara Segebarth, Anja Buerke, Ingo Balderjahn, Manfred Kirchgeorg, Klaus-Peter Wiedmann

Bringing Together Social Media and Sustainability: Sustainable Social Media Users Tell More
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Corporate Social Responsibility: Energy Efficiency and Sustainability in Franchise Systems
Aaron Gleiberman, Hyo Jin (Jean) Jeon, Rajiv P. Dant
Sustainable Marketing: Implications of an Emerging Producer/Consumer Shared Stewardship Paradigm

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Keywords: agency, sustainable marketing, sustainability, paradigm, societal contract

EXTENDED ABSTRACT

Research Question
Achrol and Kotler (2012) suggest that the carrying capacity of the environment and the consumption capacity of developed and developing economies serve as driving forces in sustainable marketing ideology. A number of earlier works (e.g., Gladwin, Kennelly, and Krause 1995; Hart 1995) suggest a paradigm shift from the prevailing “infinite resource – infinite disposal” philosophy to a “resource neutral – zero impact” philosophy is necessary in order to support future economic development. We assert that a “resource neutral – zero impact” outcome is not plausible without a new relationship between producers and consumers. This article investigates a paradigm shift relative to the relationship between producers and consumers and asks the following questions. In a “resource neutral – zero impact” market environment, do producers and consumers share a responsibility for the products they produce and consume? Further, does this shared responsibility suggest an implicit societal contract between producers and consumers spanning the lifetime of products, including disposition? The article explores the implications of this contract applying agency theory, wherein the producer and consumer exchange roles as principal and agent (to the other) in fulfilling this societal contract.

Summary of Findings
Each party is confronted with agency problems because the interests of the principal and agent may diverge for economic reasons. Sustainability-oriented consumers (i.e., principals) necessarily “delegate” decision making authority to producers (i.e., agents) regarding product design and production methods, with an expectation of a “resource neutral – zero impact” effort and outcome. A divergence of interests challenges consumers to identify: 1) producers with sufficient resources to produce sustainable products (i.e., adverse selection); and 2) producers that fulfill claims of sustainable practices (i.e., moral hazard). When exchanging roles, producers (i.e., principals) are challenged to identify consumers (i.e., agents) that: 1) are sustainability-oriented and will purchase the product (i.e., adverse selection); and 2) dispose of products appropriately at the end of their useful lives (i.e., moral hazard). We offer a number of propositions that describe emerging behaviors of sustainability-oriented consumers and producers that reflect efforts to solve agency problems. For example, consumers will increasingly rely on third party screening and producer signaling in an effort to identify producers with sufficient resources and capability. Producers will employ increasingly precise marketing mechanisms to distinguish consumer resource categories (i.e., sufficient capacity to purchase), and will increasingly offer incentives to consumers to dispose of products in a sustainable manner.

Key Contributions
This article offers a new paradigm suggesting that in a market environment where product utility must include consideration for environmental impact and future resources, an implicit societal contract between producers and consumers is formed. We build on past research regarding the existence of an implicit contract between producers and consumers to include the potentially important notion of a societal contract for the impact of products from design to disposition.
In doing so, we broaden the understanding of sustainable marketing and its implications to producers and consumers. In addition, we analyze this contract through the lens of agency theory, resulting in the development of a number of potentially important behavioral propositions for consideration in future research. In doing so, we expand the theoretical framework through which sustainable marketing is conceptualized and studied.

References are available upon request.
Self-Regulation of Sustainable Consumption by Anticipated Emotions

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Keywords: pride, guilt, organic consumption, self-regulation, emotion

EXTENDED ABSTRACT

Research Question
Although individuals generally value sustainable production methods, they do not always behave in a manner that is consistent with their ideals or the socially accepted norms. We propose that anticipated pride and guilt have a self-regulatory function, such that they are evoked by negative or positive evaluations of the self in regards to personal or social standards and, in turn, guide behavior.

Method and Data
We present two studies that were conducted with a sample of Dutch respondents to examine the self-regulatory function of anticipated self-conscious emotions within the Theory of Planned behaviour (TPB). Study 1 (N=944) was a cross-sectional study in the context of organic food consumption. Study 2 (N=992) was a survey with a delayed outcome measure in the context of fair trade

Summary of Findings
The current study thus explored whether an anticipated negative and an anticipated positive self-conscious emotion—guilt and pride, respectively—stimulate sustainable consumption. We show that these emotions affect the TPB not via a moderating, but via a mediation effect. Anticipated pride and guilt guide behavior via a self-regulatory function, such that they are formed by personal values and social norms, and in turn guide behavior to be in accordance with these values and norms. We show that adding pride and guilt to the TPB significantly improves the model, with an additional explained variance of 2%.

Furthermore, the results are a first indication that different specific self-conscious emotions might be anticipated on self-evaluations regarding different standards. The results also provide a first indication that although these standards might be used to form anticipated emotions, they do not always affect subsequent intentions. Pride enhances only the effects of attitudes on intentions, whereas guilt enhances the effects of both attitudes and social norms on intentions.

Key Contributions
This study extends previous research by showing that in addition to the negative emotion of guilt, the anticipated positive emotion of pride has a self-regulatory function. This study is among the first to provide evidence of the mechanisms underlying the influence of norms and attitudes on the formation of intentions. These findings provide insight into the function of self-conscious emotions. Not only anticipated guilt, as previously shown, but also anticipated pride stimulates individuals to behave in line with their attitudes. Anticipated guilt seems to function as an expected emotional punishment that enforces behavior in accordance with attitudes and social norms, whereas anticipated pride seems to function as an expected emotional reward that enforces behavior in accordance with personal values such as attitudes.

The findings imply that research towards self-conscious emotions should use a discrete-emotion-approach, because the mechanism through which emotions guide behaviour differs across emotions (i.e. pride and guilt). Furthermore, the results imply that the mechanisms through which these emotions influence behavior differ for personal and social standards. This finding implies that emotions may be differentiated in social versus personal dimensions, which are formed and guide behavior in distinct ways. Future research is necessary to further explore these issues.

References are available upon request.

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Exploring the Meaning of the Economic Dimension of Sustainability: An Empirical Study Measuring Consumers’ Consciousness for Sustainable Consumption

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Keywords: sustainability, consciousness, sustainable consumption, scale development, adequacy-importance model

EXTENDED ABSTRACT

Research Question
The primary goal of this paper was to develop a theoretical concept and measurement model for consumer consciousness for sustainable consumption (CSC) based on the three pillars or triple bottom line model of sustainability. Companies increasingly recognize stakeholders’ expectations to commit to sustainability, and it has become a prerequisite for firm legitimation and long-term competitiveness (Kiron et al. 2013). Likewise, consumers are expected to consume sustainably and pave the way for a sustainable development (Caruana and Crane 2008). A clearly revealed consumer CSC will help to motivate and reinforce appropriate activities of companies, as well as guide the activities of political institutions that define regulatory frameworks and play an influential role in attaining sustainability goals. Thus, it is quite expedient to thoroughly analyze what consumers believe regarding the importance of sustainable product standards and sustainable consumption. The main purpose of the study was to conceptualize and operationalize a CSC measure based on environmental, social and economic aspects. Furthermore, we wanted to shed light on the economic component of the CSC concept. To our knowledge, there is no study that comprehensively deals with this research question of defining, structuring and validating the economic dimension of sustainable consumption.

Method and Data
In order to demonstrate scale appropriateness, we conducted four studies to test the scale’s unidimensionality, reliability, and discriminant and construct validity. Between summer 2012 and summer 2013 we conducted three studies (study 1: 368, study 3: 92, study 4: 224) where we asked graduate and undergraduate students from three German universities about their consciousness for sustainable consumption. Our second online survey with German consumers resulted in a convenience sample of 296 usable cases (study 2). Principal components exploratory factor analysis and Cronbach’s $\alpha$ were used to estimate unidimensionality and reliability. Confirmatory factor analysis models were performed with Mplus to demonstrate convergent validity for the measurement model. By using the Fornell-Larcker criterion we tested and confirmed discriminant validity.

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Summary of Findings

At a general level, the results suggested that our proposed model of three interrelated but distinct dimensions for CSC (environment, social, economic) is embedding individuals’ importance and beliefs for sustainable consumption. According to our findings, the expectancy-value model (Mazis, Ahtola and Klippel 1975) can be seen as a promising conceptual basis to assess consumers’ sustainability consciousness. Therefore, our CSC model combines a consumer’s beliefs how base their purchase decisions on environmental, social and economic sustainability standards with the importance or personal concern the consumer attaches to these product attributes. Due to the quite sophisticated theoretical foundations, the concept and measurement of the environmental and social dimensions proved to be very stable across all studies. However, more theoretical groundwork was necessary to find a solid conceptual frame for the economic construct. Bringing together the approaches of frugality and simplicity in consumers’ lives (Iwata 2006), a long-term perspective of debt-free consumption (Quelch and Jocz 2007) and collaborative consumption for saving costs (Prothero et al. 2011), we proposed a higher-order economic construct with three distinct but correlated subdimensions. Results supported the assumption that these three facets reflect the complex reality of the economic world in a better way than a unidimensional approach.

Key Contributions

Research on consciousness for sustainable consumption should give practitioners a better understanding how to motivate consumers to engage in more sustainable consumption. Our scale for measuring CSC can capture consumer differences and then advance to see if consumers can be grouped into meaningful sustainability market segments. In order to strengthen corporate reputation and build strong brands, companies will probably benefit from knowing which sustainability dimensions resonate with consumer segments. Same is true for social marketers who want to influence people to develop a more balanced sustainability mindset. In sum, our studies provide support for a scale to measure consumer consciousness for sustainable consumption, embedding the triple bottom line perspective. Consequently, further research based on our approach is encouraged and should facilitate future efforts in sustainability research.

References are available upon request.
Bringing Together Social Media and Sustainability: Sustainable Social Media Users Tell More

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Keywords: sustainability, CSR, social media, eWOM

EXTENDED ABSTRACT

Research Question
Two research areas that have attracted considerable attention in recent marketing research are sustainability and social media. Our approach combines these two areas by developing and testing a conceptual framework that relies on social identity theory. First, we suggest an influence of environmental consciousness and perceived corporate social responsibility. Second, we analyze the effects of perceived corporate social responsibility on the consumers’ intention to share experiences. Finally, we examine the influence of Internet usage and the number of used social media channels on intention to share.

Method and Data
We obtained 2260 valid responses from different panels within four countries. Only people within the age of 18 to 65 are allowed to answer the questionnaire. Moreover, participants had to have used at least one social media channel to research the product or service to be admitted to the survey. All variables in our model refer to latent constructs with their underlying items. The multi-item scales are adopted from existing literature and slightly modified to match our needs.

The validity of our model with its seven constructs is confirmed by a confirmatory factor analysis ($\chi^2$=336.39; TLI=.987; CFI=.990; RMSEA=.036; SRMR=.021; the loadings for the different items are between .78 and .93). We also tested for common method bias and got a strong indication that common method variance does not appear to be a problem.

To test our hypotheses we used structural equation modeling. Global fit measures indicate a reasonably well model fit ($\chi^2$=837.61; TLI=.965; CFI=.972; RMSEA=.054; SRMR=.072).

Summary of Findings
We find strong support for the positive relationship between people who have environmentally friendly attitudes and their pro-environmental purchase behavior (β=.809; p≤.001). The results provide strong support for the connection between peoples’ pro-environmental attitudes and environmental support domain (β=.776; p≤.001): the higher the people’s attitude for the environment, the higher their score on environmental support domain.

The influences on perceived CSR show a mixed picture. On the one hand, the positive relationship between pro-environmental purchase behavior and the resulting perceived CSR is supported (β=.371; p≤.001). On the other hand, the relationship between environmental support domain and CSR has to be rejected (β=-.012; not significant).

Strong support is found for the positive relationship between perceived CSR and intention to share (β=.507; p≤.001).

The time spent on the Internet has influences in two ways. People who spend more time on the Internet have a higher intention to share their experiences (β=.280; p≤.001). In addition, we discover that people who use more channels have a higher intention to share their experiences. This can be explained by the underlying mechanism that they do not

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only share their experiences on one but on more channels they are active in ($\beta=.191; p\le.001$).

**Key Contributions**

Our study makes substantial theoretical and practical contributions. First, we bridge the gap between sustainability and social media by conceptualizing social media outcomes as outcome of CSR. Our results suggest that people with an environmental attitude also have a pro-environmental purchase behavior. Moreover, we can show that there is a positive relationship between pro-environmental behavior and perceived CSR. Although, we can substantiate that people with a pro-environmental attitude also want the companies to behave environmentally, there is no significant effect of this environmental support domain on perceived CSR.

The effects of perceived CSR are clear: the higher the perceived CSR the higher the intention of these people to share their experiences.

The supposed correlation between the time people spend online and their intention to share product experiences is proved. In addition the indirect effect through used social media channels increases the effect of Internet usage on intention to recommend. This also confirms the assumption that consumers not only spread their information only in one channel, but in most of the social media channels they are active in. Based on these results several consequences arise for managers, their companies and the way they have to handle social media.

*References are available upon request.*
The Gods Can Help: Exploring the Effect of Religiosity on Youth Risk-Taking Behavior in Indonesia

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Keywords: religiosity, risk-taking behavior, youth, public policy, social marketing, Indonesia

EXTENDED ABSTRACT

Research Question
The rampant number of young consumers taking drugs, smoking, gambling and binge drinking (University of Michigan 1998; Gruber 2000) is raising concerns for governments and not-for profit agencies globally (Grucza et al. 2009). Zaleski and Schiffino (2000) point to an urgent need to identify factors that prevent youth’s repeated exposure to risk. According to social reference group theory, religiosity appears to be an important influence on youth risk behavior and accounts for the presence of distinct populations of at-risk and cautious late adolescents (Bock et al. 1983; Cochran and Beeghley 1991). Yet, the studies that consider the link between religion and risk-taking behavior remain scarce, perhaps due to the inherent cultural notion that religion censures greed, hedonistic self-interest and irresponsible behaviors (Shi 1985). We should also note that most research focusses on the context of Western and developed countries (e.g. Campbell and Stewart 1992; Woodroof 1985). The paucity of research addressing the relation between religious affiliation and youth risk-taking behavior in the context of developing countries is surprising given that developing countries such as Indonesia report a rampant increase of youth risk-taking behavior with religious affiliations remaining considerably high (Crabtree 2010; Kristiansen 2003; Nilan, 2010). Thus, the purpose of this study is to explore the impact of intrinsic and extrinsic religiosity on a broad range of youth risk-taking behavior in Indonesia including gambling, health and safety related conduct, and ethical behavior.

Method and Data
Convenience sampling collected data from three large universities (one public and two private) in Surabaya, Indonesia. About 400 questionnaires were hand-delivered by a lecturer to students in the classroom. Of 400 questionnaires, 331 were usable at a response rate of 92.5%. The majority of respondents are female (70%). Most of them are single (95%) and all are between 18-24 years old. The majority of them are Muslim (49%), followed by Christians (27%) and Catholics (17%). Allport and Ross’s (1967) Religious Orientation Scale (ROS) measured religious orientation. The scale assessed the degree of intrinsic religiosity, extrinsic personal religiosity and extrinsic social religiosity. Furthermore, our study used a domain-specific risk attitude scale developed by Weber et al. (2002) to measure risk attitude toward gambling, health and ethics. A five-point Likert-type rating scale measured the range of responses from 1 (“strongly disagree”) to 5 (“strongly agree”). Subsequently, we analyzed data through structural equation modeling using AMOS 21 and maximum likelihood estimation. In this process, a single confirmatory factor analysis (CFA) was estimated including all constructs before estimating the structural model. The fit of the structural model was good, with $X^2 (175) = 310.180$; CFI = .951; TLI = .941; IFI = 0.951; RMSEA = 0.048.

Summary of Findings
In summary, the findings strongly indicated that intrinsic religiosity influences youth’s perception toward risk-related behavior and the type of religions may had an impact on youth’s attitude toward risks. Youths with a strong intrinsic religiosity appear to be less likely to agree with most of the risky behaviors while individuals with high extrinsic social and personal religiosity view risk-related behaviors differently than those who report low extrinsic social and personal religiosity. That is, one’s level of extrinsic religiosity does

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not determine how one views risk-related behaviors and thus individuals with high extrinsic religiosity are more likely to engage in risk-related behaviors.

**Key Contributions**

Based on these findings, we note that, while developing partnerships with religious institutions can legitimate the public policy agenda in localized communities (Dwight and Shaunna 1994), we argue that partnering with faith-based organizations is unlikely to enact social change if such partnership does not also embrace the spectrum of spiritual emphasis. In the context of risk-taking behavior, we suggest policy makers and social marketers to develop partnerships with the types of organizations that openly embrace faith and spirituality, as opposed to organizations that are “faith-background.” Partnerships with faith-based organizations should be designed to include faith and spirituality as moral conducts. We thus encourage policy makers to be assertive in emphasizing the contribution of religion to the health of the nation and in resisting efforts to minimize religion in public discourse.

Similarly, community based social marketing interventions that aimed at enacting social change through religious communities should associate faith and spirituality to the desired behavioral change. We also suggest public policy makers and religious leaders to work cohesively in developing links between religious beliefs and healthy practices, safety, and ethics. Finally, our findings support the conviction that to understand the impact of religiosity on consumer behavior, we need to acknowledge to complex difference between belief and commitment. An awareness of the level of church attendance, the number of churchgoers, and religious attendance can help us understand differences in behavior.

References are available upon request.
Zero-Sum Game: The Impact of Counterpersuasive Messaging on Tobacco Warning Effectiveness

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EXTENDED ABSTRACT

Cigarette smoking is the leading cause of preventable death in the United States, accounting for more than 400,000 deaths and $193 billion in health care costs and lost productivity annually (Centers for Disease Control and Prevention 2013). The high societal and financial costs associated with cigarette smoking has led the U.S. Department of Human Services to set a goal of reducing cigarette smoking from current levels of 18 percent to less than 12 percent by 2020 (United States Department of Health and Human Services 2010). A key component of the United States’ cigarette reduction goal is the Family Smoking Prevention and Tobacco Control Act (FSPTCA 2009), which mandates the inclusion of pictorial warning messages on cigarette packaging and cigarette advertising.

Research examining cigarette warning labels suggests that textual warning labels that include a pictorial depiction, so called “graphic” cigarette warnings (Kees et al. 2006, 2010; Nonnemaker et al. 2010), are more effective than textual warning labels. More specifically, research suggests that graphic cigarette warnings increase motivation to quit smoking and that evoked fear acts as the underlying mechanism for the graphic warning–quit intention relationship. Little is known, however, about how graphic cigarette warnings fare when they are embedded within cigarette packaging and cigarette advertisements as mandated by the FSPTCA.

Using cigarette advertisements as our context, the present study examines ad message theme as a boundary condition for the relationship between graphic cigarette warnings and motivation to quit smoking. We posit that the effect of graphic cigarette warnings depends on the ad message under consideration. In particular, we hypothesize that an ad message theme emphasizing the cigarette as organic will minimize the effect of the graphic cigarette warning on consumers’ motivation to quit smoking.

To empirically test our hypothesis, we use a sample of 171 smokers from an online consumer panel. Results show that an advertising message promoting the cigarette product as organic (versus a message promoting the cigarette as flavorful) neutralizes the affective response evoked by graphic warning messages and lessens motivation to quit smoking. Thus, our results indicate that the organic message theme may act as a counterpersuasive strategy enacted by tobacco companies to minimize the effects of graphic tobacco warnings.

References are available upon request.
Agency Theory and Alcohol Distribution: A Framework for Public Policy Discourse

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Keywords: alcohol distribution, agency theory, micro-level social contract, local option, state control

EXTENDED ABSTRACT

Research Question
The author proposes a framework which expands the discourse of a well-discussed theory—agency theory—in the context of alcohol distribution (spirits, wine, and/or beer). The foundation of the framework also integrates elements of transaction cost analysis (TCA), power-dependence theory, micro-level social contracts, and the Deterrence Doctrine to posit the relationships between different forms of retail alcohol establishment ownership and the likelihood of contractual violations (failure to card consumers, serving after prescribed hours, serving to underaged patrons, etc.) which may lead to disadvantageous social outcomes (alcohol-related violence, alcohol-related motor vehicle accidents, binge drinking, etc.).

Summary of Findings
The presence of micro-level social contracts is likely to moderate the crucial relationship between behavioral monitoring, which is a critical component of preventing opportunism (Eisenhardt 1989), and contractual violations within the principal-agent relationship for alcohol distribution (Frey 1993; Heide, Wathne, and Rokkan 2007). Additionally, the likelihood of contractual violations should decline in the presence of each of the four components of enforcement [severity, certainty, speed, permanence] (Antia and Frazier 2001; Howe and Brandau 1988; Antia et al. 2006). Micro-level social contracts are posited to be more prevalent in local control establishments, which may be more amenable to being governed by relationships/social norms than state-controlled establishments. Relational governance and social norms guide interfirm and intrafirm behaviors, add efficiency to relationships, and create more positive firm cultures and increased job satisfaction (Lund 2003; Heide and John 1992; Brown, Dev, and Lee 2000). Finally, ownership form—either state control or local option (private licensees)—is likely to moderate the relationship between enforcement and the level of behavioral monitoring deployed. This is likely due to asymmetries in the power-dependence dynamic, which vary by ownership type, that present the potential for increased financial losses for private retailers (Emerson 1962; Gaski 1984).

Key Contributions
The incorporation of micro-level social contracts into the framework, as a primary moderator, coupled with firm-level ownership moderation, constitute contributions to the literature. Furthermore, a new dimension of contract enforcement, permanence (the degree to which a contract termination is perpetual), is proposed. Permanence is theorized to have a prominent effect in the deterrence of contractual violations. Implications for marketers and public policy makers are discussed. The implications from these relationships may contribute to moving the alcohol privatization debate forward towards resolution.

References are available upon request.

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Managing the Wickedness of Socially Responsible Marketing

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Keywords: socially responsible marketing, sustainability, Cynefin framework, complexity, wicked problems

EXTENDED ABSTRACT

Research Question
Marketers are under pressure to adopt sustainability practices as well as to achieve a variety of social responsibility goals from both internal and external stakeholders. Performance in these areas is uneven, however, as sustainability challenges the bounds of marketing thought and action. Traditional marketing approaches and tools don’t seem to work as well for sustainability issues. Today, however challenging sustainability may be, society and other stakeholders demand it and marketers struggle to respond.

All too often, when marketing managers approach sustainability issues with traditional methods and tools that have worked well in prior circumstances they find that not only do they sometimes fail to deliver desired outcomes, they may even result in unintended, undesirable consequences. Yet at other times they produce the intended results. This inconsistency begs the question whether traditional methods and tools are only appropriate for certain types of sustainability issues and that alternatives may be needed. Others have already criticized traditional marketing methods and tools as “one size fits all” (Hunt 1994). Yet there is no widespread recognition of the need for alternative methods or tools nor any conceptual framework commonly used to help identify approaches appropriate to the type of problem being addressed in sustainable marketing. To succeed in sustainable marketing managers need to recognize the conditions under which sustainability issues occur and apply the appropriate methods and tools.

Method and Data
This paper draws insights from three related conceptual areas to better understand the conditions in which sustainable marketing takes place and to identify which methods and tools deliver replicable, reliable results. First, we apply the Cynefin Framework to make sense of sustainable marketing issues to ensure that we are solving the right problem. Next, we turn to Complexity Science for a deeper understanding of the context of sustainable marketing and to identify which methods and tools are most likely to be effective. Finally, we unmask the “wickedness” of sustainable marketing issues and consider implications for theory and practice.

Summary of Findings
First, sustainable marketing is clearly an issue occurring in a complex context and it fits the description of a wicked problem, but marketing managers often make decisions and take actions as if they were facing a simple or tame problem. To succeed in managing the wickedness of sustainable marketing it must first be recognized as such. Problem structuring tools such as the Cynefin Framework can help.

Second, while marketers has begun to become familiar with complexity, they remain largely unaware of its methods and tools and that using their traditional linear problem-solving approaches ensures failure in the long term and may make the situation worse in the short term (Conklin 2005; 2006). Intractable controversies such as those often found in sustainable marketing moves problem solving beyond objective reasoning (Conklin 2005, 2006) and technical complexity where one or more “right” answers exist. Sustainable marketing problems exist in the realm of extreme social complexity, where each stakeholder has a unique perspective and problems can be made better or worse but never “solved”. Managers and decision makers cannot simply apply technical or regulatory solutions and hope to succeed – sustainability is not just a matter of reconciling the imperative of sustainability with the reality of profitability.

Third, problems become wicked when stakeholders hold diverse perspectives and do not agree on what the problem is, let alone the solution. In addressing such problems, an early objective, therefore, must be to begin to unravel the
social complexity by identifying all stakeholders, identifying their perspectives and seeking common understanding while not expecting consensus (Brooks and Champ 2006). Overcoming wickedness requires a social process that involves inclusive communication and collective action among all stakeholders. Working together by building relationships with stakeholders is the key to resolving issues of sustainability (Brooks and Champ 2006).

**Key Contributions**

This paper began with the observation that marketers are under increasing pressure to adopt sustainability practices as well as to achieve a variety of sustainability goals from both internal and external stakeholders. The success of sustainable marketing strategies and tactics is uneven, however as the discipline struggles with the inherent challenges of sustainability. As documented in the marketing literature, traditional management approaches and tools don’t seem to work as expected for solving more recent issues, including sustainability problems. Marketing needs to accept and apply new and evolving approaches and tools to help ensure the successful development and implementation of sustainable marketing. Three relevant concepts, the Cynefin Framework, Complexity Science and Wicked Problems and their associated perspectives and approaches were offered to help deliver successful results in sustainable marketing.

*References are available upon request.*
Influencing Supporters’ Attitudes Towards NGO–Firm Collaborations

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ABSTRACT
This paper studies how NGOs can alleviate negative attitudes towards collaborations with non-fitting firms. This study regards collaborations between radical NGOs and involved firms. According to our hypotheses, the NGO can successfully create fit but fails to positively impact the attitude towards the collaboration with means of justification.

Keywords: firm–NGO collaboration, perceived fit, NGO-perspective, justification, creation of fit

Introduction
The level of fit is a critical variable in firm–NGO collaborations. If the NGO’s constituents perceive a lack of fit between the partners, they tend to fear negative consequences for the NGO (e.g., a misuse of the collaboration by the for-profit partner) (Austin, 2000; Becker-Olsen and Hill, 2006; Yaziji and Doh, 2009). Unless these fears can be dissipated, constituents withdraw their support for the NGO or quit it (Westley and Vredenburg, 1991).

Although research has committed efforts to investigate whether perceptions of low fit can be reduced with the help of communication methods (Speed and Thompson, 2000; Simmons and Becker-Olsen, 2006; Kim et al., 2012), there remain unanswered questions in this research area. For example, are the derived conclusions still valid when taking into account other forms of common action besides sponsoring activities? Another question is, how can NGOs influence their supporters and alleviate the development of negative attitudes? Heightened interest in the above points emerges due to the fact that NGOs—in contrast to firms—rely to a large extent on voluntary participation of their supporters (Edwards and Hulme, 1996).

This paper addresses the questions raised above by studying the effectiveness of different methods NGO management can employ to increase perceptions of fit and thereby reduce negative attitudes towards a collaboration with a for-profit partner. To achieve our objective, we build on and advance studies that take the firm’s view in firm–NGO collaborations (e.g., Simmons and Becker-Olsen, 2006; Becker-Olsen and Hill, 2006), and apply their results to the NGO perspective. Thereby, the present paper contributes to the existing literature in three ways. First, we advance extant research by not solely focusing on sponsoring activities between firm and NGO but by drawing attention to forms of close collaboration (e.g., joint research projects). Second, in contrast to extant literature, this article regards only radical NGOs (in contrast to collaborative ones). Third, we do not focus on the firm’s perspective as do most studies on firm–NGO partnerships, but we explicitly take the perspective of the non-profit partner.

Perceived Fit in Firm–NGO Partnerships
Whether a collaboration between a firm and an NGO is successful or not depends to a large extent on the reactions of the NGO’s supporters to that collaboration, which are based on the perception of fit towards the partner (Westley and Vredenburg, 1991). Perceived fit is shown to be important in several lines of research, for example, brand extensions (e.g., Aaker and Keller, 1990; Loken and Roedder John, 1993) and brand alliances (e.g., Simonin and Ruth, 1998; Loken, 2006). They ascribe perceived fit a critical role for the success of the new product. For example, high perceived fit facilitates the transfer of associations from a parent brand to a brand extension and thereby reduces the necessary marketing efforts for the extension. Further, perceived fit is crucial in the realm of event sponsoring. In a study on firms that
sponsor sports events, Speed and Thompson (2000) found that the perceived fit between sponsor and event is central for the sponsor (= the firm) to benefit from the sponsorship. But also in sponsoring relationships with NGOs in general, perceived fit between firm and NGO plays a significant role in generating positive responses from the firm’s customers (Simmons and Becker-Olsen, 2006). Unsurprisingly, perceived fit also improves the image of the for-profit partner in a collaboration with an NGO (Lichtenstein et al., 2004).

In some cases, however, evaluators perceive a low fit (i.e., an incongruity between the original category and the extension). Low perceived fit leads not only to the development of negative attitudes towards the collaboration, but also do the NGO’s constituents puzzle over the motives of the NGO to engage in such a collaboration (Becker-Olsen and Hill, 2006; Simmons and Becker-Olsen, 2006). This confusion usually causes negative feedback effects and, thus, negative evaluations of the NGO that initiated the collaboration. The existence of these feedback effects has been proven by many studies in various contexts (Aaker and Keller, 1990; Loken and Roedder John, 1993; Lichtenstein et al., 2004; Becker-Olsen and Hill, 2006).

But when will supporters perceive a high fit between the organizations and when will it be rather low? It seems intuitive that NGOs that have already been engaged in partnerships with firms might not need to fear perceptions of low fit to the same amount as do NGOs which primarily relied on conflict towards firms. Furthermore, logical thinking states that only those firms who are to a great extent involved in social or environmental issues will consider a collaboration with a (radical) NGO. These points yield that the only interesting case is a collaboration between a radical NGO and an involved firm, which will be considered in the remainder of this paper.

**Hypotheses**

The above discussion reveals that resentment towards a partnership between firm and NGO arises in the case of low perceived fit between the partnering organizations. However, research has shown that fit can successfully be “created” with the help of communication methods. When fit is created, the perceived confusion of category clarity diminishes, what improves the evaluation of the focal extension and reduces or even completely eliminates reciprocal effects towards the original object category (Bridges et al., 2000; Lane, 2000). For example, with the help of advertisements, a firm can draw attention to aspects that help consumers identify associations between the parent brand and its extension (Aaker and Keller, 1990). It thereby facilitates the understanding of the link between the two (Lane, 2000).

Similar effects exist in firm–NGO sponsorships. For instance, Simmons and Becker-Olsen (2006) manipulated press releases regarding statements that contained links between a sponsoring firm and a nonprofit. Taking the corporate perspective, they show that management can successfully create perceptions of fit with the help of communication efforts. A comparison between the experimental conditions of created fit and high “natural” fit even revealed that created fit yields the similar benefits as does a high natural fit.

This reasoning also applies to the case of collaborations between radical NGOs and involved firms. Although the NGO’s constituents may bear a strong animosity towards the for-profit partner, communication efforts aiming at the creation of fit are effective since they do not “repair” a negative attitude, but handle the factor that causes the attitudes towards the partner. Seeing the link between the NGO and the firm, constituents regard this firm not as a “bad guy”, but as an actor who is tightly connected to the NGO. Thus, we hypothesize

**Hypothesis 1**: An NGO can increase perceived fit between firm and NGO by explaining to its supporters the associations between the firm and the NGO.

NGO management can also try to justify the collaboration. A justification emphasizes the necessity of the partnership for the NGO to reach its long-term goals, even if it means collaborating with a firm that is perceived as socially or environmentally unconscious (Becker-Olsen and Hill, 2006). The aim of justifying the collaboration is not to increase perceived fit, but rather to try to improve evaluations of a low-fit collaboration, i.e. NGO management wants to draw the attention away from the low fit between the partners towards other reasons for entering into the collaboration. In the above terms, a justification represents an attempt to repair the negative attitude towards the partner, but without treating the cause for the negative evaluations.

Constituents of radical NGOs, however, do not attach importance to efficiently reaching the NGO’s goal, but rather urge the organization to stick to the traditional and ideologically prescribed tactics (Hirsch, 1990). They prefer engaging in hostile relations with firms to collaborating with them, even if a collaboration might objectively offer the NGO a good possibility of advancement on its agenda (Yaziji and Doh, 2009). Thus, trying to justify the collaboration as an efficient mean to reach its goals is not promising. Therefore, we hypothesize

**Hypothesis 2**: A radical NGO cannot reduce the negative effect of low perceived fit on the attitude towards the partnership by emphasizing the necessity of the partnership for the NGO to reach its ideological goals.
Method

Setting. Following similar studies in this area (e.g., Becker-Olsen and Hill, 2006), we conducted an experimental study with 193 undergraduate students from a major German university using a 1 (radical NGO and involved firm) × 3 (fit creation vs. justification vs. control condition) between-subjects design. The questionnaire design was as follows. First, a scenario describing an imaginary friend who is a member of a radical environmental NGO was introduced. This NGO faces an offer for talks of a couple of involved constructor and investor who are going to construct a mall nearby. After stating that the NGO plans to engage in collaborative actions, an account containing either a justification of the partnership or a statement that aims at creating fit was provided. As control condition, the account was left out. The second part contained measures of the perceived fit between the organizations as well as the attitude towards the partnership.

Variables. The dependent variables were adapted from similar studies. Perceived fit was measured on a 7-point Likert scale with the items similar-dissimilar, low/high fit, consistent-inconsistent, makes (no) sense, (no) logical connection (α = .86). The attitude towards the collaboration was measured on a 7-point Likert scale with the items good-bad, favorable-unfavorable, positive-negative, pleasant-unpleasant, like-dislike (α = .91) (Speed and Thompson, 2000; Becker-Olsen and Hill, 2006).

In addition to the manipulation checks, we included a set of control variables. These were age, gender, subject of study as well as a variable that measured the acceptance of radical activism. This variable consists of a scale adapted from Gousse-Lessard et al. (2013). It was modified in order to better serve our purposes. The scale includes items such as “Climbing Buildings and Bridges to attract media attention for the cause” or “Conducting acts of sabotage against facilities that harm the environment”. All items were measured on a 7-point scale ranging from fully acceptable to fully unacceptable (α = .80).

Results

The analysis for 1 was done using a two-way independent ANOVA with simple effect estimations. Results show a significant effect (Mc = 4.85, Mr = 4.14, F(1, 185) = 4.22, p < .05). Therefore, radical NGOs can improve the perceived fit of the partners by using communication methods aiming at the creation of fit. This leads to the acceptance of hypothesis 1.

To analyze the data on hypotheses 2, we used a linear regression model with dummies (see table 1). Results indicate that there seems to be no effect of the justification on the impact of perceived fit on the attitude. This reveals that radical NGOs fail to reduce the negative effect of low fit (t = .96; p = .34). Therefore, hypothesis 2 is accepted.

Several manipulation checks were included into the questionnaire. One manipulation check was conducted after having introduced the main scenario (but before the manipulation of argumentation). Participants were asked whether the main person would endorse or reject a collaboration between NGO and investor/constructor. Its intent was to measure how participants rated the situation from the imaginary person’s perspective. This manipulation check, however, revealed large differences between the groups assigned to the different arguments (F(3,95) = 8.19, p < .001). A further manipulation check assessed whether participants regarded the scenario presented as realistic. Results indicate that this was not necessarily the case (Mr = 3.51; Std. dev. = .261 on a scale from 1 = very realistic to 7 = very unrealistic). Further manipulation checks did not reveal problems; the control variables are insignificant.

Discussion and Conclusion

The results of our study seem somewhat puzzling. Although the hypotheses could be confirmed, the manipulation checks revealed that there were large differences between the groups assigned to the different experimental conditions. Therefore we can assume that—although questionnaires were assigned in a randomized order—the heterogeneity between the experimental groups diluted the effects. These two points represent critical limitations of this study. Accordingly, additional surveys are necessary to exclude the possibility that heterogeneity between experimental groups influenced the results. Since the manipulation checks lead to the conclusion that there have been serious errors in the experimental design, a further discussion is omitted.

In contrast to existing literature on firm–NGO interactions that has mostly given anecdotal evidence or produced find-
ings solely based on case studies (Westley and Vredenburg, 1991; Austin, 2000; Berger et al., 2004), this study builds on articles that experimentally investigate sponsoring relationships between firms and NGOs. It adapts findings from research on brand extensions and hypothesizes that radical NGOs collaborating with involved firms can successfully create fit with communication strategies but cannot improve their constituents’ attitude by justifying the partnership. The data suggest the acceptance of these two hypotheses. However, the results need to be interpreted with caution.

References


“Walk the Talk”—How Symbolic and Substantive Corporate Social Responsibility Actions Affect Firms’ Sustainable Financial Performance Depending on Stakeholder Proximity

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EXTENDED ABSTRACT

Whether firms’ attempts to gain legitimacy in front of their stakeholders by merely talking about their CSR activities are rewarded or whether and under what circumstances “walking the talk” is required is subject to this study. In other words, we investigate whether and how a firm’s symbolic and substantive CSR actions, alone or combined, affect its sustainable financial performance depending on the notion of stakeholder proximity. Although some studies find a positive impact of a firm’s environmental, social, and governance (ESG) activities on its financial performance, this link and the underlying mechanisms remain equivocal (Anguinis and Glavas 2012; Margolis et al. 2009). Few prior studies from the environmental domain, aimed at attaining a better understanding by separating the effects from symbolic (“talk”) and substantive (“walk”) actions using single-country and industry specific samples (Gelabert et al. 2009; Hawn and Ioannou 2012; Kim and Lyon 2012; Walker and Wan 2012). However, these studies find inconsistent results.

We argue that the role of stakeholders has not been adequately considered in past contributions (Barnett 2007; Choi and Wang 2009; Lindgreen et al. 2009). We posit that in a setting of symbolic and substantive actions stakeholder proximity (as spatial closeness) to the firm is a key moderator for understanding underlying effects on legitimacy and sustainable financial performance. To actually distinguish symbolic from substantive actions, a certain amount of proximity between the stakeholders and the firm is required. Taken together, the distinction between symbolic and/or substantive actions combined with the notion of stakeholder proximity applied to a large-scale and cross-industry sample allows for obtaining a sound understanding of the impact CSR actions on a firm’s performance.

While symbolic CSR actions are understood as any actions related to CSR topics that a firm takes to show ceremonial conformity, substantive CSR actions involve actual changes at an operational level related to CSR generally implying tangible and measurable actions that require the use of a firm’s resources. We hypothesize that substantive/symbolic CSR actions have a positive/no impact on sustainable financial performance if stakeholder proximity is high, and that the opposite is true for low-proximity stakeholders. We further posit that a gap between symbolic and substantive CSR actions (i.e. “mere talk”) will be scrutinized by high-proximity stakeholders, but rewarded in case of low-proximity stakeholders by a gain in legitimacy. If both types of actions are aligned, i.e. if firms decide to “walk the talk”, we conjecture positive effects for both stakeholder groups.

Our data stems from a variety of different sources which allows us to gain a comprehensive picture of how symbolic and substantive CSR actions affect firm performance depending on stakeholder proximity. We base our sample on CSR performance data from Thomson Reuters’ Asset4ESG database which specifically provides detailed information on (symbolic and substantive) CSR actions of firms. We supplement this dataset with financial and accounting information from Thomson Reuters’ Datastream database. As

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hypothesized we find that substantive/symbolic CSR actions have a positive/no impact on sustainable financial performance if stakeholder proximity is high, and that the opposite is true for low proximity stakeholders. Further, our results show that a gap between symbolic and substantive CSR actions (i.e. mere talk or walk) will be scrutinized by high-proximity stakeholders, but rewarded by low-proximity stakeholders as they have difficulties in recognizing the gaps as such. If both types of actions are aligned (“walk the talk”), we find positive effects for both stakeholder groups. Further, our findings indicate that overall walking the talk is beneficial in every case.

References are available upon request.
Consumer-Based Attitudes Towards CSR: Scale Development and Validation

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Keywords: consumer attitudes, CSR, scale development, sustainability behavior, consumer–company evaluations

EXTENDED ABSTRACT

Research Question
Companies’ CSR activities increasingly affect consumer perceptions (McWilliams & Siegel, 2001), generating significantly improved corporate reputations (Bhattacharya & Sen, 2004; Hsu, 2011; Porter & Kramer, 2006) and product evaluations (Lai et al., 2010) and fostering loyalty (Marin, Ruiz & Rubio, 2009). Furthermore, a company’s CSR initiatives increase consumer-company identification (Marin et al., 2009; Sen & Bhattacharya, 2001), consolidate stakeholder-company relationships (Du, Bhattacharya & Sen, 2007), increase purchase intention (David, Kline & Dai, 2005; Mohr et al., 2001) and even positively affect financial performance (Berman, Wicks, Kotha & Jones, 1999; Inoue & Lee, 2011).

Research has increasingly used the Kinder, Lydenburg, Domini (KLD) data to investigate the role of CSR in financial performance of organizations (Inoue & Lee, 2011; Orlitzky, Schmidt, & Rynes, 2003). In particular, five dimensions of the KLD data are commonly employed: environmental issues, community support, diversity issues, employee support and product CSR (Sen & Bhattacharya, 2001; Inoue & Lee, 2011). Some studies have demonstrated that the KLD dimensions have a significant and distinctive influence on corporate reputation (Melo & Garrido-Morgado, 2012). However, most of these studies have only taken into account one, two or three dimensions of CSR (Brammer & Pavelin, 2006; Hillman & Keim, 2001; Kacperczyk, 2009).

In short, there exist few insights into choosing the most salient CSR dimension to incorporate into a company’s marketing strategy (Aguinis and Glavas, 2012; Pérez et al., 2012). More specifically, academic evidence regarding the distinctive influences of each of the five CSR dimensions noted above on consumer response is limited. Therefore, this study aims to fill this gap by exploring the discriminant validity of five CSR dimensions in a general consumer context together with their effects on several internal and external CSR outcomes.

Method and Data
We conducted three online panel studies among convenience samples of the Dutch population. Study 1 only measured consumer attitudes towards CSR (N=226). In study 2, we included items measuring sustainable consumer behavior and willingness to pay (N=207). Finally, in study 3, conducted in the context of consumers’ CSR perceptions of a large supermarket chain, we included the identity attractiveness of the company, consumer–company (C-C) identification and consumer–company (C-C) congruence as constructs in consumer–company evaluations (N=118). We conducted a Confirmatory Factor Analysis (CFA) in IBM SPSS Amos 16.0 to test four competing models. We compared a one-dimensional model and a five-dimensional model with both correlated and uncorrelated dimensions. Finally, we investigated whether a second-order, five-dimensional factor model would fit the data better than a first-order, five-dimensional model.

Summary of Findings
Study 1: Consumer Attitudes Towards CSR Dimensions. Based on the existing literature and CSR item scales, a 5x3 item scale was constructed: five blocks of three items, with each block measuring an attitude towards one of the five CSR dimensions. We used a seven-point Likert scale to measure attitudes toward the five dimensions. To measure attitudes towards environmental CSR, a three-item scale based on Mohr et al. (2001), was used. To construct items for
the attitudes towards community CSR scale, three items from the CSR scale used by Hsu (2011) were adapted. To measure the attitudes towards employee CSR, items from Turker’s CSR-item scale (2009) were adapted. The attitudes towards diversity CSR was measured by adapting the “valuing difference” scale of Pless & Maak (2004). Finally, to measure the attitudes towards product CSR, the three-item scale, “Product Social Responsibility,” based on Brown and Dacin (1997), was adapted to a three-item attitude scale.

The results in study 1 show that the one-dimensional model and five-dimensional uncorrelated models do not fit the data. In contrast, the five-dimensional model with correlated dimensions provides a significant fit. The χ2 difference tests indicate significant differences between the first- and second-order five-dimensional models, with the first-order model being the best-fitting. The alpha values for all five dimensions are high.

Study 2: Consumer Attitudes Towards CSR Dimensions and Consumer Behavior. As in study 1, we included the 15-item scale of consumer attitudes towards CSR. To measure the sustainability of consumer behavior, we included six items (cf. Maigian, 2001), where four of the items focused on buying behaviors with respect to socially responsible products and two of the items concerned willingness to pay for products from socially responsible companies.

While the one-dimensional model and the five-dimensional uncorrelated model do not fit the data, the five-dimensional model with correlated dimensions, by contrast, achieves a significant fit. In line with study 1, the χ2 difference tests indicate significant differences between the first- and second-order five-dimensional models, where the first-order model is the best-fitting. The five dimensions explain a moderate proportion of the variance in both product categories. The results further show that consumer attitudes towards environmental and product CSR positively affect both sustainable behavior and willingness to pay. The other three dimensions, consumer attitudes towards employee CSR, community CSR and diversity CSR, do not significantly influence sustainable behavior or willingness to pay.

Study 3: Consumer Attitudes Towards CSR Dimensions and Consumer–Company Evaluation. As in studies 1 and 2, we used the 15-item scale of consumer attitudes towards CSR. However, we slightly modified the focus of the items. Instead of general attitudes towards CSR, we measured attitudes toward companies’ CSR initiatives (e.g., “Company X makes every effort to reduce the pollution from its factories”). For company evaluation, we included identity attractiveness, customer–company identification (C-C identification) and customer–company congruence (C-C congruence). Identity attractiveness was measured using five items, based on work by Marin et al. (2009) and Ajzen (1991). C-C identification was measured using the 3-item solidarity scale of Leach et al. (2008). C-C congruence was measured using three items, based on Darley and Lim (1992).

In line with studies 1 and 2, the first-order, five-dimensional model is the best-fitting of the models tested. The five dimensions explain a modest proportion of the variance. The results further show that consumer attitudes towards diversity and product CSR positively affect both company attractiveness and C-C identification. Furthermore, consumer attitudes towards product CSR positively affect C-C congruence. The other three dimensions, consumer attitudes towards environmental CSR, employee CSR and community CSR, do not significantly influence consumers’ company evaluations.

Key Contributions
Our three studies show the consistent, strong psychometrics of the 15-item scale. The internal validity of the scale is high, both in a context of general consumer attitudes towards CSR and in a consumer-company context. These studies imply that consumer attitudes towards CSR require a multidimensional approach and that the use of the five dimensions of environment, community, diversity, employee and product CSR may be appropriate. Distinctive effects associated with the different CSR dimensions are observed.

From a practical perspective, managers are advised to optimize the positive impact of CSR initiatives on company evaluation, product evaluation and purchase behavior by focusing on the importance of achieving initiatives that are recognized by consumers. Communication related to a company’s CSR initiatives helps increase awareness of a company’s CSR initiatives among consumers. Managers are advised to fully communicate their CSR initiatives to create awareness of them among consumers, as CSR awareness is likely to increase perceived CSR.

Although the three studies presented here have several limitations, we conclude, based on the results of our studies, that a five-dimensional approach to consumer attitudes could be helpful in explaining consumer sustainability and consumers’ CSR evaluations of organizations. Future studies, in different contexts, may further validate the results of the present studies.

References are available upon request.
Deconstructing Sustainability: The Different Effects of Pro-environmental And Pro-social Attributes on Consumer Behavior

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Keywords: sustainability, environment, pro-social, trade-off

EXTENDED ABSTRACT

Research Question
Issues ranging from climate change to the fair treatment of workers have fueled the public’s interest in the broad concept of sustainability and have motivated a wide variety of initiatives within industry (McKinsey 2011). Over time, the term sustainability has evolved to encompass many different types of activities. However, despite the popularity of the term, interpretations of exactly what it means vary amongst consumers (Simpson and Radford 2012). Likewise, academic researchers have operationalized sustainability in different ways, typically focused on either environmental issues (e.g., recycling, pollution) or social issues (fair trade, supporting communities) (Cotte and Trudel 2009). Indeed, a common trait of most academic research focused on sustainability is that sustainability is studied along a single dimension (i.e., social or environmental), with little attention paid to the possible psychological differences between these two dimensions and the consequences of these differences for consumer behavior. Therefore, our research objective is to determine whether, and how, a characterization of sustainability as either focused on social or environmental issues influences consumer behaviors, such as product choice.

Method, Data, and Findings
We began with an exploratory study to investigate how the environmental and social dimensions are perceived and how they may impact choice. Participants in a sponsored market research survey (n = 422) were asked to choose between two chocolate bars. One chocolate bar was described as being “environmentally responsible (e.g., minimizing pollution, efficient energy usage)” and the other was described as “socially responsible (e.g., using fair labor practices, supporting local communities)”. After choosing, participants responded to an open-ended prompt providing reasons underlying their choice. These responses were analyzed using an exploratory approach (Strauss and Corbin 1998), with responses split into social and environmental choices and open coded to identify recurring themes. Beyond the obvious distinction of a focus on people versus planet, three themes emerged that distinguished the two dimensions. First, participants perceived the social (vs. environmental) dimension as being relatively short-term (vs. long term) oriented. Second, they perceived the social (vs. environmental) dimension as being relatively local (vs. global) in orientation. Third, they explained their choice of the pro-social (vs. pro-environmental) option on a relatively more emotional (vs. rational) basis.

Based on these findings, we conjectured that choice between relatively more pro-social versus pro-environmental options depends on the consumer’s decision basis (i.e., emotion-based or rational-thought based). From prior literature, while decisions based on emotions are relatively more proximal—and therefore are focused on short-term, local issues—decisions based on rational thought are relatively more distal, and therefore are focused on long-term, global issues (e.g., Chang and Pham 2013). Accordingly, a more emotion-based choice should favor a pro-social option whereas a more...
rational thought-based choice should favor a pro-environmental option.

To test this hypothesis while also assessing generalizability, two studies were conducted using student (n = 110) and online (MTurk) (n = 121) samples. Each study began with the same chocolate choice scenario in the first study, with an additional “neither” option. After choosing, participants completed the decision basis scale (Shiv and Fedorikhin 1999) to assess the degree to which the choice was rationally (vs. emotionally) based. Logistic regressions of choice (1 = environmentally responsible; 0 = socially responsible) on decision basis found that environmentally (socially) responsible choices were more rationally (emotionally) based in both the student (β = .31, Wald χ² (1) = 3.92, p < .05, OR = 1.37) and online samples (β = .31, Wald χ² (1) = 4.22, p < .05, OR = 1.37).

**Key Contributions**

Using a mixed method approach and diverse participant samples, our research suggests that consumers perceive the environmental and social dimensions of sustainability as psychologically distinct in several important ways. Further, we illustrate how these differences can influence consumer responses, such as product choice, based on the alternative decision approaches that consumers use. Specifically, we found that whereas consumers perceive social issues as relatively more short-term and locally oriented, they perceive environmental issues as relatively more long-term and globally oriented. As a consequence, the choice between a relatively more pro-social vs. pro-environmental option will depend on the decision basis adopted by consumers—either emotional or rational. Whereas an emotion-based decision is likely to favor the pro-social option, a rational-thought based decision is likely to favor the pro-environmental option. While our explicit focus was on choice between relatively more pro-social versus pro-environmental options, our findings are intended to demonstrate more generally that consumer responses to sustainability—which have been receiving significant attention from academics and industry—depend on how sustainability is portrayed. These results, therefore, suggest careful interpretation of prior research as well as hint at significant opportunities for future research.

*References are available upon request.*
Price, Value, and Green Purchase Intentions

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EXTENDED ABSTRACT

Research Question
While the debate about green products has surged in the last few years, the sales of these products have been nowhere near the estimated numbers. Although, 82% of Americans want to go green, only 16% have actually tried out green products. The study focuses on identifying the antecedents that drive the perceptions of price fairness and subsequent purchase intention of green products. Green products essentially talk about current and future benefits to self and to the society. Perhaps consumers do not see value in green products. Specifically, this study looks at various altruistic and self-centered motives that play a role in influencing the green purchase intentions. We also look at the effects of price fairness and green brand trust.

We borrow price fairness from ethics literature. We also adopt self-centered motives such as price consciousness, value consciousness, and prestige sensitivity from retail literature. Additionally, we check for the effect of green brand trust. Finally, we consider environmental consciousness and social consciousness as altruistic motivations adopted from behavioral literature. Then a conceptual framework for green product purchase is developed.

Method and Data
The total sample size for this study was 280 students who were enrolled in business program in a metropolitan area in southwest United States. The respondents were offered extra credits towards their courses as an incentive for participation.

Food was selected as the category as students are very knowledgeable about the category and some of them purchase green food products. The organic food sales growth story has been phenomenal in the last few years. They have been growing faster than the regular grocery sales and the value of the industry is now around $30.5 billion in USA.

Also, there is a slow shift towards green products by American consumers which is spurring the growth of this category. So considering the relevance of this category in the present economic scenario, it makes an ideal choice given the sample to test for the attitude towards green products.

Responses were collected through Qualtrics, where participants in the survey were asked about the brands they view as green, the extent of trust they have for these brands, their attitude towards green brands, their innate characteristics (social, environmental, price and value consciousness) and their demographics.

Items for all the constructs were borrowed from extant literature.

Summary and Findings
A confrmatory factor analysis was done and all the factors loadings below .5 were discarded. Reliability test was also done and the Cronbach’s alphas for all the constructs were more than the acceptable level of .7 thus confirming validity and reliability.

The hypotheses were tested using regression. Price consciousness, value consciousness and prestige sensitivity have no effect on the purchase intention of green products. Therefore, the first three hypotheses which represent the selfish motives of a consumer to purchase a green product are not significant. Brand trust, was also not significant predictor of purchase intentions. Social consciousness and environmental consciousness constitute the altruistic factors, had an effect on green purchase intentions. Price fairness partially mediates the relationship between social consciousness, environmental consciousness and purchase intention for green products. Price fairness fully mediates the relationship between prestige sensitivity, brand trust and...
purchase intentions. However, there is no relationship between price and value consciousness and price fairness. The R-square of the model is 47% which is acceptable based on the literature.

**Key Contributions**

The research provides various insights on how consumers look at green products. The fact that price and value conscious consumers do not look at green products in a favorable manner is a reason for concern. There is a need for companies that sell green products to capture the existing interests of green products into purchase intention.

Due to the apparent lack of value for green products, a lot of consumers look at green products as unfairly priced. This therefore, has a more detrimental effect on purchase intention. However, brand trust and prestige sensitivity have a positive effect on price fairness. This denotes that if consumers trust that a brand is green, there is a possibility that they would be willing to pay a higher price for the brand and feel that the brand is worth it. As expected, social and environmental consciousness have a positive impact on purchase intention. Marketers do not need to expend a lot of efforts to motivate these people.

*References are available upon request.*

Does Greenwashing Pay?

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Keywords: price perception, perceived quality, green pricing, implicit association task

EXTENDED ABSTRACT

Research Question
Recognizing the prevalence of greenwashing when companies add a few green attributes to make green product claims, this research investigates how consumers may perceive such attempts to greenwash while charging premium prices. Taking a dual processing perspective where price serves as either a signal of quality or monetary sacrifice, we predict that greenwashing claims result in greater attention to monetary sacrifice associated with a green product.

Method and Data
We test our predictions using three experiments that examined the impact of green claims on product evaluations. In the first study, participants were provided with descriptions of a green product and average price for similar conventional products. In order to explore the basic premise that green products are associated with prices that are higher compared to conventional products, participants were then asked to indicate their willingness to pay for the green product. The second study tested the predictions by examining how a relatively expensive ($399.99) environmentally friendly product will be perceived by participants with different processing goals towards its purchase (low vs. high motivation). Finally in the third study, using an implicit association test (IAT), we confirmed ethical differences in associations between comprehensively green and greenwashed claims.

Summary of Findings
The results from study 1 were supportive of consumers’ willingness to pay high prices for green products and also that participants’ willingness to pay was not influenced by differences in preference for green products. Study 2 showed that when participants had high motivation to process information, participants paid greater attention to its monetary sacrifice irrespective of the nature of green claim. Interestingly, even in low motivation conditions, inconsistency between high price and a few green attributes for the greenwashed product resulted in a heightened attention to its monetary sacrifice leading to a decrease in inferences of its value. IAT used in study 3 supported that consumers implicitly associate higher ethicality with comprehensively green products and lower ethicality with partially green products.

Key Contributions
Despite the popularity of green product little research has been done to examine the role of green advertising claims on processing of premium prices charged for such products. This study provides an initial exploration into how green claims may impact consumers’ assessments of its price. Understanding the impact of green claims on processing of price information is important as it helps explain why consumers often cite high price as a reason for refraining from buying green products.

References are available upon request.

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Corporate Social Responsibility: Energy Efficiency and Sustainability in Franchise Systems

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Keywords: corporate social responsibility (CSR), franchising, energy efficiency, sustainability

EXTENDED ABSTRACT

Research Question
The political arena and collective social conscious have all but preached as gospel the necessity for environmentally-minded behavior. Yet concurrently, the economy and business world at large have seen jobs and profits grow as a result of potentially environmentally-misaligned activities such as crude oil drilling. These intriguing trends have been embraced by marketing scholars, and the research within corporate social responsibility (CSR) continues to enjoy a prominence in today’s top academic marketing journals. This paper seeks to add to that knowledge by examining the question, “What is the interplay between energy-based companies and energy conscientious, or green, marketing strategies?” We distinguish our research from others in similar domains by focusing on companies specifically in a franchise business format and concerning ourselves with variables such as popular press exposure.

Corporate Social Responsibility. CSR has been conceptualized as a company’s status “related to its perceived societal or stakeholder obligations” (Luo and Bhattacharya 2006, p. 2). Lodged within CSR is the idea of corporate responsibility to the environment (Carroll 1999). The range of “green” or sustainability strategies can run from something as simple as switching to more energy-efficient light bulbs, to a complete overhaul of a company’s entire supply chain (Ginsberg and Bloom 2004; McDaniel and Rylander 1993; Mendelson and Polonsky 1995). As CSR has become a more ubiquitous practice for businesses, much research has been devoted to understanding its linkage to the firm’s bottom line. Interestingly, and despite its popularity, CSR seems to have conflicting empirical evidence demonstrating its value to companies (Margolis and Walsh 2003). CSR, therefore, may have components that have not been fully examined, specifically in a marketing context. We attempt to address this gap by including visibility indicators (e.g., popular press articles, CSR program release statements, legal filings) and conduct our investigation specifically with franchise systems.

We have employed a franchising lens through which to evaluate our conjectures of CSR. Franchising is distinctive when it comes to CSR as independent or semi-independent owners (i.e., franchisees) and the larger owners (i.e., franchisor) can both (or neither) play a role in CSR policy implementation (Meiseberg and Ehrmann 2012). In order for a CSR policy to be enacted in a franchise system, many independent variables must align. When a CSR strategy is eventually put into operation by a franchise system, it is reasonable to surmise that particular strategy has been put to an organization-wide test and has the faith of many independent parties. We draw our sample from gasoline distribution channels, which is one of the oldest franchising industries in the USA.

Our hypotheses are stated here:

H1: Visibility of a franchise system is positively related to the profitability of that system.

H2: Court cases of a franchise system are negatively related to the profitability of that system.

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H3: Published sustainability reports of a franchise system are positively related to the profitability of that system.

H4: EPA violations of a franchise system are negatively related to the profitability of that system.

H5: Average stock price of a franchise system is positively related to the profitability of that system.

**Method and Data**

A list of gas and oil distributors that have gasoline stations in the South Central region of the United States was generated. A total of 54 companies were identified. Of these, 23 companies use franchising as their governance structure. Five privately owned companies were dismissed from the final list and CRSP, COMPUSTAT and secondary data for 17 of the publically-traded companies was available (see Table 4). The time-series data from 1990 to 2011 was collected, giving several hundred usable data points for the final regression equation; however, the dataset is unbalanced as some companies were either privately owned or acquired during the time period. AREG (linear regression with a large dummy-variable set) in STATA 12 was used to investigate the relationship between the set of independent variables and profitability. Three hypotheses were determined to be significant and directionally correct (discussed below).

**Summary of Findings**

Managerially, our research provides unique insight into the practices of CSR for franchise systems. First, visibility is not always related to profitability, suggesting that the old adage, “any press is good press” may not hold water. In fact, our research seems to suggest that visibility actually decreases profitability. However, as mentioned above, this may be due to company spending on advertisements which would decrease bottom-line profits. As such, if managers adopt a new CSR policy, they should not be too quick to jump to conclusions that if they see profitability fall it is a result of the CSR initiative. More likely, and as supported by our third hypothesis, public notification of CSR does correspond to an increase in profitability. This suggests that managers need to be ever vigilant in monitoring the type of visibility their company is being subjected to.

As our findings suggest, court cases and EPA violations both have a negative relationship to profitability. This, especially the EPA violations, should lead managers to conclude that the increasing environmental conscientiousness of consumers is a real force that affects profits. By recognizing this, managers may adopt more responsive and aggressive campaigns to address any negative press. By signaling to the market that the system has adopted a CSR policy which attenuates any court cases and EPA violations, these franchisors and franchisees may be able to not only mitigate the negative effects of this type of publicity, but enhance the profitability by publishing supplementary sustainability reports.

**Key Contributions**

This research contributes to marketing academic practitioners in several ways. First, to the best of our knowledge, it is the only study that looks specifically at energy-related companies and the CSR strategies that they employ. More specifically, we keep our investigation within a franchise context in order to add specificity and robustness to our conclusions. The implications of a CSR strategy in a franchise system are high in magnitude from both an economic and a policy perspective.

Regarding future research potential for this project, we suggest an incorporation of social media variables and metrics designed to track consumer awareness of companies’ efficiency and sustainability projects. As mentioned in the introductory sections of this manuscript, social media has lately been abuzz with sharing of environmentally-related stories. Computer programs designed to track the mention of franchise systems or other companies can add value by taking the focus of visibility in trade press publications and putting it more into consumer-driven publicity. It may be the case that the type of visibility has a moderating effect on the profitability of a system.

*References are available upon request.*
Part N
Special Topics

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New Perspectives in Marketing Theory and Applications

Engaging Customers in Co-Production Processes: How Value Enhancing and Intensity Reducing Communication Strategies Mitigate the Negative Effects of Co-Production Intensity

_Pascal Güntürkün, Till Haumann, Jan Wieseke, Laura Marie Schons_

Using a Hedonic Price Model to Test Prospect Theory Assertions: The Asymmetrical and Nonlinear Effect of Reliability on Used Car Prices

_Marc Prieto, Barbara Caemmerer, George Baltas_
Engaging Customers in Co-Production Processes: How Value Enhancing and Intensity Reducing Communication Strategies Mitigate the Negative Effects of Co-Production Intensity

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Keywords: co-production intensity, customer satisfaction, communication strategies, field experiment

EXTENDED ABSTRACT

Research Question
Co-production offerings in which customers engage in the production of goods and services are ubiquitous in everyday life. Hence, it is not surprising that the concept of co-production and its consequences have received increasing attention by marketing academics (e.g., Bendapudi and Leone 2003; Troye and Supphellen 2012). Although most of these studies are vital documents of the beneficial aspects associated with customers engaging in co-production (versus traditional firm-production), it remains largely unclear how customers’ perceptions of co-production intensity (in terms of effort and time) within co-production processes affect its overall evaluation. Furthermore, little is known about strategies that firms can employ to positively affect customers’ perceptions of co-production processes.

In light of these research voids this study aims to offer, a better understanding of the potentially negative effects of co-production intensity and new insights how firms can ameliorate these potential negative effects by employing adequate communication strategies. In this attempt, we investigated how co-production intensity affects customers’ satisfaction with the co-production process and explored whether customers’ satisfaction with the co-production affects important marketing outcomes. Furthermore, we assessed how potential negative effects of co-production intensity can be ameliorated through the use of value enhancing and intensity reducing communication strategies.

Method and Data
To address our research questions, we conducted a large scale field experiment in cooperation with a multinational company that sells standardized ready-to-assemble furniture to test our hypotheses on the basis of real co-production processes. Customers of that company were randomly assigned to five experimental groups (and one control group) and confronted with an advertisement poster which we used to operationalize the value enhancing and intensity reducing communication strategies. After six weeks, customers were contacted again and asked to participate in the survey, if they had bought and assembled a product between the initial and follow-up contact. We conducted a path analysis to test our hypotheses.

Summary of Findings
The results of our study support our hypotheses that perceived co-production intensity has a negative impact on customers’ satisfaction with the co-production, which in turn...
affects important relational and economic marketing outcomes. Based on these findings, we explored if value enhancing and intensity reducing communication strategies are able to reduce these negative effects. The study’s results suggest that communicating the economic value customers’ receive by co-producing the product/service helps to mitigate the negative effects associated with higher co-production intensity. In contrast, the communication of the relational value associated with co-production is less effective in reducing the negative effects of co-production intensity. However, combining both value propositions within a single communication strategy is most powerful in ameliorating the negative effect of co-production intensity as its improving influence exceeds that of a separate economic or relational value communication strategy.

With respect to communication strategies that focus on possibilities how customers can reduce co-production intensity, we find that a communication strategy which offers immediate support when customers experience difficulties is also highly effective in mitigating the negative effects of customers’ perceived co-production intensity. However, the communication of an optional (paid) service that can accomplish the co-production is less effective in reducing the negative effect of high co-production intensity.

**Key Contributions**

This study contributes to marketing research and management in several ways. Amongst others, we extend previous research on co-production by showing that high levels of perceived co-production intensity can harm customers’ satisfaction with the co-production and, in turn, negatively affect important marketing outcomes. These findings indicate that marketers have to be aware of the detrimental effects associated with intense co-production processes.

Moreover, the study offers new insights how negative effects of co-production intensity can be effectively managed by marketers. Specifically, the study’s findings show that negative effects of co-production can be mitigated by means of value enhancing and intensity reducing communication strategies. We thereby offer practical ways for marketers to influence co-production processes which are thought to be beyond the marketer’s control.

*References are available upon request.*
Using a Hedonic Price Model to Test Prospect Theory Assertions: The Asymmetrical and Nonlinear Effect of Reliability on Used Car Prices

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ABSTRACT
This paper investigates prospect theory implications in used goods markets. In particular, it develops a hedonic price model that addresses the price structure of the used car market in the light of prospect theory. The proposed hedonic price model provides empirical evidence in support of prospect theory predictions for explaining used car prices after controlling for observed product differentiation. It is demonstrated that consumers are risk seeking when used-car reliability is below the expected reference value and risk averse when used-car reliability is above the expected reference value. The model also illustrates how car quality affects residual values and how buyers evaluate used car reliability.

Keywords: used car market, prospect theory, residual prices, reliability

1. Introduction
Consumers regard buying an automobile as an important decision and the final choice is usually made after thorough consideration of alternative vehicles. Most of the existing empirical studies have focused on new automobile markets. Very little work has been done on the second hand-market and the formation of the residual values (Sullivan 1998, Baltas & Saridakis 2010). It is also useful to note that the importance of the used-car market has been increasing since the begging of the economic crisis. The economic crisis that has hit Western economies has led to a dramatic growth in the used car market. Nowadays, used cars are an important source of revenue for car retailers as well as an important alternative for prospective car buyers. Therefore, despite of having a poor knowledge of used car markets, the majority of car retailers have endeavored to enter this market in order to attract new customers as well as to retain their existing clientele. For these reasons we believe that it is important to gain a better insight into the dynamics of used car markets.

To that end, the present empirical study investigates buyer behavior in the second hand market. We design and implement a hedonic price model to understand which car features have the greatest impact on used car prices. However, a major difference between the new car market and the used car market is the issue of reliability. The reliability of a second hand vehicle is an additional factor that prospective buyers consider and try to evaluate using often limited information and proxies. Evidently, used car reliability is a key issue in the determination of price structures and residual car values. Following Engers et al. (2009), we consider used car reliability using the annual mileage as a proxy for how the market assesses the potential for future usage. We focus on deviations from observed annual mileage to reference annual mileage according to professional car retailing sources. Deviations from the reference annual mileage allow us to test for Prospect Theory (Kahneman and Tversky, 1979) and its implications in the formation of used car prices. As is well known, Prospect Theory (PT) explains
how people make choices among alternatives by comparing them to reference points. According to PT, people do not use the absolute value of the outcome but rather evaluate alternatives as a gain or a loss relative to a reference point (e.g., actual versus referent annual mileage). Kahneman and Tversky (1979) assume people to act generally risk adverse on gains and risk seeking on losses. As quality perceptions are very important in automobile choices, we are looking at the non linear effect of car reliability, which is defined as a lead indicator for quality (Golder, Mitra and Moorman, 2012).

The paper is organized as follows. The next section discusses the theoretical background with particular emphasis on PT, hedonic pricing theory, and used car markets. The third section develops our research hypotheses. Section 4 gives a short description of the data used in the analysis. The results are presented and discussed in section 5. The last section summarizes the paper.

2. Theoretical Background

2.1. Prospect Theory

As alluded to earlier, prospect theory (Kahneman and Tversky, 1979) suggests that consumers compare decision criteria against a reference point when evaluating alternatives. In other words, people do not use the absolute value of the outcome but rather evaluate the alternative as a gain or a loss relative to a reference point. The resulting losses or gains are then weighted by their probabilities of occurrence, forming a nonlinear function.

Tversky and Kahneman (1986) also underline that people derive more disutility from a loss than they derive from an equivalent amount of gain. Losses hurt more than gains feel good. This “strong distaste for losses” is an integral part of PT as deviation from a referent point has differentiated impact on utility if considered as a loss or a gain.

The referent point definition is then an important part of PT as it defines the outcome evaluation (loss versus gain). Therefore, this reference point definition needs particular attention. The PT literature shows several ways of referent point definitions. This concept has received wide applications in pricing where PT is mostly used (Erdem, Mayhew and Sun, 2001; Niedrich, Sharma and Wedell, 2001). The reference price is defined as “any price in relation to which other prices are seen” (Biswas and Blair, 1991; Briesh, Krishnamurthi and Raj, 1997). This referent price can be internal (if stored in consumers’ memory) or external (if given by the environment). In marketing, PT is often used to explain consumers’ purchasing decisions (Ong, 1994; Betts and Taran, 2006). Whilst PT has been widely applied to decisions regarding financial outcomes and time, in terms of choice related savings in the future, recent investigations have looked at the relationship between consumer choice and product quality (Betts and Taran, 2006). However, the application of PT to consumer decision-making in relation to product quality remains an underdeveloped area due to the difficulty in operationalizing and quantifying quality (Betts and Taran, 2006). This study uses real-life data to test how consumer willingness to pay a certain price for a product is influenced by reliability, which is considered a lead indicator of product quality perceptions (Golder, Mitra and Moorman, 2012).

2.2. The Used Car Market

Automobiles are characterized by a considerable initial cost as well as residual value, i.e., value that retains over time. Therefore, such durable goods allow for the existence of resale markets (Okada, 2001; Waldman, 2003). While the new car market is dominated by a small number of suppliers, used cars are commonly sold in a variety of ways by many individual sellers to many individual buyers (Betts and Taran, 2006). This market structure raises the issue of information asymmetry (Waldman, 2003). Information asymmetries allow sellers to determine prices taking into account the real quality of the goods they want to sell. On the other hand, buyers run the risk of buying a low quality product at the price of a high quality one. More precisely, Engers et al. (2008) demonstrate that this “lemon effect” is particularly prominent in the used car market for vehicles that are older than one year. This suggests that the older a vehicle is, the more information asymmetry exists, as it becomes increasingly difficult for consumers to estimate the actual quality of a car. Hedonic pricing theory, which is reviewed next, addresses how used car prices are influenced by product attributes and quality.
2.3. Hedonic Price Analysis
As is well known, hedonic price models postulate that the price of a product reflects the bundle of embodied characteristics valued by some implicit or shadow prices. In applied work, these implicit characteristic prices are coefficients that relate prices and attributes in a regression framework that typically has the semi-logarithmic functional form

\[ \log P_i = a_0 + \sum_{j} \beta_j x_{ij} + u_i \] (1)

where \( P_i \) is the price of the \( i \) product, \( a_0 \) is a standard regression intercept, \( \beta_j \) is the regression coefficients for the \( j \) product characteristic, \( x_{ij} \) is the \( j \) characteristic of the \( i \) product, and \( u_i \) is the error term (see e.g., Baltas and Saridakis, 2010). This hedonic approach allows determining the price consumers are willing to pay for each product attribute and has attracted great research attention, particularly in its application to the automobile industry (Berry et al., 1995, 2004; Baltas and Saridakis, 2010; Asher, 1992; Kooreman and Haan, 2006; Baltas and Freeman, 2001; Couton et al., 1996).

3. Hypotheses
To explain used car price depreciation we focus on variables that describe car obsolescence, in particular mileage. In line with existing work (Kooremans and Haan, 2006) we test whether the 100,000 km threshold leads to a discrete drop in a car’s value. We first state the following hypothesis:

**Hypothesis 1**: There is a significant drop in car prices if the total mileage exceeds the 100,000 km threshold.

We further test whether the effect holds for the entire market, or whether there are differences according to car attributes. This might be the case, as engine types are considered as attributes that differentiate cars into vertical categories (Verboven, 1999). With respect to our study, we are particularly interested in investigating whether the car engine type moderates the H1 effect as diesel cars are considered as more robust than gasoline cars. Moreover, the typical annual mileage of diesel automobiles is higher which means that a diesel car is usually younger than a gasoline car with the same total mileage. Due to these differences we expect the 100,000 km effect to be lower for diesel cars than for gasoline cars:

**Hypothesis 2**: Engine type moderates the mileage effect on car prices in that crossing the 100,000 km threshold leads to a lower discrete drop in diesel car prices.

We also evaluate the nonlinear impact of quality on prices following the PT assumptions (Ong, 1994; Liu, 1998, Betts and Taran, 2006, Taran and Betts, 2007). To do so, we consider observed annual mileage as a proxy for used car reliability. The rationale behind this choice is as follows: If the net flow of benefits provided by a vehicle can be viewed as the value of transportation services minus the maintenance and repair costs incurred, a proxy of this flow can be defined as the annual mileage (Engers et al., 2009). If the mileage defines the vehicle possibilities for future usage, deviations from an expected value of total mileage for a given used car will be considered by consumers as well as sellers as a gain or a loss in future usage. To evaluate such deviations, we need to construct a referent point for annual mileage. We consider this referent annual mileage to be different between diesel and gasoline cars, given the differences in usage patterns as outlined above. To define the two referents, we refer to professional automotive publications and identify 25,000 km as an annual mileage referent for diesel, and 15,000 km for gasoline cars. This referent is used by all used car professionals as well as insurance firms when valuating resale prices.

The two referent points are compared to observed annual mileage for each car included in the sample. A car with an annual mileage below the annual referent is considered as a higher quality car than one that is above the referent. In other words, when deviations to the referent mileage are positive (i.e., fewer miles per year) we interpret that as a gain in quality and when negative (i.e., more miles per year) as a loss. If we adopt the PT assumptions as represented in Figure 1, the x-axis represents the deviation from the referent annual mileage, and the y-axis the price. To test the PT assumptions we construct specific variables that illustrate the relationship between quality and price as presented in Figure 1.

We compute a slope term and a curve term. These are used as independent variables in the hedonic pricing model. In addition, car attributes as described above are included as independent variables in the regression. The curve term is computed to describe the non linearity dependency between price and quality. In line with Figure 1 we transform the deviation from the annual referent mileage using cubit root (Betts and Taran, 2006, Taran and Betts, 2007). The variable included in the regression for the curve term will be referred to as km-curve. In addition, we model the larger disutility people place on a loss than they place on a gain for an equal amount. Individuals value a loss (a negative deviation from the referent) more than a gain (a positive deviation from the referent). In other words, a car with a 2,000 km positive deviation (i.e., it has done fewer miles per year) will less impact price in absolute value than a car with a 2,000 km negative deviation (i.e., it has done more miles per year). As a result, the slope of the curve before and after the reference point may be different (Taran and Betts, 2007). To test this assumption we include a dummy variable in the regression with value zero below the referent point and value one above the referent point. This term will be crossed with the cubit root deviation variable and be referred to as the km-slope.
We test the two following hypotheses to investigate whether PT is applicable in the used car context:

**Hypothesis 3:** Deviations below the annual referent mileage have a decreasingly positive effect on used car prices and deviations above the annual referent mileage have an increasingly negative effect on used car prices.

**Hypothesis 4:** The increase in the relationship between deviations from the annual referent mileage and price is lower below the referent point than the decrease in the same relationship above the referent point.

The curve term and the slope term test hypothesis 3 and 4 respectively. The curve term is expected to have a positive and significant effect and the slope term a negative and significant effect on price.

4. Data
We used a sample of 1,735 French used car ads posted on the highly frequented French website “Leboncoin.fr” from January to March 2012. To ensure representativeness of the sample, a quota sampling technique was applied: The sample consists of four car models which represent the majority of all used car transactions across car segments in France (CCFA, 2012). These car models are Renault Clio (for the small car segment), Citroën Xsara Picasso (for the MPV or monospace car segment), Volkswagen Golf (for the compact car segment), and Audi A4 (for the intermediate car segment). Information available from each used car ad was collected. We focused in particular on objective car attributes (e.g. mileage and color), seller attributes (e.g. location and type of seller), and the time span the ad was posted on the website. The asking price was used as dependent variable in our hedonic price analysis. Therefore, strictly speaking, these were not necessarily the prices the cars were actually sold for. However, the asking and selling price are closely correlated when not identical (Kooreman and Haan, 2006). The car attributes that were included as independent variables were age, mileage, engine power, engine type (diesel or gasoline), car segment, color, and any extras, including metallic paint, ABS, cruise control, air condition, and navigation. We also included the sellers’ location and profile (i.e., private versus professional seller). Table I presents the summary statistics and a short description of these variables. The car average age is 6 to 8 years and more than 60% are diesel cars. The average total mileage is 99,755 km.

5. Findings and Discussion
As our sample includes used car prices from private sellers as well as from professional sellers, our hedonic pricing regression requires much consideration in the sense that prices and type of seller may have a specific interaction. It is possible that seller type variable is endogenous to the regressor in the price equation. Therefore, we follow usual econometric rules to deal with endogenous dependant variables. We apply the instrumental variables correction method in a Two-Stages Least Squares (2SLS) regression model (see Greene, 2011). The round kilometers (roundkms) and the duration of the time the ad was posted (timepost) are used as instrumental variables for the seller type variable. These variables concern the time the car ad has been posted on the website (in days) and if the number of kilometers posted in the ad is rounded. Table II shows the regression results and presents test results for seller type endogeneity. A Hausman (1978) test for endogeneity confirms this. The Sargan and Basman tests further confirm the quality of the two instrumental variables.

The high R-squared value of the model (0.852) suggests that it explains price variations of used cars very well. This fit measure is particularly good compared to other hedonic pricing studies, which all deal with new goods: computer hardware (Baltas and Freeman, 2001), software (Gandal, 1994), mountain bikes (Randall et al., 1998), and passenger cars (Arguea et al., 1994; Riera et al., 2006).

After controlling for endogeneity the seller type variable has a positive and significant effect on price. The mean car price increases by 12 percent when the car is sold by a professional. We add the model variables to control for the seller’s location in the country. A partial F-test reveals that there are significant price differences across locations. As outlined above, we also tested how car model and segment affect price. The coefficients illustrate the price of each car model compared to the Renault Clio, considered here as reference. This price premium is larger for Audi A4 than for the other car models. Overall, the price ranking according to car model corresponds with the European car segmentation (Verboven 2002, Verboven and Brenkers, 2006).

In relation to car attributes, the analysis reveals that car age has a strong negative and decreasing effect on prices. For example, an additional year decreases the car price by 25.7 percent for a one-year old car, and by 5.6 percent for a seven-year old car. At the same time, engine power is highly and positively correlated with used car prices. Further, the results illustrate how different colors affect prices. Black has a significant positive effect, whereas white and red have a significant negative impact. Moreover, the model illustrates that three out of the five optional attributes have a positive and significant effect on price. Air conditioning has the strongest positive impact. For example, a used car sold 5,000
Euros could increase in price by 17.3 percent if it had air conditioning. Cruise control and metallic paint also have positive and significant impacts on price, whereas the effect of navigation and ABS are insignificant.

We now turn to consider the variables engine type and mileage. The results indicate a positive and significant effect of diesel engines. For equivalent cars, a diesel engine increases the price by 17.5 percent. We find a significant negative effect of total mileage in excess of 100,000 km. The effect of mileage is counterbalanced by engine type in the case of diesel cars. These finding support hypothesis 1 and 2 and explain how kilometers affect used car prices. Clearly, the engine type appears to be a moderator in used car price depreciation in the sense that high mileage diesel cars hold better residual values.

Hypotheses 3 and 4 related to PT are also supported by the regression results. The curve term has a decreasingly positive and significant impact on used car prices. Thus, deviations from the referent annual mileage have a positive impact on prices and a specific curvilinear form. The slope term is also significant and negative as expected. We conclude that the slope is steeper below the referent point. These results are consistent with PT assumptions and predictions. Thus, annual mileage is a proxy for used car reliability and consumers value deviations from its referent point. In par-

### Table I. Summary Statistics and Description of Variables

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<th>Mean</th>
<th>SD</th>
<th>Description</th>
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<td>Asking price</td>
<td>9592.51</td>
<td>7306.36</td>
<td>Asking price in Euros</td>
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<td>Asking price II</td>
<td>8.89</td>
<td>0.79</td>
<td>Asking price Neperian logarithm</td>
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<td>Age</td>
<td>6.78</td>
<td>4.59</td>
<td>Vehicle age in years</td>
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<tr>
<td>Age II</td>
<td>1.62</td>
<td>0.86</td>
<td>Vehicle age in years Neperian logarithm</td>
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<td>Mileage</td>
<td>99.755</td>
<td>66.508</td>
<td>Total car mileage in kilometers</td>
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<td>Mileage II</td>
<td>0.45</td>
<td>0.49</td>
<td>Dummy equal to 1 if total car mileage is up to 100,000 km, 0 otherwise</td>
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<tr>
<td>Engine power</td>
<td>101.92</td>
<td>39.43</td>
<td>Engine horsepower (cv. dyn.)</td>
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<td>Engine type</td>
<td>0.60</td>
<td>0.49</td>
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<td>Engine type II</td>
<td>0.27</td>
<td>0.44</td>
<td>Dummy equal to 1 if engine type is diesel and total car mileage is up to 100,000 km, 0 otherwise</td>
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<td>Car segment</td>
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<tr>
<td>Small: Renault Clio</td>
<td>0.46</td>
<td>0.50</td>
<td>Dummy equal to 1 if the car is a Renault Clio, 0 otherwise</td>
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<tr>
<td>Monospace: Citroën Xsara Picasso</td>
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<td>0.35</td>
<td>Dummy equal to 1 if the car is a Citroën Xsara Picasso, 0 otherwise</td>
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<tr>
<td>Compact: Volkswagen Golf</td>
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<td>0.40</td>
<td>Dummy equal to 1 if the car is a Volkswagen Golf, 0 otherwise</td>
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<td>Intermediate: Audi A4</td>
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<td>0.40</td>
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<td>0.07</td>
<td>0.26</td>
<td>Dummy equal to 1 if the car is a white car, 0 otherwise</td>
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<tr>
<td>Blue</td>
<td>0.15</td>
<td>0.36</td>
<td>Dummy equal to 1 if the car is a blue car, 0 otherwise</td>
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<td>Red</td>
<td>0.05</td>
<td>0.23</td>
<td>Dummy equal to 1 if the car is a red car, 0 otherwise</td>
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<td>Black</td>
<td>0.23</td>
<td>0.42</td>
<td>Dummy equal to 1 if the car is a black car, 0 otherwise</td>
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<tr>
<td>Brown</td>
<td>0.04</td>
<td>0.20</td>
<td>Dummy equal to 1 if the car is a brown car, 0 otherwise</td>
</tr>
<tr>
<td>Green</td>
<td>0.03</td>
<td>0.17</td>
<td>Dummy equal to 1 if the car is a brown car, 0 otherwise</td>
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<tr>
<td>Extras</td>
<td></td>
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<tr>
<td>Metallic paint</td>
<td>0.75</td>
<td>0.43</td>
<td>Dummy equal to 1 if metallic paint, 0 otherwise</td>
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<td>ABS</td>
<td>0.70</td>
<td>0.46</td>
<td>Dummy equal to 1 if ABS, 0 otherwise</td>
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<td>Cruise control</td>
<td>0.38</td>
<td>0.49</td>
<td>Dummy equal to 1 if cruise control, 0 otherwise</td>
</tr>
<tr>
<td>Air condition</td>
<td>0.72</td>
<td>0.45</td>
<td>Dummy equal to 1 if air condition, 0 otherwise</td>
</tr>
<tr>
<td>Navigation</td>
<td>0.09</td>
<td>0.30</td>
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<tr>
<td>Seller location</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>0.14</td>
<td>0.34</td>
<td>Dummy equal to 1 if seller is located in capital area, 0 otherwise</td>
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<tr>
<td>Northwest region</td>
<td>0.21</td>
<td>0.41</td>
<td>Dummy equal to 1 if seller is located in Northwest of country, 0 otherwise</td>
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<tr>
<td>Northeast region</td>
<td>0.25</td>
<td>0.43</td>
<td>Dummy equal to 1 if seller is located in Northeast of country, 0 otherwise</td>
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<tr>
<td>Southeast region</td>
<td>0.26</td>
<td>0.44</td>
<td>Dummy equal to 1 if seller is located in Southeast of country, 0 otherwise</td>
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<td>Southwest region</td>
<td>0.15</td>
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<td>Dummy equal to 1 if seller is located in Southwest of country, 0 otherwise</td>
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<td>Seller Type</td>
<td>0.50</td>
<td>0.50</td>
<td>Dummy equal to 1 if seller is a professional retailer, 0 otherwise</td>
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<td>Total number of observations</td>
<td>1735</td>
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Table II. Hedonic Pricing Model with IV Correction

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<td>Seller Type</td>
<td>0.117**</td>
<td>(0.0493)</td>
</tr>
<tr>
<td>Age II</td>
<td>-0.429***</td>
<td>(0.0213)</td>
</tr>
<tr>
<td>Engine power II</td>
<td>0.624***</td>
<td>(0.0401)</td>
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<tr>
<td>Curve</td>
<td>1.01e-05***</td>
<td>(2.39e-06)</td>
</tr>
<tr>
<td>Slope</td>
<td>-4.16e-05***</td>
<td>(1.03e-05)</td>
</tr>
<tr>
<td>Mileage II</td>
<td>-0.450***</td>
<td>(0.0282)</td>
</tr>
<tr>
<td>Engine type II</td>
<td>0.161***</td>
<td>(0.0308)</td>
</tr>
<tr>
<td>Engine type</td>
<td>0.102***</td>
<td>(0.0233)</td>
</tr>
<tr>
<td>White</td>
<td>-0.0906***</td>
<td>(0.0306)</td>
</tr>
<tr>
<td>Blue</td>
<td>0.00759</td>
<td>(0.0223)</td>
</tr>
<tr>
<td>Red</td>
<td>-0.0857**</td>
<td>(0.0342)</td>
</tr>
<tr>
<td>Black</td>
<td>0.0440**</td>
<td>(0.0199)</td>
</tr>
<tr>
<td>Brown</td>
<td>0.0133</td>
<td>(0.0390)</td>
</tr>
<tr>
<td>Green</td>
<td>-0.124***</td>
<td>(0.0465)</td>
</tr>
<tr>
<td>Other colors</td>
<td>Ref.</td>
<td>Ref.</td>
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<td>Cruise control</td>
<td>0.0790***</td>
<td>(0.0216)</td>
</tr>
<tr>
<td>Air Condition</td>
<td>0.169***</td>
<td>(0.0411)</td>
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<td>Metallic paint</td>
<td>0.0975***</td>
<td>(0.0250)</td>
</tr>
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<td>ABS</td>
<td>-0.0572</td>
<td>(0.0416)</td>
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<td>Navigation</td>
<td>0.0374</td>
<td>(0.0285)</td>
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<td>Monospaces</td>
<td>0.113***</td>
<td>(0.0264)</td>
</tr>
<tr>
<td>Compacts</td>
<td>0.101***</td>
<td>(0.0256)</td>
</tr>
<tr>
<td>Intermediate</td>
<td>0.251***</td>
<td>(0.0333)</td>
</tr>
<tr>
<td>Capital</td>
<td>-0.0673**</td>
<td>(0.0275)</td>
</tr>
<tr>
<td>North western region</td>
<td>-0.00367</td>
<td>(0.0251)</td>
</tr>
<tr>
<td>North eastern region</td>
<td>-0.0459*</td>
<td>(0.0242)</td>
</tr>
<tr>
<td>South eastern region</td>
<td>-0.0457*</td>
<td>(0.0240)</td>
</tr>
<tr>
<td>South western region</td>
<td>Ref</td>
<td>Ref</td>
</tr>
<tr>
<td>Constant</td>
<td>6.568***</td>
<td>(0.172)</td>
</tr>
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</table>

Observations 1.735
R-squared 0.852
Prob>F 0.000

Notes:
*** p<0.01, ** p<0.05, * p<0.1

"Sellers type" is instrumented by roundkms and timepost.
Dependent variable is lprice.

Tests of overidentifying restrictions:
Sargan (score) ch2(1) = 1.12784 (p = 0.2882)

Basmannch2(1)=1.11036 (p = 0.2920)

Hausman test:
H_0: difference in coefficients not systematic

chi2(25) = (b-B)'[(V_b-V_B)^{-1}](b-B) = 1.09 ; Prob>chi2 = 1.0000

Test curve slope:
(1) km-slope=0 & (2) km-curve=0

chi2(2)=23.55 Prob> chi2= 0.0000

particular, deviations from the expected annual mileage affect used car prices and their depreciation over time.

6. Conclusions and Implications for Future Research

In this paper we have been concerned with the valuation of used cars and the role of key factors in the determination of prices in the used car market. We have used hedonic price analysis to illustrate how car quality affects residual values. It has been demonstrated that most of the price variation in the used car market can be explained by observable characteristics related to performance (e.g., engine power), vehicle age, extras (e.g., air conditioning), engine type (e.g., diesel), as well as annual mileage.
In particular, age and engine power have a strong significant impact on price. Moreover, an annual mileage greater than 100,000 km has a significant negative effect on residual car value. However, this negative effect is moderated by engine type. This finding suggests that the car price differentials between the two engine types in the new car market (European Commission, 2012) still hold in the used car market. This price differentiation based on engine type is particularly interesting and revealing. Diesel cars command price premiums in used car market and their residual values are less affected when they exceed the total mileage 100,000 km.

Moreover, it has been shown that residual car values are affected by deviations from the expected average annual referent mileage. The inclusion of curve and slope mileage specific parameters provides a statistically significant improvement of the model, suggesting buyer behaviors that are in agreement with PT implications. These results support the notion that annual mileage can be used as a convenient and pertinent proxy for used car quality and corroborate PT assumptions regarding the determination of used car prices.

Important issues await further investigation. As the paper contributes to understand price formation in second-hand markets, it would be interesting to complement our study in at least two ways. The first is to conduct a larger study including more car models and carmakers (Baltas and Saridakis, 2010). Second, the interaction between new and used car prices could be investigated in the light of new technology and especially electric cars. In the future, the diffusion of electric vehicles may decrease attractiveness of traditional diesel engine cars and change the price patterns of the used car market.

References


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